Appendix 4(a)

REPORT

of the

DIRECTOR OF RESOURCES

to the

EXECUTIVE

on

14 JUNE 2021

PROVISIONAL OUTTURN 2020/21

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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 2021 with the approved budget and ii) a statement of Capital Expenditure in the year ended 31 March 2021 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 2020/21, which is the subject of a separate report to the Audit Committee in September 2021 in order to comply with the statutory deadline required by the Accounts and Audit (England) (Amendment) Regulations 2021.

2. Provisional Revenue Outturn 2020/21

2.1 The Provisional Revenue Outturn for 2020/21 (before allowing for changes to working balances) is £138,568,000 compared with the approved budget of £142,569,000 – a net decrease of £4,001,000. The summary figures are shown at Appendix 1.

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

Summary	**2020/21 Variance £000**
Directorates	(738)
Budgets Outside the Cash Limit	(9,444)
Leisure Assets (Appendix 2f)	1,394
Leisure Assets – financed from Earmarked Reserves (Para 6.2)	(1,394)
Contributions and Contingencies, Levies and Capital Charges	6,181
Total	(4,001)

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

Service	Reasons	£000
Growth and Prosperity (Appendix 2e)	As per paragraph 3.2 below, £8,832k of the £10,085k pressure has been funded by earmarked reserves to be recovered in future years. £849k of the pressure in the Growth and Prosperity service is due to the complex nature of projects resulting in delays. 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 so this will be made up in subsequent years. A further £975k pressure was due to a deterioration in income as a result of the Covid-19 lockdowns which meant the complete closure of rental units, in particular, the Houndshill Centre. A contribution of £450k from the un-ring-fenced Covid-19 grant brought this pressure down to £525k. Further reductions in team and regeneration costs have brought the total pressure to £1,253k. Coronavirus has had a significant impact on this service not only in quantifiable lost car park income, some of which the Council has been able to reclaim, but also in the ability to fill void investment units during the periods of closure due to lockdown and project delays.	1,253
Children's Services (Appendix 2i)	The Children's Social Care budget was increased by £8.173m in August 2020 following the approval of the refreshed Children's 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, to develop the placements market and to 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, Children's Services had a net overspend in 2020/21 of £1.122m due to the worsening position of high cost placements since May 2020 (£1.548m). There was also an additional pressure due to a historical, unmet savings target on the SEN transport service (£690k). This was partly offset by staff vacancy savings in the Early Help Teams. Covid-19 has also had a significant impact on Children's Services with an additional cost of £3.014m, with the majority of this pressure being offset by Covid-19 grants.	1,122

Governance and Partnership Services (Appendix 2b)	£1,037k of this pressure originated from Legal Services, £1,029k of which was due to Children's Legal. A business case identified the issues of increasing and complex caseloads and additional funding has been obtained for 2021/22. Life Events had a saving of £139k. This was due to increased income from cremations (£232k) and certifications (£47k) offsetting pressures relating to burials (£37k), coroners (£13k) and wedding income (£90k). Democratic generated a saving of £11k whilst Information Governance had a slight pressure of £6k. The Directorate had costs of £523k relating to Covid-19, the majority of which was offset by Covid-19 grants.	893
Communications and Regeneration (Appendix 2e)	£55k of this pressure relates to the Planning service. £77k relates to reduced income and £25k to an overspend on projects. These pressures have been offset by staff savings of £47k. There was a £85k pressure in Illuminations due to increased costs relating to unfunded projects, storm damage and increased maintenance electrical infrastructure costs. A £208k overspend occurred in Visit Blackpool; £239k of this was due to unfunded lost income attributable to Covid-19. Some of this overspend was offset by additional income in Communications. Print Services had an overspend of £43k once again mainly due to lost income due to Covid-19. Beach Patrol also had a small pressure of £8k. There was a saving in Economic Development of £154k. This was mainly due to a new burdens grant being received to cover the costs of administering business grants. Covid-19 grants of £718k have been able to be claimed for this Directorate against Covid-19 costs totalling £1,078k.	245
Chief Executive (Appendix 2a)	The majority of the saving in the directorate came from the Chief Executive service (£26k) and relates to savings in supplies and services, mainly in relation to development and consultant budgets. The service had £480k of costs relating to Covid-19 which were offset by Covid-19 grants.	(33)
Ward Budgets (Appendix 2c)	Scheme commitments of £63k are being carried forward into 2021/22.	(63)

Community and Environmental Services (Appendix 2g)	Overall the Directorate achieved an underspend of £585k in 2020/21, mainly due to savings arising from Leisure & Catering and Highways and Traffic. Leisure and Catering underspent by £325k. Covid-19 had a significant impact, with £2,583k of lost income to the service, however, the majority of this was recovered through Covid-19 grants, furlough income and savings achieved across a range of areas. Highways and Traffic underspent by £138k, due to additional scheme income being achieved. Business Services overspent by £1,432k due to it holding all the Directorate's savings targets. This was offset by planned savings delivered by Street Cleansing & Waste Services and Coastal and Environment Partnerships. Street Cleansing and Waste Services made savings of £801k due to a combination of reduced waste disposal costs and savings arising from the transfer of the refuse collection service to Enveco (£181k). Coastal and Environment Partnerships achieved a £749k saving from a combination of additional grant income and savings on the PFI contract. Within other services, there were staff savings of £48k on Public Protection, whilst Integrated Transport had a Covid-19 related pressure of £44k.	(585)
Resources (Appendix 2d)	An underspend was achieved in the Directorate as a result of staffing vacancies and income receipts generation across most areas (£565k) plus a one-off saving on utilities due to numerous building closures and reduced occupancy of corporate buildings due to Covid-19 (£343k). These savings were offset by Covid-19 related pressures including a reduction in investment property rental income and additional costs for PPE and screens (£266k). Benefits Services processed additional payments of £620k for self-isolation, hardship and winter grant but these were fully funded through specific Covid-19 grants.	(642)
Adult Services (Appendix 2h)	There were savings within the Directorate this year despite significant pressures due to Covid-19. Additional expenditure amounted to £15.9m, the main reasons were a 10% fee uplift to care providers (£4.5m), PPE provision (£1.7m) and additional hospital discharges (£2.3m). The measures relating to Covid-19 were funded by a combination of Government grants and Clinical Commissioning Group (CCG) recharges.	(2,928)

	Activity has also been impacted by Covid-19 resulting in a reduction in the number of packages within residential and day care settings and this is the main reason for the under spend. There was also an additional saving across Adult Social Care and Safeguarding due to staffing vacancies within the service (£270k)	
Total		**(738)**

2.4 The financial outturn for budgets 'outside the cash limit' is detailed at Appendix 2k and shows an aggregate underspending of £9,444,000. The main reasons for this are:-

Service	**Reasons**	**£000**
Parking Services	Of the £1,090k pressure, £937k is income loss due to Covid-19 and is ineligible for funding from Covid-19 grants. In addition to this loss there was additional expenditure on repairs.	1,090
Council Tax and NNDR Cost of Collection	Reduction in Council Tax Administration Subsidy and NNDR Cost of Collection Allowance. Increase in supplies and services.	295
Subsidiary Companies	Non-recoverable income losses due to Covid-19 amounted to £398k; this was offset by savings in debt management and supplies and services. Covid-19 had an impact of £1,377k lost income to the service, the majority of which was recovered through Covid-19 grants.	74
Corporate Subscriptions, Housing Benefits, Land Charges and Employers Previous Year Pension Liability	Slight underspend in all services. Mainly reductions in supplies and services.	(40)
Concessionary Fares	The saving in this service is due to the application of Central Government Covid-19 grant. The service continued to pay operators during the period based on an average of four months from 2019/20.	(3,253)
Treasury Management	£6,700k of the underspend relates to savings in the Minimum Revenue Provision (MRP) policy review which was approved by Executive on 8th February 2021. There was a £2,025k saving on the use of low interest temporary borrowing rather than long term borrowing. A saving of £24k was achieved in interest received on higher than expected cash balances. There was an overspend of £623k due to an interest shortfall on the Business Loans Fund which	(7,610)

	understandably was less active during 2020/21. A further £109k overspend occurred in recharges and brokerage.	
Total		**(9,444)**

2.5 Contributions to Reserves, Contingencies, Levies and Capital Charges had an apparent adverse variation of £6,181,000. This is mainly due to a contribution to earmarked revenue reserves in the year made available by the MRP policy review which produced in year savings of £6,700,000 and which still allows for year-end working balances at target levels of £6m.

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 2020/21 in detail and the financial outlook and consulted Corporate Leadership Team colleagues, it is recommended that:-

- the underspending of £63,000 in respect of the scheme commitments on Ward Budgets is carried forward to 2021/22 in full;
- the following under and overspendings are to be written off:

Directorate	**£000**
Chief Executive	(33)
Governance and Partnership Services	893
Resources	(642)
Communications and Regeneration	245
Growth and Prosperity	1,253
Community and Environmental Services	(585)
Adult Services	(2,928)
Children's Services	1,122
Total	**(675)**

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 for what will be the 11th consecutive year of material budget cuts.

4. Provisional Capital Outturn 2020/21

4.1. This section sets out the level of expenditure incurred by the Council on its 2020/21 Capital Programme. It provides a breakdown of expenditure by service in addition to providing a proposal on how the Capital Programme for 2020/21 should be financed.

4.2. The total capital expenditure for the year was £49,879,989. This is summarised on the following page with an analysis of spend by individual scheme available at Appendix 3:-

Directorate	**£**
Communications and Regeneration	26,742,567
Housing Revenue Account	8,855,931
Community and Environmental Services	5,633,063
Children's Services	3,163,986
Resources	2,529,472
Adult Services	2,066,465
Governance and Partnership Services	755,282
Chief Executive	133,223
Total	**49,879,989**

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 2020/21 of £49,879,989 is split between non-HRA of £41,024,058 and Housing Revenue Account of £8,855,931.

4.4 The original Capital Programme for 2020/21 was set at £20,474,000 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	13,102,589
Government and Other Grants	23,626,928
Capital Receipts	1,857,727
Other Sources:	
- Revenue	11,076,516
- Leaseholder Contributions	132,418
- Great Places	31,086
- Schools contributions	41,360

-Other	11,365
Total	**49,879,989**

The Council has maximised all capital resources available to it during 2020/21 and arrangements have been made to ensure that funding for re-profiled schemes is carried forward into 2021/22.

5. Collection Rates

5.1 Council Tax (CT)

At the end of month 12 the amount collected for Council Tax (excluding Police and Fire precepts) was £52.12m and the collection rate was 87.76%. This compares to £54.90m and 91.5% at the same point in 2019/20. The amount collected has reduced by £2.78m which is mainly due to the consequences of the Covid-19 pandemic.

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

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 2020/21 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 2021 the level of arrears has increased to £21.7m (compared to £18.8m in 2019/20) and the provision for bad debts has increased to £9.0m (compared to £7.8m in 2019/20). 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.

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 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).

5.2 Council Tax Reduction Scheme (CTRS)

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 was amended 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 or Universal Credit) 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.

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 Council Tax Reduction Scheme, either for the first time or in addition to a proportion of their Council Tax, was £1.92m and the collection rate was 66.78%. This compares to £2.64m and 68% at the same point in 2019/20.

The underlying rate of collection of Council Tax Reduction Scheme was under greater pressure than 2019/20 due to accumulated arrears and limits on the amount that could be recovered from Attachment of Benefits.

During 2020/21 the Council received a government grant of £2.8m for the Covid-19 Council Tax Hardship fund. This grant was to provide relief to individual council taxpayers alongside existing working age local council tax support schemes. All recipients of working age local council tax support during 2020/21 received a further reduction in their council tax bill of up to £150.

5.3 National Non-Domestic Rate (NNDR)

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 the income relating to Blackpool was shared between central government (50%), the Council (49%) and the Fire Authority (1%). Consequential adjustments were made to the Formula Grant equivalent.

At the end of month 12 the amount collected for Business Rates was £15.5m and the collection rate was 85.77%. This compares to £46m and 95.6% at the same point in 2019/20. The £30.5m reduction is due to the introduction of the Expanded Retail Discount and Nursery Discount Reliefs due to businesses being closed/reduced opening during the Covid-19 pandemic. These reliefs in 2020/21 are offset by S31 grants of £14.6m.

As at 31st March 2021 the level of business rate arrears has increased to £9.8m (compared to £7.3m in 2019/20). Due to the situation regarding Covid-19 the Government has extended the deadline for the completion of the

NNDR 3 return until 30 June 2021. 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.

The NNDR 2020/21 deficit is also spread over 3 years in the same way as Council Tax (paragraph 5.1). The Council will 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).

In 2020/21 Central Government announced the Local Income Tax Guarantee Scheme which will cover 75% of irrecoverable losses in business rates and council tax income for 2020/21 due to Covid-19. The payments are calculated at the end of the financial year based on the outturn. An amount of £395,000 has been accrued in 2020/21 in relation to the business rates losses. However, the Council will not be receiving any grant towards council tax due to the amount of Hardship funding received in 2020/21.

5.4 The impact of Covid-19 on Council Tax and Business Rates collection in 2020/21 will be subject to a separate report. An in-house review is currently underway to understand how, where and why the greatest impacts were experienced; benchmarkings with nearest neighbours; unique local factors to take into account; income recovery plans for 2021/22; and considerations for arrears and write offs.

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 increased by £21.09m from £49.82m to £70.91m during 2020/21 with those reserves summarised and shown in the table overleaf:-

Earmarked Reserves	**2020/21**	**2019/20**
	£000	**£000**
S31 Extended Retail Relief for Hospitality, Retail and Nurseries (to offset NNDR Deficit in 2021/22	(14,599)	-
Collection Fund Deficit Reserve (Council Tax and NNDR)	(2,675)	(8,228)
Potential Pay Liabilities	(4,193)	(4,490)
Covid-19 grants	(5,210)	(5,705)
Insurances	(7,693)	(7,043)
Museum Reserve	(5,781)	(1,620)
Vehicle, Plant and Equipment Replacement Reserve	(1,669)	(1,472)
Treasury Management – Prudential borrowing	(797)	(797)
Transformation Reserve	(769)	(1,124)
Other Reserves	(27,520)	(19,339)
Total Earmarked Reserves	**(70,906)**	**(49,818)**

6.2 In 2020/21 the Government provided additional business rate reliefs for retail, hospitality and nurseries due to the Covid-19 pandemic. These reliefs were funded by S31 grants. The S31 grant will be used to offset against the NNDR deficit but this will not happen until 2021/22. Therefore, the S31 grants of £14,599,000 are being held in an earmarked reserve until 2021/22.

6.3 The Strategic Leisure Assets cumulative overspend of £13,541,000 brought forward from 2019/20 is included within earmarked reserves along with the 2020/21 in-year overspend of £1,394,000. When the service begins to break-even it will then start to repay the overspend. This is in line with the Medium Term Financial Plan.

6.4 The year-end balances of the Housing Revenue Account (HRA) are £3,032,523 which is £753,477 less than originally forecast for 2020/21 due capital investment and a reduction in the prior year opening balances to reflect the 2019/20 outturn position.

6.5 Maintained schools' balances (which lie outside the control of the Council) increased by £1,179,000 in 2020/21 to £3,563,000. £5,763,000 is also held in an earmarked reserve in relation to overspent Dedicated Schools Grant.

7. General Fund Working Balances

7.1 The Council's Revenue Budget for 2020/21 set a target level of General Fund working balances of around £6m. The level of working balances as at 31st March 2021 is slightly higher at £6,293,000.

8. Covid-19

8.1 On 20th March 2020 Local Government Funding of £1.6bn was announced to offset some of the financial pressures associated with Covid-19.

8.2 MHCLG established a monthly DELTA reporting system for the recording of COVID-19 related financial pressures during 2020/21. These DELTA returns have been submitted unfailingly on a monthly basis throughout 2020/21. These returns are used by MHCLG to establish the level of funding required by Councils.

8.3 Appendix 4 provides a list of Covid-19 funding received by the Council during 2020/21.

Within the grants in Appendix 4 the Council received £95.72m to pay business grants to businesses struggling during the Covid-19 pandemic and particularly during the lockdowns. The Council acted as agent for the Government and therefore the grants are not included in the Revenue Outturn and any unspent grants must be paid back to the Government.

9. Statutory Audit Deadlines for 2020/21 - The Accounts and Audit (Amendment) Regulations 2021.

9.1 The publication date for final, audited, accounts has been moved from 31st July to 30th September 2021 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 Section 151 Officer and published by 1st August 2021 at the latest.

9.4 Authorities must publish the dates of their public inspection period.

9.5 Given the removal of the common inspection period and extension of the overall deadlines for this year, it is recommended that all authorities provide public notice on their websites when the public inspection period would usually commence, explaining why they are departing from normal practice for 2020/21 accounts.

10. Conclusions and Recommendations

10.1 The Provisional Outturn for 2020/21 shows the financial performance culminating with the Council's General Fund working balances standing at £6,293,000.

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.

10.3 The Executive is asked to:

- approve the Provisional Revenue Outturn for 2020/21 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 2020/21 and methods of scheme funding as outlined (ref. paragraphs 4.2 and 4.5);

- note the Prudential Indicator (ref. paragraph 4.3);

- note the levels of the earmarked reserves including those for the Housing Revenue Account and maintained schools (ref. paragraphs 6.1, 6.4 and 6.5).

- note the revised dates for the draft, final audited accounts and the public inspection of accounts (ref. paragraph 9.1, 9.2 and 9.3).

Steve Thompson
Director of Resources