

BLACKPOOL COUNCIL
REPORT
of the
DIRECTOR OF RESOURCES
to the
EXECUTIVE
on
22nd JUNE 2015

PROVISIONAL OUTTURN 2014/2015

1. Introduction

- 1.1 The purposes of this report are to show i) a comparison of General Fund Revenue Account expenditure in the year ended 31st March 2015 with the approved budget and ii) a statement of Capital Expenditure in the year ended 31st March 2015 with sources of funding. The figures are provisional in that they are subject to external audit and any final accounting adjustments. The final figures will be incorporated in the Statement of Accounts for 2014/2015, which is the subject of a separate report to the Audit Committee on 24th September 2015 in order to comply with the statutory deadline required by the Accounts and Audit (England) Regulations 2011.

2. Provisional Revenue Outturn 2014/2015

- 2.1 The Provisional Revenue Outturn for 2014/2015 (before allowing for changes to working balances) is £141,802,000 compared with the approved budget of £142,121,000 – a net underspend of £319,000. The summary figures are shown at Appendix 1.
- 2.2 The year-end variance position for each directorate is set out in Appendices 2a to 2i and is summarised as follows:-

Directorate	2014/2015 Variance £000	Reference Appendix
Chief Executive	(9)	2a
Deputy Chief Executive	(41)	2b
Governance and Regulatory Services	14	2c
Area Forum and Ward Budgets	(237)	2c
Resources	40	2d
Places	50	2e
Strategic Leisure Assets (see para. 6.2)	-	2e

Community & Environmental Services	592	2f
Adult Services	336	2g
Children's Services	1,601	2h
Public Health	-	2i
Total	2,346	

2.3 The main reasons for this net service overspend are:-

Service	Reasons	£000
Children's Services	The Children's Social Care division overspent by £1.9m due to the continuing high numbers of Looked After Children (LAC). There was also a shortfall in grant income of £673k due to academy conversions. These cost pressures were partially offset by staffing and efficiency savings in other areas of Children's Services.	1,601
Community & Environmental Services	The main components of this overspend comprise of pressures on day-to-day income on Building Services, prudential borrowing costs associated with Project 30 and CSR savings no longer deemed achievable and where no alternative savings could be delivered. One-off efficiency savings have partly offset these overspends.	592
Adult Services	A brought forward budget gap of £2.5m was partially offset by releasing savings from the further integration of Health and Social Care services, budget rightsizing around Ordinary Residence and increased Fairer Charging income, leaving a recurrent gap of £1.5m. One-off staffing savings and a review of the balance sheet reduced the 2014/2015 in-year overspend down to £336k.	336
Places/Resources/Governance & Regulatory Services	The majority of these overspends relate to staffing pressures and income targets not achieved.	104
Chief Executive/Deputy Chief Executive	Vacancy savings plus additional income.	(50)
Area Forum and Ward Budgets	Scheme commitments of £237k that are being carried forward to 2015/2016 which reduces the true surplus on budget to zero.	(237)
Total		2,346

2.4 The financial outturn for budgets 'outside the cash limit' is detailed at Appendix 2j and shows an aggregate underspending of £761,000. The main reasons for this are:-

Service	Reasons	£000
Parking Services	Although 2014/2015 has seen an improvement in patronage, the continuing challenging income target has led to this overspend.	744
Concessionary Fares	This overspend is due to higher than expected bus patronage as a result of displacement following the removal of discretionary Tramway concessions for non-Blackpool residents.	543
Investment Portfolio	The overspend of £116k is primarily due to the costs of a delay in the demolition of the Syndicate.	116
Council Tax and NNDR Cost of Collection	Reduction in costs recovered.	14
Land Charges	Legal costs relating to nationwide property search litigation have resulted in this overspend.	11
New Homes Bonus	-	4
Housing Benefits	Reduction in scanning and printing costs.	(22)
Subsidiary Companies	Mainly the result of the ending of financing payments relating to previous investment at Sandcastle Waterpark.	(78)
Previous Years' Pension Liability	Reduction in payment to Pension Fund due to schools converting to Academies.	(277)
Treasury Management	The use of temporary borrowing and internal financing has enabled long-term borrowing to be delayed, therefore achieving savings against interest payable.	(1,816)
Total		(761)

3. Treatment of Revenue Budget Variances

3.1 As part of the year-end process an analysis of budget variances is undertaken in order to determine the treatment of under/overspendings on service budgets. The conventional Cash Limited Budgeting approach requires that:-

- underspendings are carried forward in full and are then available to supplement the following year's service budget;
- overspendings are similarly carried forward but must as far as possible be recovered in the following financial year (where an extended period is required, this must be on the basis of a recovery plan with a timetable not exceeding 3 years and approved by the Executive); and

- any windfall gains, as determined by the Director of Resources and arising from events outside the control of the service, are added to the Council's general working balances.

3.2 However, having considered the Provisional Revenue Outturn 2014/2015 in detail and the financial outlook and consulted Corporate Leadership Team colleagues, it is recommended that:-

- the underspending of £237,000 on Area Forum and Ward Budgets is carried forward to 2015/2016 in full;
- all remaining under and overspendings are to be written off:

Directorate	£000
Children's Services	1,601
Community & Environmental Services	592
Adult Services	336
Places	50
Resources	40
Governance & Regulatory Services	14
Chief Executive	(9)
Deputy Chief Executive	(41)
Total	2,583

This will allow services to enter the new financial year in a balanced position and give directorates a realistic chance of meeting their budget savings targets for that year.

4. Provisional Capital Outturn 2014/2015

4.1. This section sets out the level of expenditure incurred by the Council on its 2014/2015 Capital Programme. It provides a breakdown of expenditure by service in addition to providing a proposal on how the Capital Programme for 2014/2015 should be financed.

4.2. The total capital expenditure for the year was £43,409,327. This is summarised as follows with an analysis of spend by individual scheme available at Appendix 3:-

Department	£	£
Places – Housing Revenue Account (HRA)	11,816,514	
- Private Sector Housing	2,977,014	
- Transport	7,228,996	
- Other Schemes	1,186,121	23,208,645
Community & Environmental Services		12,014,222
Resources		2,834,407
Children's Services		2,176,981
Adult Services		1,787,760
Deputy Chief Executive		1,387,312
Total		43,409,327

4.3 CIPFA's Prudential Code of Practice requires the Council to set a range of indicators each year, one of which is to separately account for non-Housing Revenue Account and Housing Revenue Account expenditure incurred in the financial year. Total capital spend in 2014/2015 of £43.4m is split between

non-Housing Revenue Account of £31.6m and Housing Revenue Account of £11.8m.

4.4 The original Capital Programme for 2014/2015 was set at £48.5m whilst the amount actually spent in-year was 10.5% less than this. This is mainly due to slippage and the underspend will be carried forward to 2015/2016.

4.5 It is recommended that this expenditure is funded from the following sources:-

Source	£
Prudential Borrowing	5,020,424
Capital Receipts	2,430,880
Government and Other Grants	23,000,889
Other Sources:	
- Housing Major Repairs Allowance	4,104,332
- Revenue Contributions	3,634,027
- Lancashire County Council	1,353,419
- Other External Contributions	3,865,356
Total	43,409,327

The Council has maximised all capital resources available to it during 2014/2015 and arrangements have been made to ensure that funding for re-profiled schemes is carried forward into 2015/2016.

5. Collection Rates

5.1 Council Tax (CT)

At the end of month 12 the collection rate for Council Tax was 92.4%. This compares to 93.1% at the same point in 2013/2014.

In the light of the reductions in discount and the introduction of the Local Council Tax Reduction Scheme, the target collection rate is 98%.

The level of Council Tax income is also affected by movements in the actual Council Tax Base compared to that used for the purposes of the 2014/2015 Budget. The base is affected by the Council Tax Reduction Scheme which is effectively applied as a discount and therefore subsequently reduces the tax base. Movements in the Council Tax Reduction Scheme impact on the income due.

As at 31st March 2015 the level of arrears has increased to £12m (compared to £10.5m in 2013/2014) and the provision for bad debts has increased to £4.7m (compared to £4.1 in 2013/2014). These reflect the current economic climate and the risks associated with the Council Tax Reduction Scheme. If the actual collection rate is higher than 98% then the excess will be available to reduce the Council Tax in future years. If it is lower than 98% then an increase in Council Tax will be required in future years to cover the shortfall. This would be in addition to any changes arising from the actual collection rates in previous years.

5.2 Council Tax Reduction Scheme (CTRS)

The Council Tax Reduction Scheme (CTRS) was introduced on 1st April 2013. The Scheme ensures that pensioners' support 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.

The impact of changes in the numbers and ratios between Older Age claimants and Working Age Claimants during the year compared with the original estimates shows the volatility of the data used in projections.

At the end of month 12 the collection rate for those who have to pay Council Tax Reduction Scheme at 27.11% either for the first time or in addition to a proportion of their Council Tax is 66.5% (69.5% in 2013/2014).

The likely impact for 2015/2016 is that the underlying rate of collection of Council Tax Reduction Schemewill be lower than 2014/2015 due to accumulated arrears and limits on what can be recovered from Attachment of Benefits.

5.3 National Non-Domestic Rate (NNDR)

Prior to 1st April 2013 National Non-Domestic 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 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.

At the end of month 12 the collection rate for National Non-Domestic Rates was 95.1%. This compares to 94.9% at the same point in 2013/2014.

The deficit for 2014/2015 is £11.3m. The Council's share of this is £5.5m (49%) and provision for this has been included in the 2014/2015 revenue outturn. The main factors causing the level of deficit are write-off of bad debts (£1.8m), provisions for bad debts (£2.0m) and appeals provision (£5.9m). Prior to 2013/2014 these provisions were not required by central government, however they are now required to be reflected in the Council's statutory accounts at the Council's share of 49%.

The level of write-offs and the provisions for bad debts reflect the current economic climate and the volatility of these areas and supports the level of earmarked reserves held by the authority. The substantial increase in the appeals provision is due to the large volume of appeals submitted by 31st March 2015. This is due to 31st March 2015 being the end of a 5-year period where successful appeals can be backdated to 1st April 2010. From 1st April 2015 any appeals submitted will not be backdated.

The impact of the above is reflected in the Collection Fund for 2014/2015, but will not fully impact on the Council until 2016/2017 due to the methodology employed by central government to collect the data required to calculate the shares of Non-Domestic Rate income.

6. Reserves and Provisions

- 6.1 In accordance with Local Authority Accounting Panel (LAAP) Bulletin No. 99 the Council's reserves and provisions are continuously reviewed for relevance, appropriateness and materiality. The establishment, use and closure of reserves and provisions require the specific authorisation of the Director of Resources and auditable records are maintained to that effect. Members are asked to note that the level of earmarked reserves has decreased from £50.0m to £46.1m during 2014/2015 with those reserves in excess of £5m shown in the table below:-

Earmarked Reserves	2013/2014	2014/2015
	£000	£000
Public/Private Partnerships	15,428	17,350
Collection Fund Deficit Reserve (Council Tax & NNDR)	9,722	12,503
Potential Pay Liabilities	6,901	3,231
Service Variances	3,739	1,891
Other Reserves	14,173	11,091
Total Earmarked Reserves	49,963	46,066

- 6.2 The Strategic Leisure Assets cumulative overspend of £2,765,000 brought forward from 2013/2014 has been transferred to earmarked reserves along with the 2014/2015 in-year overspend of £544,000. It is forecast that the portfolio will break-even in 2017/2018 and will therefore start to repay the overspend. This is in line with the Medium Term Financial Plan.
- 6.3. Building Services' trading activities were able to make their budgeted contribution of £100,000 to the General Fund in 2014/2015.
- 6.4. The financial performance of the Housing Revenue Account (HRA) has been better than originally forecast for 2014/2015 by £566,000 with year-end balances of £5,617,000, which will be required in the main to support the Queens Park redevelopment scheme which is well underway.
- 6.5. Maintained schools' balances (which lie outside the control of the Council) decreased by £1.2m in 2014/2015 to £3.0m. A £0.8m reduction was due to academy conversions with the remaining maintained schools taking £381k from their reserves. £2.0m is also held in an earmarked reserve in relation to unspent Direct Schools Grant.

7. General Fund Working Balances

- 7.1 The Council's Revenue Budget for 2014/2015 set a target level of General Fund working balances of around £6m. This target has been reached at £6.2m and it is deemed appropriate to maintain this target level of £6m for working balances for the medium term.

8. Conclusion and Recommendations

8.1 The Provisional Outturn for 2014/2015 represents a solid financial performance with the Council's General Fund working balances at £6,188,000. As the Council continues to manage the financial constraints placed upon it, the measures proposed within this report will provide some cushion to the risks that lie ahead in the next Government Spending Review and the Chancellor's Summer Budget announcement on 8th July 2015.

8.2 The Executive is asked to:

- approve the provisional revenue outturn for 2014/2015 and in so doing to note that the figures are subject to external audit and final accounting adjustments (ref. paragraph 2.1);
- approve the recommendations regarding the treatment of specific service under / overspends as outlined (ref. paragraph 3.2);
- approve the provisional capital outturn for 2014/2015 and methods of scheme funding as outlined (ref. paragraphs 4.2 and 4.5);
- note the Prudential Indicator (ref. paragraph 4.3); and
- note the levels of the earmarked reserves including those for the Housing Revenue Account and maintained schools (ref. paragraph 6.1).

Steve Thompson
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