BLACKPOOL COUNCIL

REPORT

of the

DIRECTOR OF RESOURCES

to the

EXECUTIVE

8TH FEBRUARY 2021

FINANCIAL PERFORMANCE MONITORING AS AT MONTH 9 2020/21

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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 9 months of 2020/21, i.e. the period to 31st December 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 9 forecast overspend of **£8,461k** for 2020/21 are summarised below:-

Directorate	Service	Forecast Variance £000
Growth & Prosperity	An overspend of £8,832k 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 £8,832k pressure. This pressure has increased due to the complex nature of these projects, delays have arisen which are now predicted to result in an in-year overspend. Whilst this is disappointing, it is not a result of a failure of projects or even an unexpected shortfall in income, but rather a question of timing. All projects that were to contribute to the target are still proceeding well and should deliver beyond the target if taken over the 3 year period from 2019/20 to 2021/22. It is intended that the 2020/21 pressure will be funded from Earmarked Reserves in 2020/21 and the schemes slipped to 2021/22 plans which will be reflected in month 10 financial monitoring.	8,832
Adult Services	An overspend of £8,589k is forecast including £10,361k relating directly to Covid. Adult Commissioning Placements is forecast to overspend by £8,782k. There are £10,163k pressures caused by Covid and the main reasons relate to £4,531k in respect of a 10% provider rate up-lift for a period of 12 months and £1,741k for Personal Protective Equipment (PPE). In addition, at December 2020 Enhanced Hospital Discharges are estimated to cost £3,635k which is to be offset by an equivalent contribution from Blackpool Clinical Commissioning Group (CCG). Additional pressures sit within Complex Cases and Supported Living. Care and Support is forecasting an overspend of £32k due to Covid pressures of £198k partly offset by vacancies.	8,589
Children's Services	An overspend of £5,162k is forecast including £3,022k 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	5,162

	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 (£1.759m) mainly due to the additional support required following the break-down of high cost placements. An additional work stream is expected to be set up to review, understand the issues and mitigate against the additional costs, wherever possible. This time last year there were 54 placements over £3k, with an average cost of £4,194 per week. The current number of placements over £3k is 71, with an average cost of £4,688 per week. That's a 31% increase in numbers and a 12% increase in average cost. The impact of Covid is £2.018m. Nationally, there is an expected increase in demand for children's social care services post-Covid that could see an additional pressure. By December 2020 LAC numbers stand at **610** which is a reduction of 34 on September 2020. There is an overspend in Education of £618k, 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 £642k pressure due to Covid as Transport Services is expected to spend an additional £200k, £155k income targets for Music Services and Courts & Licensing are unable to be achieved and 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. Early Help for Children is expected to overspend by £362k due to Covid costs, which is mainly due to an unachievable Troubled Families income target. However, this is offset by a staffing underspend of £361k due to vacant posts across the service.	
Strategic Leisure Assets	Strategic Leisure Assets is forecasting a £6,534k pressure. £4,792k of this deficit is due to a loss of income caused by Covid. This has reduced due to a revised forecast from Blackpool Entertainment Company Ltd (BECL) due to improvements to the Job Retention Scheme. 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 £20,075k. 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	4,792

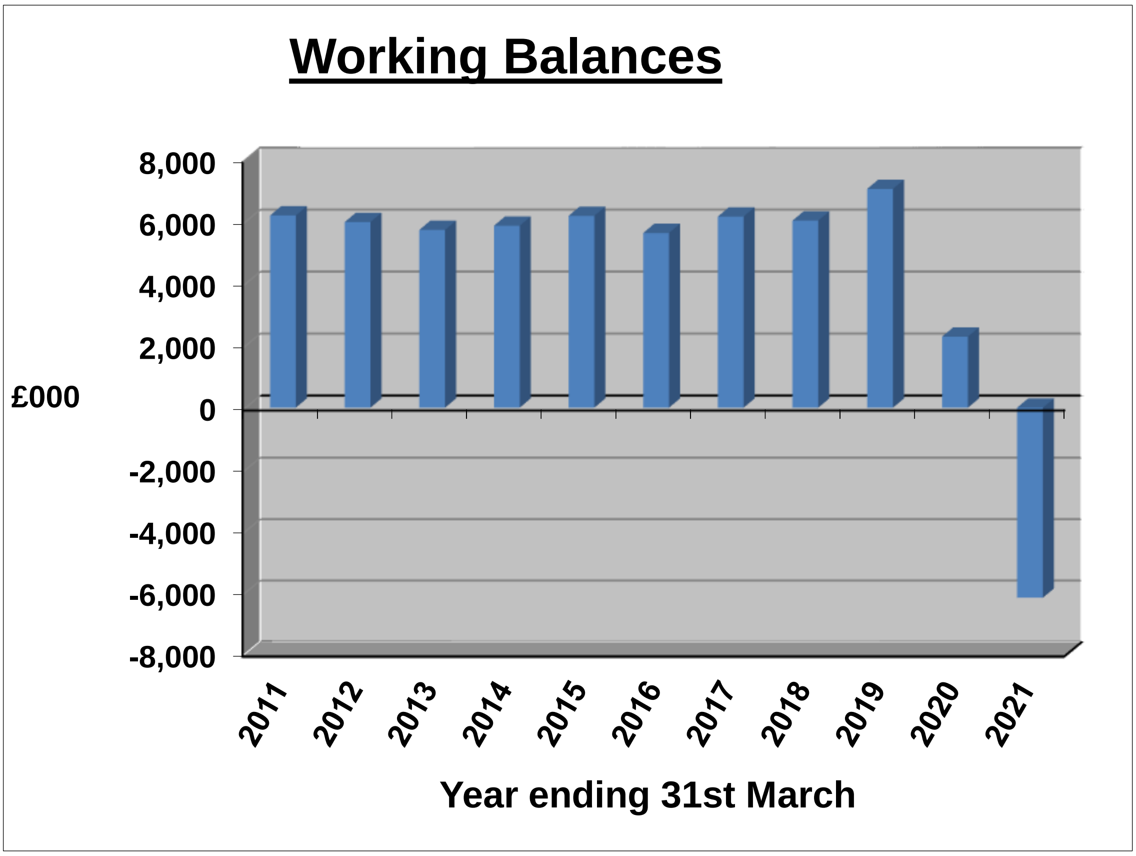
	mainly due to an assumption around the longer lasting impact of Covid.	
Budgets Outside the Cash Limit	An overspend of £3,468k is forecast including £8,154k Covid costs. Parking Services is forecasting a shortfall on income of £3,707k for 2020/21. £3,758k of this shortfall relates to the expected loss of income due to Covid restrictions against budget. A small saving has been generated due to savings in staffing and other services. There is a pressure of £1,068k 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 savings of £309k 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 £1,092k. 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 £454k. This includes £2,780k pressure due to the current restrictions relating to Covid. The full year estimate is based on payments to the end of the financial year using an average of 4 specific periods in 2019/20. After the government announcement of further restrictions, the compensation scheme in use till October has been extended until the end of the financial year and the effect of this is shown in the revised figure.	3,468
Community and Environmental Services	An overspend of £3,023k is forecast of which £3,157k is attributable to Covid. Leisure Services are reporting a pressure of £1,730k as there has been no future income forecast for the financial year due to continued uncertainty surrounding the future operation of leisure centres. Future income will be recognised on receipt. Catering Services are facing a pressure of £561k due to reduced income for school meals. Parks are forecasting a pressure of £12k due to lost sports income. 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	3,023

	Traffic Management Services is currently forecasting a pressure of £36k. There is an anticipated shortfall in Road and Street Works Act (RASWA) income of £50k due to work being halted during the Covid lockdown and the expectation that this income will not be at the same levels as previous years. There has also been additional Covid related pressures of £75k within Highways and Transport. Highways & Engineering is forecast to save £94k, due to staffing vacancies and increased scheme income, which will help to offset the £14k Covid-related pressures within the service. Waste Services are reporting a pressure of £608k due to a reduction in forecast income within Trade Waste and the HWRC 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 £124k. £116k is mainly 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. 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. Other savings have helped to mitigate the pressures overall. The pressures within Leisure, Catering, and Waste are entirely due to the Covid pandemic, and it is hoped that when these services can fully resume operations this pressure will be reduced. The recent lockdown has halted the upturn in Leisure Services and when operations are resumed, any income generated will be low and will need time to build up.	
Governance and Partnership Services	An overspend of £942k is forecast of which £466k is attributable to Covid. Corporate Legal Services is expecting a £839k overspend including £787k 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 £52k due to Covid. The overspend has risen sharply this month, despite the transfer of the disbursement budget to Children's Services, due to Counsel costs currently exceeding previously forecast spend in part due to a few exceptional, complex cases. Life Events and Customer Care is forecasting a pressure of £397k. Of this pressure £414k relates to Covid and includes a £289k contribution to mortuaries at Warton and Blackpool Victoria Hospital as well as lost income from weddings. An underspend of £17k in Life Events relates to continuing pressures in Coroners and Burials offset by increased income in cremations and public funerals. These are offset by a forecast underspend on Ward budgets of £300k.	942

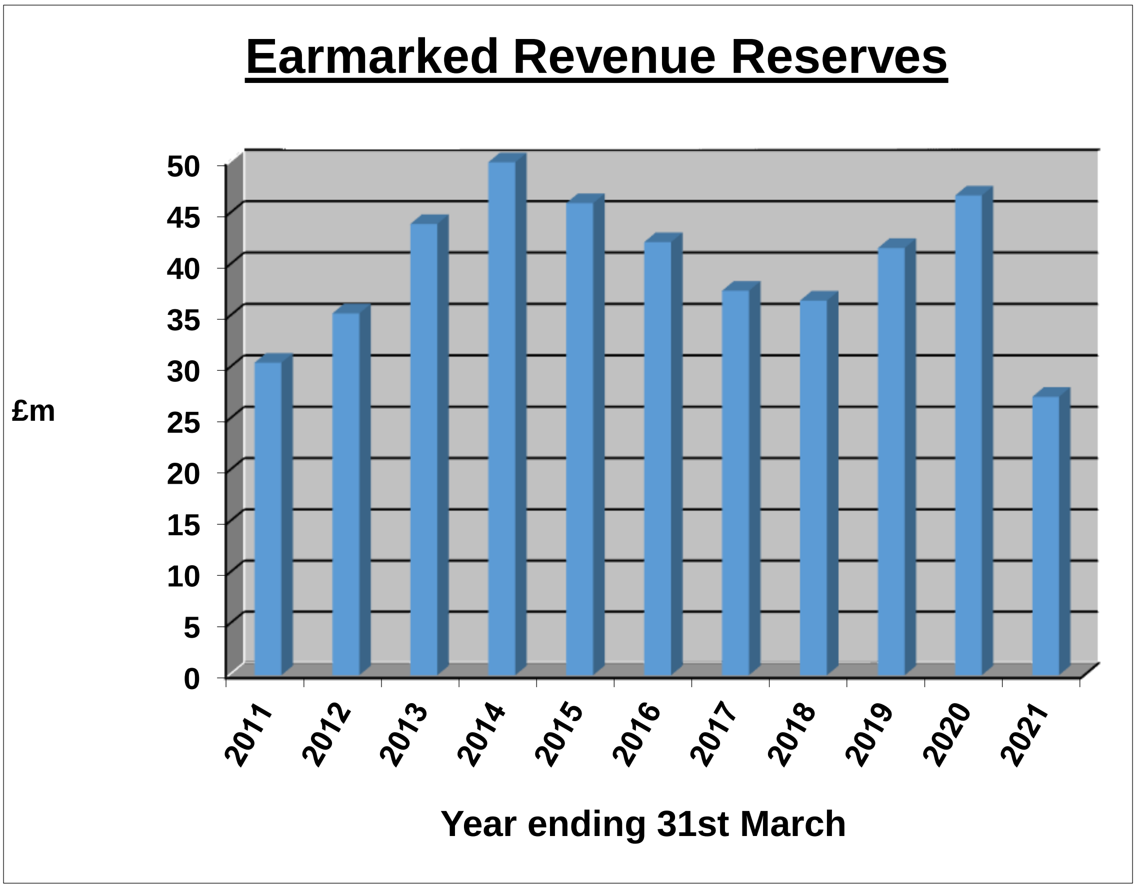
Communications and Regeneration	An overspend of £783k is forecast including £911k Covid costs. Tourism & Communications is expecting a pressure of £640k of which £708k relates to Covid. Planning is expecting a pressure of £80k of which £120k relates to Covid. This has been offset in part due to staff savings and better than budgeted income in Building Control. Economic Development is expecting a pressure of £63k of which £83k relates to Covid. There remains a pressure of £30k 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 keep being reduced during the year. Increased income in Communications and savings on vacant posts as well as on supplies and services expenditure means that previous pressures in Visit Blackpool have been met. The service, excluding Covid costs, is now making a saving of £58k. There is also a £33k saving in Libraries due to the release of some reserves and savings on staffing, savings of £17k in Economic Development due to some additional income and small savings elsewhere in the budget and a saving in Illuminations of £17k due to staff savings that had previously been covering an expected sponsorship shortfall that is now not likely to materialise.	783
Chief Executive	An overspend of £459k 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.	459
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. There has been reduced activity against some Payment By Results contracts as a result of COVID	81

	impacting our provider's ability to offer routine treatments and these savings have offset a shortfall in income generation for the directorate.	
Resources	An underspend of £250k is forecast including an overspend of £323k 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 an underspend of £96k taking into account £278k 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. Pressures against income generation have been offset by vacancy savings and utilities & maintenance savings as a result of occupancy of Council buildings being reduced due to Covid. The Procurement and Projects Service is forecasting an underspend of £78k. Staff savings within the Procurement and Energy Management team have contributed towards the underspend. Saving of £43k in Risk Services and £37k in Customer First are due to staff vacancies and additional income. There has been an impact on services such as ICT, Revenues, Property Services, Benefits & Customer First as a result of Covid totalling £323k to date. This additional pressure has been offset mainly by savings as a result of staff vacancies and additional income generation.	(250)
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 £560k, primarily procurement savings. Funding of £15,884k has so far been received from MHCLG net of £380k attributable to the 2019/20 financial year and a contribution of £3,635k 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 £8,961k in the full year.	(27,420)
Total		**8,461**

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	48.04
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, 5, 6, 7, 8 and 9	(1.13)
Less Children's Services CSMTFS funded from ERR	(8.17)
Less Other movements	(0.56)
Forecast Earmarked Revenue Reserves as at 31st December 2020	32.45
Forecast Earmarked Revenue Reserves as at 31st March 2021	27.18

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 £31,726k gross. Funding of £15,884k has so far been received from MHCLG net of £380k attributable to the 2019/20 financial year and a contribution of £3,635k is anticipated from Blackpool CCG for Enhanced Hospital Discharges. In addition, it is estimated that £8,961k will be received from MHCLG in respect of the Sales, Fees & Charges compensation scheme. These leave a residual pressure to the Council of £3,246k. (This is consistent 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
Return of Over-assessed Business Support Grants	(11,704,000)	
Business Support Grants (Tier 2, Tier 3 and National Lockdown)	10,884,473	November – Outside the General Fund and any underspend will be repaid to Central Government
Business Rate Reliefs #1	28,521,908	March
Business Rate Reliefs #2	422,335	October
Covid support funding #1	6,084,606	March
Covid support funding #2	3,810,835	April
Covid support funding #3	1,767,168	August
Covid support funding #4	4,601,334	October
Hardship Fund	2,803,101	March
Homeless top-up	11,250	March
Re-open High Streets	122,772	May
Infection Prevention and Control #1	2,193,612	May
Infection Prevention and Control #2	2,208,304	October
Test and Trace	1,693,874	May
£63m for local authorities to assist those struggling to afford food and other essentials	261,158	June
Sales, Fees & Charges – compensation scheme 1 (1st April 20 to 31st July 20)	3,486,420	
Sales, Fees & Charges – compensation scheme 1 (1st August 20 to 30th November 20)	4,066,935	
Covid Enforcement Funding	113,687	September
Wellbeing for Education Return Grant	22,850	August
Home to School Transport Funding #1	107,580	August
Home to School Transport Funding #2	202,898	October
£25m to provide for £500 self-isolation payments.	185,442	August
Covid Bus Services Support Grant (re Rideability) #1	29,880	April
Covid Bus Services Support Grant (re Rideability) #2	21,882	April
Covid Bus Services Support Grant (re Rideability) #3	14,348	April
Emergency Active Travel (part of £0.52m allocation) tranche #1	78,000	May
Light Rail Restart (100% passported to	266,120	

Blackpool Transport Services)		May
TOTAL	121,402,772	

4.2 The Government 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. A further bid in the sum of £4,067k covering the period 1st August 2020 – 30th November 2020 was submitted to MHCLG on 15th December 2020. A bid will be submitted in due course to meet the MHCLG deadline. It is estimated that the full-year effect will be £8,961k.

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 December 2020 83% 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 57% 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 9 the amount collected for Council Tax (excluding Police and Fire precepts) was £45.1m and the collection rate was **75.0%.** This compares to £43.9m and 77.3% at the same point in 2019/20. The amount collected has risen by £1.2m 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 9 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 £1.63m and the collection rate was **56.6%.** This compares to £2.05m and 56.4% 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 9 the amount collected for Business Rates was £12.8m and the collection rate was **69.2%.** This excludes the significant s31 'Extended Retail/Nurseries etc' relief provided by central government. This compares to £36.3m and 74.4% 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 9 months to the end of December 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 9 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 9 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 optimistic 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 9 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 Support grant that was received in April 2020 and additional COVID grants received over the past three months including further business support grants. 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 9. 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 9-month period there has been an increase in Property, Plant and Equipment of £29.7m due to capital expenditure which is 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 9 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 £8,461k although £3,246k 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 £48,041k, though with known in-year commitments against this the balance will fall to an estimated £27,182k 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 financial 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 3 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 Growth & Prosperity, Children's Services and Strategic Leisure Assets and also the 3 Wholly Owned Companies that are facing the biggest impact from the Covid pandemic these being Blackpool Transport Services (BTS), Blackpool Entertainment Company Limited (BECL) and Blackpool Operating Company Limited (BOCL).

iv) to agree that the 2020/21 pressure of £8,832k relating to Growth & Prosperity will be funded from Earmarked Reserves in 2020/21 and the schemes slipped to 2021/22 plans which will be reflected in month 10 financial monitoring and is consistent with the General Fund Budget Report 2021/22 to be reported to the Executive on 8th February 2021.

Steve Thompson
Director of Resources
27th January 2021