

Appendix 2a: REPORT
of the
DIRECTOR OF RESOURCES
to the
EXECUTIVE
on
13 JUNE 2022

PROVISIONAL OUTTURN 2021/22

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 31 March 2022 with the approved budget and ii) a statement of Capital Expenditure in the year ended 31st March 2022 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 within the Statement of Accounts for 2021/22, which is the subject of a separate report to the Audit Committee in November 2022.

2. Provisional Revenue Outturn 2021/22

2.1 The Provisional Revenue Outturn for 2021/22 (before allowing for changes to working balances) is £149,280,000 compared with the approved budget of £149,062,000 – a net increase of £218,000. The summary figures are shown at Appendix 2b.

2.2 The year-end variance position is summarised as follows:-

Summary	2021/22 Variance £000
Directorates	4,103
Budgets Outside the Cash Limit	(3,353)
Leisure Assets (Appendix 2f)	1,079
Leisure Assets – financed from Earmarked Reserves (Para 6.2)	(1,079)
Contributions and Contingencies, Levies and Capital Charges	(532)
Total	218

2.3 The main reasons for this net service overspend / (underspends) are:-

Service	Reasons	£000
<p>Children's Services (Appendix 2k)</p>	<p>The Children's Social Care budget was increased by £8.173m in August 2020 following the approval of a Children's Social Care Medium Term Financial Strategy (CSCMTFS). The additional investment was required to cover the historical increases in Looked After Children (LAC) numbers and unit costs whilst also developing the placements market and increase the capacity within internal fostering. The Children's Social Care Medium Term Financial Strategy aimed to reverse the current trend and this investment alongside other service improvements was planned to reduce placement spend by a third.</p> <p>However, Looked After Childre numbers have not reduced in line with the plan and placement unit costs have continued to increase resulting in an overspend within the Children's Social Care of £4,260k. The Children's Social Care Medium Term Financial Strategy is being refreshed in Summer 2022 in advance of the 2023-24 budget.</p> <p>There was also an overspend of £900k against the Education Service line relating to a £722k Transport Services demand pressures and a historical savings target that was not achieved. There are also pressures on income and staffing of £150k within the service. The balance of £28k relates to the net Covid cost.</p> <p>Other services within Children's Services have underspent by £705k, mainly due to staff slippage and vacant posts during the Early Help Service restructure.</p>	<p>4,455</p>
<p>Communications and Regeneration (Appendix 2g)</p>	<p>The majority of this overspend lies within Tourism and Communications £386k.</p> <p>The Illuminations service had an overspend of £266k after Covid funding of £154k had been applied. £99k of this relates to the extension of the Illuminations period to the end of December. Other overspends related to storm damage (£18k), security costs (£34k), additional staff costs (£56k), income losses (£26k) and other vehicle and equipment pressures.</p> <p>Visit Blackpool had an overspend of £84k after Covid-19 funding of £532k had been applied. £43k of this overspend related to reduced income, £21k to staffing and £20k to sponsorship.</p> <p>There was a £33k overspend in Print Services mainly relating to reduced income. The Beach Patrol service had a £3k overspend.</p>	<p>312</p>

	<p>Economic Development and Cultural Services had a £20k overspend mainly relating to one-off economic study costs. Library repair costs were able to be offset by various other savings within the service.</p> <p>These overspends were in part offset by the £94k underspend in the Planning department due to additional income.</p>	
<p>Governance and Partnership Services (Appendix 2d)</p>	<p>There was an overspend of £326k within Legal Services. Of this overspend, £257k related to Children’s Legal costs. The rest of the overspend related to staffing costs elsewhere in the service.</p> <p>Customer Care and Life Events had a saving of £19k. This was due to increased income and cost savings from cremations £46k, burials £10k, customer care £14k and registrars £16k offsetting pressures relating to the coroners service £67k.</p> <p>Democratic Governance generated a saving of £11k whilst Information Governance had a pressure of £5k.</p>	301
<p>Community and Environmental Services (Appendix 2i)</p>	<p>Overall the Directorate achieved an underspend of £36k in 2021/22, mainly due to savings arising from Leisure and Catering and Highways and Traffic.</p> <p>Leisure and Catering underspent by £413k. The after effects of Covid-19 impacted the service, with income reduced by £731k. This was, however, fully recovered through Covid-19 grants. Savings were achieved through the close management of staffing costs, which yielded a net saving of £133k, increases in grants of £100k and increased recharges and other income totalling £180k.</p> <p>Highways and Traffic underspent by £102k due to staff vacancies and additional scheme income being received.</p> <p>Business Services overspent by £2,055k due to it holding the majority of the Directorate’s savings targets. This was partly offset by planned savings delivered by Street Cleansing, Waste Services, and Coastal and Environment Partnerships.</p> <p>Street Cleansing an Waste Services made savings of £1,160k due to a combination of reduced waste disposal costs and savings arising from the transfer of the street cleansing service to Enveco. Coastal and Environment Partnerships achieved a £259k saving from additional grant income.</p>	(36)

	Within other services, there were staff savings of £212k within Public Protection, whilst Integrated Transport had an overspend of £55k due to reduced income.	
Ward Budgets (Appendix 2c)	Scheme commitments of £71k are being carried forward into 2022/23.	(71)
Chief Executive (Appendix 2c)	One-off savings from staffing and other general costs meant that the Housing Service had an underspend of £69k, Corporate Delivery Unit an underspend of £36k and the Chief Executive Service an underspend of £1k.	(106)
Adult Services (Appendix 2j)	<p>Adult Social Care had an overspend of £84k due to the agreed in year 1.75% pay award, partly offset by a number of staffing vacancies. The Care and Support division had an underspend of £190k due to staffing vacancies within the service. A further £11k of underspends was also due to staffing vacancies.</p> <p>The Adults Commissioning Placements budget saw a number of pressures in areas such as Short Term Care and Supported Living which were offset in year through a variety of different grants and income streams relating to Covid-19 plus underspends in other areas such as day care and transport. Overall this area ended the year with an underspend of £5k.</p>	(122)
Resources (Appendix 2f)	<p>An underspend was achieved in the Directorate as a result of staffing vacancies and income generation across most areas £658k, one-off New Burdens funding £189k which partly offset the 2021/22 pay award pressure of £217k</p> <p>Benefits Services processed additional payments of £192k for Household Support (£72k) and Winter Grants (£120k) but these were fully funded through specific Covid-19 grants.</p>	(630)
Total		4,103

2.4 The financial outturn for budgets 'outside the cash limit' is detailed at Appendix 2m and shows an aggregate underspending of £3,353,000. The main reasons for this are:-

Service	Reasons	£000
Treasury Management	Underspend due to record low temporary borrowing rates.	(1,740)
Concessionary Fares	This service has an underspend of £938k. This is due to Covid-19 funding being received, the compensation scheme used in 2020/21 being extended until the end of the 2021/22 financial year and a reduction in passenger numbers.	(938)
Subsidiary Companies	There is an underspend of £525k for subsidiary companies. £250k of this is due to the release of a long term provision that is no longer required. A net pressure of £998k relating to Covid-19 remains after £245k has been recovered from the Sales, Fees and Charges compensation scheme and £151k of other Covid-19 funding has been allocated to this area. This is offset by the additional funding provided in 2021/22 from the Medium Term Financial Plan as well as some expected reduction in charges, mainly relating to debt management.	(525)
Housing Benefits	There was an underspend of £348k for Housing Benefits. A reduction in the amount of outstanding overpayments at 31 st March 2022 reduces the amount required to be set aside in Bad Debt Provisions.	(348)
Parking Services	Parking Services produced an underspend of £59k. There was a pressure relating to reduced parking income in the first quarter of 21/22 due to Covid-19. An increase in income in the last quarter of the year as well as £302k of income from the Sales, Fees and Charges compensation scheme means the service is now able to report a favourable position.	(59)
Corporate Subscriptions, and Employers Previous Year Pension Liability	There was an underspend of £27k in this area. A £20k reduction in employer pension contributions compared to amount forecast in the three year up-front payment. Also a £7k reduction in corporate subscriptions due to early payment.	(27)
Council Tax and NNDR Cost of Collection	There was an overspend of £284k. This was caused by a reduction in Council Tax Administration Subsidy, a reduction in the NNDR Cost of Collection Allowance and an increase in supplies and services.	284
Total		(3,353)

2.5 Contributions to Reserves, Contingencies, Levies and Capital Charges had an underspend of £505,000. This is mainly due to increased funding for New Burdens and the Redmond Review.

3. Treatment of Revenue Budget Variances

3.1 In previous years 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 required 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; 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 At its meeting on 8 November 2021 the Executive approved the Medium Term Financial Sustainability Strategy for 2021/22 to 2026/27. As part of the Strategy it was agreed that due to the current level of financial risk and volatility the roll forward of the service budget under and overspends is suspended in order that finances can be managed more strategically at corporate level.

3.3 The exception to this is that it is recommended the underspending of £71,000 in respect of the scheme commitments on Ward Budgets is carried forward to 2022/23 in full. In this case the treatment of underspends is in line with the Ward Funding scheme arrangements approved by Executive on the 7 December 2020 (decision EX54/2020 refers).

4. Provisional Capital Outturn 2021/22

4.1. This section sets out the level of expenditure incurred by the Council on its 2021/22 Capital Programme. It provides a breakdown of expenditure by service in addition to providing a recommendation as to how the Capital Programme for 2021/22 may be financed.

4.2. The total capital expenditure for the year was £72,795,244. This is summarised below with an analysis of spend by individual scheme available at Appendix 2n:-

Directorate	£
Communications and Regeneration	46,259,999
Housing Revenue Account	5,090,385
Community and Environmental Services	3,513,855
Children's Services	1,007,241

Resources	2,992,244
Adult Services	4,123,089
Governance and Partnership Services	167,624
Chief Executive	9,640,807
Total	72,795,244

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 (HRA) and Housing Revenue Account expenditure incurred in the financial year. Total capital spend in 2021/22 of £72,795,244 is split between non-HRA of £67,704,859 and Housing Revenue Account of £5,090,385.

4.4 The original Capital Programme for 2021/22 was set at 24,312,000 whilst the amount actually spent in-year was significantly more. This was due to previous years slippage and new approvals given for schemes during the year.

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

Source	£
Prudential Borrowing	31,066,964
Government and Other Grants	25,778,794
Capital Receipts	5,798,509
Housing Revenue Account	8,373,284
Other Sources:	
- Revenue	194,901
- Leaseholder Contributions	28,893
- Volker Stevin	1,122,922
- Schools contributions	63,177
- Multi-Ply	302,405
-Other	65,395
Total	72,795,244

The Council has maximised all capital resources available to it during 2021/22 and arrangements have been made to ensure that funding for re-profiled schemes is carried forward into 2022/23.

5. Collection Rates

Council Tax (CT)

5.1 At the end of month 12 the amount collected for Council Tax (excluding Police and Fire precepts) was £55.1m and the collection rate was **88.00%**. This compares to £52.8m and 87.76% at the same point in 2020/21. The amount collected has risen by £2.3m which is mainly due to increases in both the Council Tax rate and base being offset by the impact of Covid-19, primarily deferred payments and revised instalment arrangements.

- 5.2 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 29th January 2021 as part of the setting of the Council Tax Base for 2021/22.
- 5.3 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 2021/22 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.
- 5.4 As at 31 March 2022 the level of arrears has increased to £24.0m (compared to £21.7m in 2020/21) and the provision for bad debts has increased to £9.9m (compared to £9.0m in 2020/21). These reflect the current economic climate due to the Covid-19 pandemic and the risks associated with the Council Tax Reduction Scheme. If the actual collection rate is higher than 97.5% then the excess will be available to reduce the Council Tax in future years. If it is lower than 97.5% 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.
- 5.5 The Local Authorities (Funds) (England) Regulations 1992 as amended by the Local Authority (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 make provision for the phasing of the in-year deficit for 2020/21 net of any prior year elements. The Council must discharge the liability over the 3 financial years 2021/22, 2022/23 and 2023/24. The Council will spread the 2020/21 Council Tax deficit of £374,478 over the 3 years (£124,826 per year).

Council Tax Reduction Scheme (CTRS)

- 5.6 The Council Tax Reduction 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. The scheme has been amended since its introduction so that certain vulnerable groups would have the 27.11% reduced to 13.56%. Additional support is provided for low income groups of claimants (in receipt of support and allowances such as Income Support, Income-Based Jobseekers Allowance, Income Related Employment Support Allowance, Universal Credit, 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) by amending the percentage reduction applied to their award from 27.11% to 13.56%. These have the effect of reducing the amount to be collected.

- 5.7 At the end of month 12 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 £2.89m and the collection rate was **63.26%**. This compares to £1.92m and 66.78% at the same point in 2020/21.
- 5.8 The underlying rate of collection of Council Tax Reduction Scheme was under greater pressure than 2020/21 due to accumulated arrears, limits on the amount that could be recovered from Attachment of Benefits, the impact of Covid-19 and the ending of furlough payments in September and the temporary £20 uplift to Universal Credit in the autumn.
- 5.9 During 2021/22 the Council received a government grant of £2.6m for the Council Tax Hardship fund. This grant was to provide relief to individual council taxpayers alongside existing working age local council tax support schemes.

National Non-Domestic Rate (NNDR)

- 5.10 At the end of month 12 the amount collected for Business Rates was £29.17m and the collection rate was **92.27%**. This compares to £15.48m and 85.77% at the same point in 2020/21. Both years exclude the significant s31 'Extended Retail/Nurseries etc.' relief provided by central government. In 2020/21 100% relief was provided. In 2021/22 a new relief scheme was introduced which provided 3 months' relief (April 2021 to June 2021) at 100% and 9 months' relief (July 2021 to March 2022) at 66%. This will impact on future collection rates.
- 5.11 As at 31 March 2022 the level of business rate arrears has decreased to £9.6m (compared to £9.8m in 2020/21). Due to the situation regarding Covid-19 the Government has extended the deadline for the completion of the NNDR 3 return until 30 June 2022. Figures for the level of appeals provision, bad debt provision and shares of the surplus or deficit will not be available until the NNDR 3 (actuals) return is completed.
- 5.12 The NNDR 2020/21 in-year deficit is also spread over 3 years in the same way as Council Tax (paragraph 5.1). The Council has spread the 2020/21 NNDR deficit, which was estimated in the NNDR 1 return, of £600,378 over the 3 years (£200,126 per year).

6. Reserves and Provisions

- 6.1 In accordance with Local Authority Accounting Panel (LAAP) Bulletin No. 99 the Council's reserves and provisions are regularly 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 available earmarked reserves has increased by £4.726m from £60.849m to £65.575m during 2021/22 with those reserves summarised and shown in the table below:-

Earmarked Reserves	2021/22	2020/21
	£000	£000
Support for Adult Social Care	(6,747)	(4,085)
Collection Fund Deficit Reserve (Council Tax and NNDR)	(1,770)	(6,112)
Potential Pay Liabilities	(3,723)	(4,193)
Covid-19 grants	(134)	(2,061)
Insurances	(8,465)	(8,815)
Museum Reserve	(2,393)	(5,781)
Vehicle, Plant and Equipment Replacement Reserve	(983)	(1,669)
Public/Private Partnership Reserve	(9,768)	(2,995)
Contributions to Future Regeneration Projects	(1,681)	(1,485)
Contributions towards Future Pension Costs	(3,521)	(1,400)
Opportunity Area/Adult Learning	(1,620)	(1,380)
Enterprise Zone Reserve	(307)	(212)
Specific Settlements in Dispute	(539)	(539)
Strategic Investments	(320)	(320)
Financial Systems upgrade, renewals and replacements	(167)	(167)
Treasury Management – Prudential borrowing	(797)	(797)
Transformation Reserve	(581)	(769)
Other Reserves	(22,059)	(18,069)
Total Available Earmarked Reserves	(65,575)	(60,849)
S31 Extended Retail Relief for Hospitality, Retail and Nurseries to offset NNDR Deficit in 2022/23	(18,169)	(14,599)
Total Reserves	(83,744)	(75,448)

- 6.2 In 2021/22 the Government provided additional business rate reliefs for retail, hospitality and nurseries due to the Covid-19 pandemic. These reliefs were funded by Section 31 grants. The Section 31 grant must be used to offset against the National Non-Domestic Rates deficit but this will not happen until 2022/23. Therefore, the Section 31 grants of £18,169,999 are being held in an earmarked reserve until 2022/23. The reserve is shown separate from the other earmarked reserves as it does not represent additional spending power taken forward to 2022/23.
- 6.3 The Strategic Leisure Assets cumulative overspend of £14,945,000 brought forward from 2020/21 is included within earmarked reserves along with the 2021/22 in-year overspend of £1,079,000. In addition a contribution of £2,987,000 was made towards reducing the reserve in 2021/22. This contribution was agreed as part of the 2021/22 budget setting process. When the service begins to break-even it will then start to repay the reserve overspend. This is in line with the Medium Term Financial Plan.
- 6.4 The year-end balances of the Housing Revenue Account (HRA) are £1,806,000 which is £790,000 less than originally forecast for 2021/22 due to a variation on the capital funding requirement on the 1 April 2021 balances. This is partly offset by improved rent collections meaning there was no requirement to increase bad debt provisions.
- 6.5 Maintained schools' balances (which lie outside the control of the Council) increased by £567,000 in 2021/22 to £4,128,000. £4,956,000 is also held in an unusable reserve in relation to overspent Dedicated Schools Grant.

7. General Fund Working Balances

- 7.1 The Council's Revenue Budget for 2021/22 set a target level of General Fund working balances of around £6m. The level of working balances as at 31st March 2022 is slightly higher at £6,075,000.

8. Covid-19

- 8.1 In 2021/22 the Council received £17.4m of Covid-19 grants to offset some of the financial pressures associated with Covid-19.
- 8.2 The Department for Levelling Up, Housing and Communities (DLUHC) continued to request local authorities submit monthly data via the DELTA reporting system for the recording of Covid-19 related financial pressures during 2021/22. These DELTA returns have been submitted unflinching on a monthly basis throughout 2021/22.
- 8.3 General Fund cost pressures and income losses reported to Department for Levelling Up, Housing and Communities for the Council net of Clinical Commissioning Group funded Hospital Discharge funding (£1.7m) was £20m. The General Fund has therefore had to cover a net pressure of **£2.6m** within the 2021/22 financial year.

9. Statutory Audit Deadlines for 2021/22 - The Accounts and Audit (Amendment) Regulations 2021.

- 9.1 In December 2021, Department for Levelling Up, Housing and Communities announced an intention for the publication date for audited accounts to be moved from 30 September to 30 November 2022 for all local authority bodies.
- 9.2 To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June has been removed. Instead local authorities must commence the public inspection period on or before the first working day of August 2021.
- 9.3 This means that draft accounts must be signed by the Director of Resources as the Council's Section 151 Officer and published by 1 August 2021. The draft accounts include a confirmation by the Section 151 Officer that they are satisfied the accounts present a true and fair view of the financial position of the Council at the end of the financial year. If there are unresolved audit issues for the 2020/21 accounts then the Section 151 Officer is unable to give that confirmation.
- 9.4 There is currently an outstanding audit issue relating to infrastructure assets in the 2020/21 accounts. This is a national issue raised by the Financial Reporting Council regarding de-recognition of parts of infrastructure assets. CIPFA have issued an emergency consultation on accounting for infrastructure assets which will close on 14 June 2022 with guidance expected to be issued by CIPFA in July 2022. This will hopefully resolve the outstanding audit issue.
- 9.5 As the 2021/22 accounts are unable to be published until the 2020/21 accounts have been audited, the Council must publish a notice on its website stating that the Council has not been able to publish the accounts and has not been able to commence the period for the public inspection.

10. Conclusions

- 10.1 The Provisional Outturn for 2021/22 shows the financial performance culminating with the Council's General Fund working balances standing at £6,075,000.
- 10.2 As the Council continues to manage the financial constraints placed upon it, the measures proposed within this report will reinstate some cushion for managing the risks that lie ahead in the next financial year.