BLACKPOOL COUNCIL

REPORT

of the

DIRECTOR OF RESOURCES

to the

EXECUTIVE

2ND NOVEMBER 2020

FINANCIAL PERFORMANCE MONITORING AS AT MONTH 5 2020/21

---

1. Introduction

1.1 This report is the standard monthly financial performance monitoring report, which sets out the summary revenue budget position for the Council and its individual directorates for the first 5 months of 2020/21, i.e. the period to 31st August 2020, together with an outlook for the remainder of the year. The report is complemented with an assessment of performance to date of balances and reserves, income collection, the Council's latest Capital Programme and statements relating to Cash Flow Summary and Balance Sheet Summary. It also incorporates the impact of the Council's wholly-owned companies for which the Council is parent company and underwriter.

1.2 This year is unprecedented in the operational and consequential financial demands being placed upon the Council from the very outset with the introduction of the Government's lockdown and restriction measures resulting from the Covid-19 pandemic. This has impacted in a variety of ways from increasing service demand and cost to curtailing income sources and not just for Council services but also its private sector providers, its wholly-owned companies and its partners, necessitating budgetary overspends, supplier reliefs and subsidies, cashflow loans and other support measures besides implementing at short notice Government policy initiatives such as business support grants, business rate reliefs and infection prevention and control grants.

2. Report Format

2.1 Separate reports have been prepared for each of the Council's core areas of responsibility:

- Appendix 3a - Chief Executive
- Appendix 3b - Governance and Partnership Services
- Appendix 3b/c - Ward Budgets
- Appendix 3d - Resources
- Appendix 3e - Communications and Regeneration
- Appendix 3f - Strategic Leisure Assets
- Appendix 3g - Growth and Prosperity

- Appendix 3h - Community and Environmental Services
- Appendix 3i - Adult Services
- Appendix 3j - Children's Services
- Appendix 3k - Public Health
- Appendix 3l - Budgets Outside the Cash Limit
- Appendix 3m - Wholly-owned companies

These incorporate summary financial statements which continue to be prepared on a full accruals basis and focus on the forecast revenue outturns for 2020/21. There is an accompanying narrative to explain any areas of significant variance from budget and to highlight any areas of potential pressure along with action plans agreed with service managers to address them.

2.2 The combined effect of the directorates' financial performances is aggregated in a summary financial statement at Appendix 1 which mirrors the Council's Revenue Budget Book and also reconciles to the monthly Covid monitoring returns that have been required by the Ministry of Housing, Communities and Local Government (MHCLG). This summary allows proactive month-on-month monitoring of the Council's forecast working balances to be undertaken to ensure appropriate and prudent levels are maintained. Appendix 2 highlights on a 12-month rolling basis those services which trip the designated overspending reporting threshold.

3. Directorates' Budget Performance

3.1 The Provisional Outturn Report 2019/20 was reported to the Executive on 15th June 2020. To allow services to enter the new financial year in a balanced position and give directorates a realistic chance of meeting their budget savings for what will be the 10th consecutive year of material budget cuts, the Executive agreed to write-off all 2019/20 service variances but carry forward the 2019/20 underspend of £206k on Ward Budgets and the overspend of £4,183k on Growth and Prosperity. The 'Cash Limited Budgeting' policy allows for overspends to be carried forward if there is a plan in place to deliver. As such the Growth and Prosperity overspend of £4,183k is to be covered by Earmarked Reserves in 2019/20 and recovered in 2020/21.

3.2 The impacts of directorates' revenue budget performance and progress in achieving planned savings fall upon the Council's working balances. The main areas accounting for the month 5 forecast overspend of **£8,872k** for 2020/21 are summarised below:-

Directorate	Service	Forecast Variance £000
Adult Services	An overspend of £7,672k is forecast including £7,496k relating directly to Covid. Adult Commissioning Placements is forecast to overspend by £7,542k. There are £7,395k pressures caused by Covid and the main reasons relate to £2,472k in respect of a 10% provider rate up-lift for a period of 6 months and £1,764k for Personal Protective Equipment (PPE). In addition, at July 2020 Enhanced Hospital Discharges are estimated to cost £2,810k which is to be offset by an equivalent contribution from Blackpool Clinical Commissioning Group (CCG). Additional pressures sit within Complex Cases. Care and Support is forecasting an overspend of £131k of which £101k is due to Covid pressures. The balance of £30k is due to a pressure in the Vitaline service as a result of handing back the hostels SLA to Blackpool Coastal Housing	7,672
Strategic Leisure Assets	Strategic Leisure Assets is forecasting a £7,434k pressure. £5,692k of this deficit is due to a loss of income caused by Covid. In accordance with the original decision for this programme by the Executive on 7th February 2011, the projected overspend on Strategic Leisure Assets of £1,742k (i.e. excluding Covid costs) will be carried forward and transferred to Earmarked Reserves. The forecast cumulative deficit as at 31st March 2021 is £20,975k. This incorporates the increased repair costs, mainly relating to Tower steel work. The Leisure Assets medium-term financial plan now forecasts the service to break-even, in-year, during 2024/25. This has increased from 2021/22 mainly due to an assumption around the longer lasting impact of Covid.	5,692
Children's Services	An overspend of £4,842k is forecast including £2,794k Covid costs. The Children's Social Care budget was increased by £8.173m in August 2020 following the approval of the refreshed Children's Services Medium Term Financial Strategy (CSMTFS). The additional investment was required to cover the increase in numbers and unit costs of Looked After Children (LAC) between budget setting and 31st May 2020 and also to develop the placements market and increase the capacity within internal fostering. The CSMTFS aims to reverse the current trend and this investment alongside other service improvements should ensure the service can live within the current budget by 2022/23. However, the Children's Social Care division is still forecasting an in-year overspend due to the worsening position since May 2020 (£1.674m) and the impact of Covid (£1.909m).	4,842

	Nationally, there is an expected increase in demand for children's social care services post-Covid that could see an additional pressure. By August 2020 LAC numbers stand at **664**. There are overspends in Education of £655k, primarily relating to the Special Educational Needs (SEN) Transport Service which is partly due to demand pressures and partly due to a historical savings target that was not achieved. There is also a £532k pressure due to Covid as Transport Services is expected to spend an additional £200k, £130k income targets for Music Services and Courts & Licensing are unable to be achieved, additional summer holiday scheme spend of £100k. There is also expected to be an additional cost of £68k as some baseline Literacy, Numeracy, Emotional & Social Health assessments will now be on paper rather than digital. There is an expected overspend of £353k in Early Help for Children due to Covid costs, which is mainly due to an unachievable Troubled Families income target. However, this is partially offset by a staffing underspend of £281k due to vacant posts across the service.	
Community and Environmental Services	An overspend of £3,719k is forecast of which £3,694k is attributable to Covid. Leisure Services are reporting a pressure of £2,162k as there has been no income forecast for the financial year due to the uncertainty surrounding the re-opening of leisure centres. Parks are forecasting a pressure of £106k due to lost sports income and potential bad debt from rental invoices. Catering Services are facing a pressure of £505k due to reduced income for school meals. All of the pressures facing the service are related to the Covid pandemic, and both Leisure and Catering Services are looking at options to reduce this pressure. Highways and Traffic Management Services is currently forecasting a pressure of £103k. There is an anticipated shortfall in Road and Street Works Act (RASWA) income of £162k due to work being halted during the Covid lockdown and the expectation that this income will be slow to resume, so will not be at the same levels as previous years. Highways & Engineering is forecast to save £59k, due to staffing vacancies and increased scheme income, which will help to offset some of the Covid-related pressures within the service. Waste Services are reporting a pressure of £523k due to a reduction in forecast income within Trade Waste where income has been reduced significantly due to the pandemic. The service is continuing to monitor the situation and is working hard to alleviate the pressure. Integrated Transport is forecasting a pressure of £250k due to the loss of Rideability income during lockdown and reduced income in the future due to social distancing measures reducing the capacity of the service. There is a	3,719

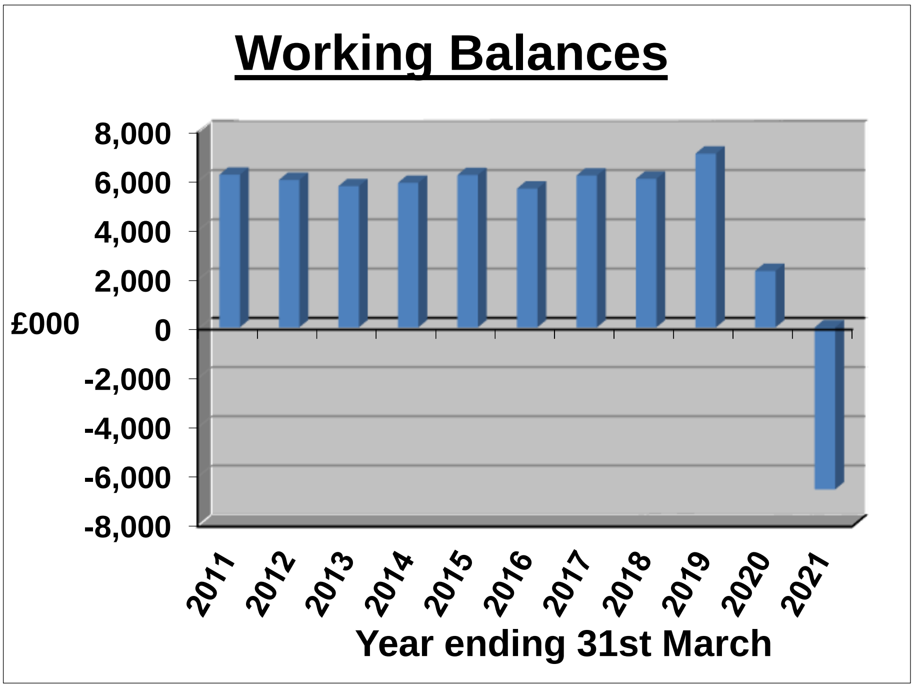
	target saving of £60k for school crossing patrols, but this will not be met and the re-opening of schools will lead to an additional staff cost pressure of £20k, due to the need for variable starts, so more requirement for crossing patrols. There are, however, one-off small savings identified within other areas, but the pressure within Travel and Road Safety will still amount to £70k. Other savings have helped to mitigate the pressures overall.	
Budgets Outside the Cash Limit	An overspend of £3,189k is forecast including £3,632k Covid costs. Parking Services is forecasting a shortfall on income of £2,129k for 2020/21. £2,165k of this shortfall relates to the expected loss of income due to Covid restrictions against budget. A small saving has been generated due to savings in staffing. There is a pressure of £1,336k in subsidiary companies. £1,377k of this pressure is due to the current restrictions relating to Covid. The current forecast assumes no dividend is received from Blackpool Transport Services (BTS) or Blackpool Operating Company Limited (BOCL). There is, however, expected to be a saving of £41k due to an expected reduction in charges, mainly relating to debt management. Housing Benefits is forecasting an overspend of £239k due to Covid relating to a reduction in the amount of overpayments recovered during the pandemic. Treasury Management is forecasting a favourable variance of £366k. The Council is currently using temporary and long-term borrowing to finance Prudentially-funded capital expenditure. While temporary investment rates and temporary borrowing rates are low, the Treasury team will continue to use a mix of both temporary and long-term borrowing to fund planned capital expenditure. The Business Loans Fund now has a savings target of £3,309k and there is some slippage in the loans being made to date. Concessionary Fares is forecast to underspend by £149k which is due to Covid. The full year estimate is based on payments to October 2020 using an average of 4 specific periods in 2019/20 together with forecast figures provided by BTS to the end of the year	3,189
Growth & Prosperity	An overspend of £2,400k is forecast against an adjusted budget for Growth and Prosperity which includes an approved carry forward overspend of £4,183k from 2019/20. The 'Cash Limited Budgeting' policy allows for overspends to be carried forward if there is a plan in place to deliver. The accounting mechanism is that the overspend is to be covered by Earmarked Reserves in 2019/20 and recovered in 2020/21. The service is currently expecting a £2,400k pressure. £1,836k of this relates to loss of income due to the Covid restrictions to	2,400

	the end of the financial year. This pressure also includes £700k of expenditure relating to the Enterprise Zone, however it is expected that this will reduce by the end of the year. In addition, there is a saving of £136k due to £533k of additional income over target less additional costs relating to regeneration projects.	
Governance and Partnership Services	An overspend of £874k is forecast of which £422k is attributable to Covid. Corporate Legal Services is expecting a £726k overspend including £722k relating to the increased spend on Children's services to cover the need for additional staff and legal fees due to an increased caseload and £4k due to Covid. Life Events and Customer Care is forecasting a pressure of £450k. Of this pressure £418k relates to Covid and includes a £289k contribution to mortuaries at Warton and Blackpool Victoria Hospital as well as lost income from weddings. An overspend of £32k in Life Events relates to continuing pressures in Coroners, Cremations and Burials. These are offset by a forecast underspend on Ward budgets of £300k.	874
Communications and Regeneration	An overspend of £778k is forecast including £794k Covid costs. Tourism & Communications is expecting a pressure of £630k of which £602k relates to Covid. The remaining pressure of £21k relates to Visit Blackpool. An additional saving in Events means that the £55k pressure relating to historic savings targets previously reported has now been met as well as a contribution of £56k being made towards the £77k additional sponsorship costs. Planning is expecting a pressure of £79k of which £127k relates to Covid. This has been offset in part due to staff savings and better than budgeted income in Building Control. Economic Development is expecting a pressure of £69k of which £65k relates to Covid. There remains a pressure of £40k relating to the Grundy Art Gallery. This has been reduced by use of savings elsewhere in Arts such as vacant posts and it is hoped that this can be reduced during the year. There is also a £24k saving in Libraries due to the release of some reserves and savings on staffing and savings of £12k in Economic Development due to some additional income and small savings elsewhere in the budget	778
Chief Executive	An overspend of £456k is forecast which all relates to Covid. This pressure is made up of additional costs relating to the temporary accommodation of rough sleepers in line with the government guidelines.	456

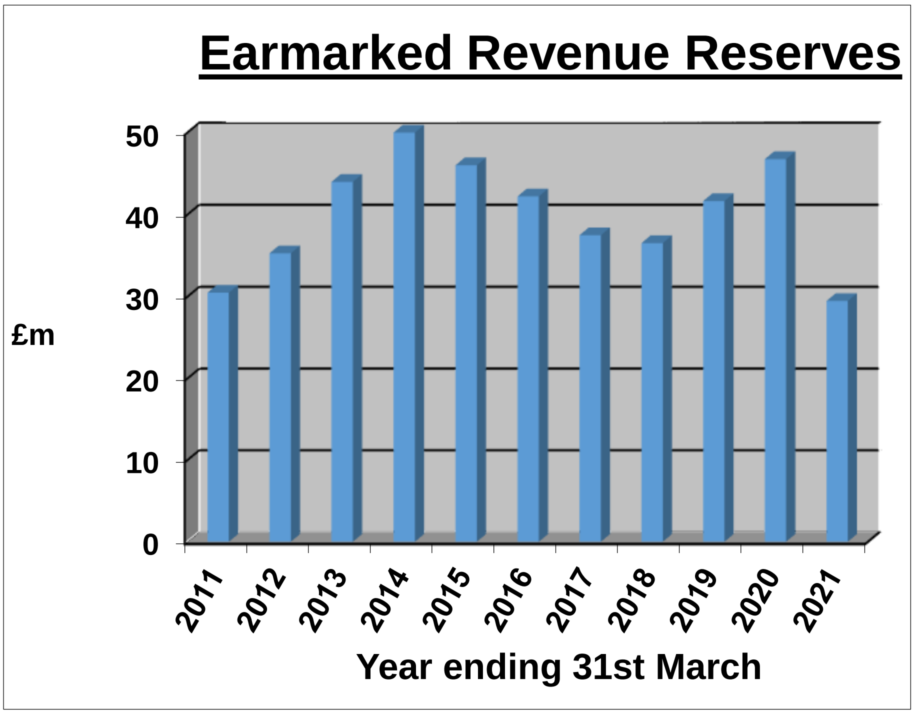
Public Health	An overspend of £81k is forecast. This relates to additional spend incurred by the Public Health team as a result of the Covid response. Since March Public Health has been responding to the outbreak of Covid to protect the population of Blackpool. The team has been working on the development of Community Hubs, including the homeless population, to ensure that those left vulnerable from Covid receive the support they need, for example food, welfare checks, medication, accommodation, etc. More recently the Public Health team has been supporting the Government's NHS Test and Trace service with contact tracing and support for complex local outbreak management. This required a single point of contact to be established, monitored and calls/e-mails actioned by appropriately qualified and informed staff. The spend relating to this work is not included in the above as this is being funded through a ring-fenced £1.7m Test and Trace service support grant from the Department of Health and Social Care, and therefore has no financial impact on the budgetary position for the directorate.	81
Resources	An overspend of £10k is forecast including an overspend of £275k due to Covid. Additional expenses incurred by extending the Finance and Payroll contracts until March 2023 has added pressure to the budget. This has been partly offset by vacancy savings. Property Services is forecasting a break-even position taking into account £250k Covid costs and are currently reviewing its income streams within the Investment Portfolio and dual use Council/commercial buildings such as Bickerstaffe House to assess the impact of Covid on rental income. This will be reviewed on a regular basis and pressures brought into the forecast if/when they are realised. A decision has been made to continue to bill tenants in line with their rental agreement, whilst offering deferred payment terms to businesses where appropriate. The Procurement and Projects Service is forecasting an underspend of £64k. Staff savings within the Procurement and Energy Management team have contributed towards the underspend. There has been an impact on services such as ICT, Revenues, Property Services, Benefits & Customer First as a result of Covid totalling £275k to date. This additional cost has been offset mainly by savings as a result of staff vacancies.	10

Contingencies and Reserves	There is a £1m freezing of non-essential and/or deferrable spend to deliver a saving of which £500k still needs to be allocated across services. As such, this is showing as a pressure for 2020/21. There are also savings from prior years that have not yet been met recurrently and these are currently showing a pressure of £668k, primarily procurement savings. Funding of £11,282k has so far been received from MHCLG net of £380k attributable to the 2019/20 financial year and a contribution of £2,810k is anticipated from Blackpool CCG for Enhanced Hospital Discharges. A MHCLG compensation scheme for non-commercial income lost due to Covid is estimated to provide an additional £7,917k in the full year.	(20,841)
Total		**8,872**

3.3 The graph below shows the stark impact on the level of Council working balances in-year together with the last 10 years' year-end balances for comparison:



3.4 Whilst the Council maintains working balances to address any in-year volatilities, it also maintains a number of Earmarked Revenue Reserves for such longer-term commitments as future Private Finance Initiative payments and uncertainties within the Localised Business Rate system. In order to present a complete picture of the Council's financial standing an equivalent graph to that of working balances, including a projection to 31st March 2021, is shown on the next page:



3.5 Earmarked Revenue Reserves (ERR)

	£m
Provisional Earmarked Revenue Reserves as at 1st April 2020	46.77
Less Covid grant funding	(5.71)
Less Strategic Leisure Assets non-Covid element of overspend	(1.74)
Less Recurrent Gap funding underwritten by ERR	(2.25)
Less Ward Budget underspend 2019/20	(0.21)
Add Growth & Prosperity – recovery of 2019/20 overspend	4.18
Less Transfers from ERR months 1, 2, 3, 4 and 5	(2.13)
Less Children's Services CSMTFS funded from ERR	(8.17)
Less Other movements	(0.56)
Forecast Earmarked Revenue Reserves as at 31st August 2020	30.18
Forecast Earmarked Revenue Reserves as at 31st March 2021	29.49

4. Covid-19

4.1 The current forecast effect on the Council's 2020/21 revenue outturn due to the effects of Covid stands at £27,172k gross. Funding of £11,282k has so far been received from MHCLG net of £380k attributable to the 2019/20 financial year and a contribution of £2,810k is anticipated from Blackpool CCG for Enhanced Hospital Discharges. In addition, it is estimated that £7,917k will be received from MHCLG in respect of the Sales, Fees & Charges compensation scheme. These leave a residual pressure to the Council of £5,163k. (This reconciles with the Council's Covid financial monitoring return to MHCLG taking into account the non-General Fund pressures of capital expenditure, Dedicated Schools Grant, Housing Revenue Account and Collection Fund.)

For completeness the table below shows all the Government Covid-related funding support announcements as at the date of this report:

Grant	Amount (£)	Announced
Business Support Grants	59,124,000	March + subsequent announcements including ringfencing of £2,422k for the Discretionary Grants Fund
Business Rate Reliefs	28,522,000	March
Covid support funding #1	6,084,606	March
Covid support funding #2	3,810,835	April
Covid support funding #3	1,767,168	August
Hardship Fund	2,803,101	March
Homeless top-up	11,250	March
Re-open High Streets	122,772	May
Infection Prevention and Control	2,193,612	May
Test and Trace	1,693,874	May
£63m for local authorities to assist those struggling to afford food and other essentials	Tba	June
Sales, Fees & Charges – compensation scheme	See below	See below

4.2 The Government has announced a compensation scheme for non-commercial income lost based upon 75% recovery over and above a 5% excess. The scheme compensates eligible authorities for irrecoverable losses compared to budgets and there will be 3 separate applications covering the periods 1st April 2020 – 31st July 2020, 1st August 2020 – 30th November 2020 and 1st December 2020 – 31st March 2021. A bid was submitted to MHCLG on 30th September 2020 in respect of the impact on Sales, Fees and Charges of Covid in the sum of £3,486k covering the period 1st April 2020 – 31st July 2020. Further bids will be submitted in due course to meet the MHCLG deadlines. It is estimated that the full-year effect will be £7,917k

5. Budget Savings

5.1 Appendix 4 comprises a summary schedule showing the progress made by directorates in achieving their revenue budget savings targets for 2020/21 which total £19.65m. As at 31st August 2020 67% of the 2020/21 savings target has been delivered. The full-year forecast, which takes into account anticipated pressures and savings including those relating to Covid, predicts that 55% will be achieved by the year end.

5.2 An additional £6m of one-off savings is hoped to be achieved to increase working balances to target levels. £3,012k had been identified in the 2020/21 Budget of which £900k was released in 2019/20 and so is unavailable in 2020/21, but work is underway to make up the difference and more in the current year.

6. Collection Rates

6.1 Council Tax

At the end of month 5 the amount collected for Council Tax (excluding Police and Fire precepts) was £25.0m and the collection rate was **41.6%.** This compares to £24.5m and 43.1% at the same point in 2019/20. The amount collected has risen by £0.5m which is mainly due to increases in both the Council Tax rate and base being offset by the impact of Covid, primarily deferred payments and revised instalment arrangements.

In the light of the reductions in discount and the introduction of the Local Council Tax Reduction Scheme the target collection rate is still 97.5% over a 4-year collection period as approved on 30th January 2020 as part of the setting of the Council Tax Base for 2020/21.

6.2 Council Tax Reduction Scheme (CTRS)

The Council Tax Reduction Scheme was introduced on 1st April 2013. The Scheme ensures that support to pensioners continues at existing levels. Working-age claimants are means-tested to establish entitlement and a percentage reduction (currently 27.11%) is applied at the end of the assessment to establish the level of support provided. From 1st April 2017 the scheme was amended so that certain vulnerable groups would have the 27.11% reduced to 13.56%. The scheme was also amended from 1st April 2018 to provide additional support for low income groups of claimants (in receipt of Income Support, Income-Based Jobseekers Allowance or Income Related Employment Support Allowance) by amending the percentage reduction applied to their award from 27.11% to 13.56%. From 1st April 2019 the scheme was further amended. The Executive approved the provision of additional support by amending the percentage from 27.11% to 13.56% for further low income groups of claimants or partners (in receipt of Jobseeker's Allowance Contribution Based, Main Phase Employment and Support Allowance and are in the Work Related Activity Group, Maximum Universal Credit and neither employed, self-employed or in receipt of any other income which is taken into account when calculating their Universal Credit award such as an Occupational Pension or other unearned income and Universal Credit which includes either the limited capability for work and/or work-related activity). Other claimants will continue to have a 27.11% reduction applied to their award and all applicants who were protected and paid 13.56% under the previous scheme will continue to pay 13.56% when they move to Universal Credit. At its meeting on 20th January 2020, the Executive approved that the reduction applied to working-age claimants under the 2020/21 Scheme remained the same as the 2019/20 Scheme. These have the effect of reducing the amount to be collected.

At the end of month 5 the amount collected (excluding Police and Fire precepts) in respect of the Council Tax Reduction Scheme and Council Tax for those who have to pay CTRS either for the first time or in addition to a proportion of their Council Tax was £1.0m and the collection rate was **35.9%.** This compares to £1.13m and 32.8% at the same point in 2019/20. The 2020/21 collection rate now reflects the impact of the MHCLG Hardship Fund. It is expected that billing authorities will use the fund to provide all recipients of working age local council tax support ('LCTS') during the financial year 2020/21 with a further reduction of up to £150 in their annual council tax bill.

The likely impact for 2020/21 is that the underlying rate of collection of Council Tax Reduction Scheme will be under greater pressure than 2019/20 due to accumulated arrears, limits on the amount that can be recovered from Attachment of Benefits and the impact of Covid.

6.3 Business Rates

Prior to 1st April 2013 Business Rate income was collected by billing authorities on behalf of central government and then redistributed among all local authorities and police authorities as part of Formula Grant. From 1st April 2013 to 31st March 2019 the income relating to Blackpool is shared between central government (50%), the Council (49%) and the Fire Authority (1%). Consequential adjustments were made to the Formula Grant equivalent.

On 13th December 2018 the Ministry of Housing, Communities and Local Government (MHCLG) approved the establishment of a Lancashire-wide 75% Business Rate Pilot Pool (including Blackpool) in 2019/20 to share risk and reward. As part of this, the 50% rate retention scheme increases to 75% and authorities in the pool will forego Revenue Support Grant. The value of the Revenue Support Grant was taken into account when revised business rate tariffs and top-ups for the pilot authorities were set. The Government also increased the Safety Net from 92.5% to 95% for the new pilot pools. Consequently, from 1st April 2019 the income relating to Blackpool is shared between central government (25%), the Council (73.5%) and the Fire Authority (1.5%).

From 1st April 2020 the Pilot scheme ceased and the percentage shares and Safety Net reverted back to the previous original shares. Revenue Support Grant was also reinstated.

At the end of month 5 the amount collected for Business Rates was £7.4m and the collection rate was **38.9%.** This excludes the significant s31 'Extended Retail/Nurseries etc' relief provided by central government. This compares to £21.0m and 42.6% at the same point in 2019/20. The main impact is due to Covid.

From April 2014 Business Ratepayers have been entitled to elect to pay by 12 monthly instalments instead of over 10 months. This has allowed businesses more time to pay. In the current circumstances no business rate summonses were issued in the 5 months to the end of August 2020.

Subject to audit, the Business Rate cumulative surplus as at 31st March 2020 was £3,619k. The Council's share of this is £2,490k (£695k @ 49% + £2,924k @ 73.5%).

7. Capital Monitoring Performance

7.1 All active capital schemes have been included within Appendix 5. The purpose is to present the overall position of capital spend. The schemes are shown individually where total scheme budget is greater than £500k and grouped as “other schemes” otherwise. As in previous financial years the emphasis regarding capital monitoring will be on scheme variance rather than in-year progress since many schemes cross financial years such as the major housing developments. Therefore, some degree of flexibility for the management of slippage is necessary in order to balance the overall capital programme each year to the funding allocations available.

7.2 The report includes the capital programme as approved by the Executive in February 2020. The month 5 report has traditionally included this data for comparative purposes. Future reports may show some changes in the capital programme, representing schemes that were approved after submission of the 2020/21 capital programme.

7.3 As at month 5 an overspend of £1.8m on capital schemes is anticipated. Following the announcement that Marcus Worthington and Company Limited and its subsidiary company, Hollinwood Homes Limited, have gone into administration, the Council is working with the appointed administrators, PWC, and partners to develop options for the Foxhall Village scheme. The reported overspend of £1.8m reflects the current best estimate subject to ongoing negotiations with the administrators.

8. Summary Cash Flow Statement

8.1 As part of the reporting format for this financial year a summary cash flow statement is included at Appendix 6. This provides a comparison of the actual cash receipts and payments compared to forecast for 2020/21.

8.2 During the first 5 months of the year, the Council’s net cashflow has resulted in fluctuations in short-term net investment/borrowing balances. This is as a result of the receipt of the £59m business rates grant that was received in April 2020. The Council is predominantly using temporary borrowing to finance Prudentially-funded capital expenditure, though is switching to fixed Public Works Loan Board loans as and when opportune to do so.

8.3 The uptake from the Business Loans Fund is expected to continue steadily during 2020/21.

9. Summary Balance Sheet

9.1 In order to provide a complete picture of the Council’s financial performance Appendix 7 provides a snapshot of the General Fund balance sheet as at the end of month 5. The key areas of focus are any significant movements in debtors, cash and cash equivalents, bank overdraft and creditors as these impact upon the Council’s performance in the critical areas of debt recovery, treasury management and Public Sector Payment Policy.

9.2 Over the 5-month period there has been a decrease in cash and cash equivalents of £16.1m due to an increase in capital expenditure on Property, Plant and Equipment of £16.9m in line with the Council's approved capital programme for 2020/21.

10. Conclusions and Recommendations

10.1 Over the 10-year period 2011/12 – 2020/21 cumulative Revenue Budget savings amounting to £166m have been required to be made by Blackpool Council. This is greater than the Council's current annual Net Requirement Budget of £142m and even more starkly the compound effect over the same period amounts to £996m of resource that has been removed from the Blackpool economy. This reflects one of the highest cuts per head of population across local authorities in England and in an environment of growing demands upon services as befalling an authority with such recognised pockets of significant deprivation.

10.2 The principles of the Medium-Term Financial Sustainability Strategy 2016/17 – 2021/22 are still valid and have been used to successfully keep apace with and deliver budget savings plans year after year. However, in tandem the soaring demand for child protection services and the rising costs of providing care for looked after children are still creating a crippling burden that current levels of local taxation and Government funding struggle to meet. In addition, the financial consequences of Covid have been immense but so far the Government has been making good with its promises of financial recompense.

10.3 Over the last 10 years of Government funding cuts Blackpool Council has consistently:

- delivered its annual budget in line with statutory requirements
- maintained its reserves and balances at stable and appropriate levels that reflect the risk environment, indeed increasing them further in 2019/20 by £5m despite the financial pressures faced in that year
- improved its income collection rates.

Most importantly and despite this backdrop it has consistently funded and delivered the ambitions of successive administrations.

10.4 However, the full-year forecast position at the end of month 5 of 2020/21 shows a marked deterioration in the Council's financial standing when compared with the draft unaudited position as at the close of 2019/20. Working balances are expected to fall by the current forecast overspend of £8,872k though £5,163k of this overspend is Covid-related.

10.5 The Council's Revenue Budget for 2020/21 set a target level of General Fund working balances of around £6m. Despite the circumstances it is still deemed appropriate to maintain this target level of £6m for working balances for the medium term and every endeavour is being made to deliver this and more. Earmarked revenue reserves at the start of the financial year stood at a record high of £46,772k, though with known in-year commitments against this the balance will fall to an estimated £29,490k by the end of the year. This should still be sufficient to underwrite the current year's financial risks with a separate financial plan in place for the Council's wholly-owned companies (ref. appendix 3m). It is hoped that by the end of the calendar year there will be sufficient clarity regarding Covid and future funding policies for local government to enable a refresh of the medium-term financial sustainability strategy together with an updated medium-term financial plan of another 6 years' horizon.

10.6 If the 2020/21 forecast position became the actual outturn, then in accordance with the Council's Financial Procedure Rules within its Constitution the forecast revenue outturn 2020/21 within this report contravenes both of the two specific conditions that excess spending does not:

1. exceed 1% (= £5m) of the authority's total gross revenue expenditure; or

2. have the effect of reducing the authority's Working Balances below 50% of their normal target level (= £3m).

But these are unprecedented times for the whole of local government and in the context of relatively healthy levels of Earmarked Revenue Reserves per CIPFA's Financial Resilience Index and with 7 months of the financial year still remaining officers are working continuously to improve the position such that service overspendings are no more than the working balances available - revised service and financial plans are underway, including the review of technical accounting treatments such as the Minimum Revenue Provision (MRP) policy, freezing of non-essential spend, use of earmarked reserves and delays to filling non-front line vacancies. This year's budget has been formulated to protect Children's Social Care and reinstate working balances in-part in anticipation of the next Spending Review whilst maintaining the capacity and resource to address the consequences of the Covid pandemic.

10.7 The Executive is asked:

i) to note the report;

ii) to continue to lobby central government (HM Treasury, Ministry of Housing, Communities & Local Government, Department for Transport, Department for Digital, Culture, Media & Sport, Department for Business, Energy & Industrial Strategy and Department for Education in particular) along with local authority peers and networks and the Local Government Association for the funding necessary to cope with the demands and new burdens presenting as a result of both Covid and within Children's Services; and

iii) to require the respective directors and Director of Resources to continue to closely monitor and manage service financial and operational performances, specifically Children's Services, Strategic Leisure Assets and Growth & Prosperity and also the 3 Wholly Owned Companies that are facing the biggest impact from the Covid-19 pandemic these being Blackpool Transport Services (BTS), Blackpool Entertainment Company Limited (BECL) and Blackpool Operating Company Limited (BOCL).

Steve Thompson
Director of Resources
15th October 2020