BLACKPOOL COUNCIL

REPORT

of the

DIRECTOR OF RESOURCES

to the

EXECUTIVE

7TH FEBRUARY 2022

FINANCIAL PERFORMANCE MONITORING AS AT MONTH 9 2021/22

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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 2021/22, ie. the period to 31st December 2021, 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 However, 2021/22 has continued to be unprecedented in the operational and consequential financial demands being placed upon the Council with continuing Government 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 continuing budgetary overspends, supplier reliefs and subsidies, cashflow loans and other support measures.

2. Report Format

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

- Appendix 2a - Chief Executive
- Appendix 2b - Governance and Partnership Services
- Appendix 2b/c - Ward Budgets
- Appendix 2d - Resources
- Appendix 2e - Communications and Regeneration
- Appendix 2f - Strategic Leisure Assets
- Appendix 2g - Growth and Prosperity
- Appendix 2h - Community and Environmental Services
- Appendix 2i - Adult Services

- Appendix 2j - Children's Services
- Appendix 2k - Public Health
- Appendix 2l - Budgets Outside the Cash Limit
- Appendix 2m - 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 2021/22. 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. 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. The Covid monitoring return for December 2021 (Round 18), required by the Department for Levelling Up, Housing and Communities (DLUHC), is due for completion by 28th January 2022 and will be reconciled to these figures in due course

3. Directorates' Budget Performance

3.1 The Provisional Outturn Report 2020/21 was reported to the Executive on 14th June 2021. 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 11th consecutive year of material budget cuts, the Executive agreed to write-off all 2020/21 service variances but carry forward the 2020/21 underspend of £63k on Ward Budgets.

3.2 The full-year forecast position at this stage of 2021/22 shows a deterioration in the Council's financial standing when compared with the draft 2020/21 unaudited statement of accounts which show the working balances as at the close of £6,293k. These balances are expected to fall by £5,616k (of which £3,678k is Covid-related) to a surplus of £677k by the end of 2021/22. However, plans are being developed to address the in-year pressures identified in this report besides progressing any outstanding budget savings that had been planned.

3.3 In line with the Chancellor of the Exchequer's Spending Review of November 2020 the Council's Budget for 2021/22 assumed a pay freeze for all staff other than those earning £24,000 or less for which a pay rise of £250 was factored in. Negotiations are still underway between local authority employers and the unions; with an employer offer of 1.75% being made in month 4. It is anticipated, though as yet indeterminable, that there will be some pay award pressure as the outcome.

3.4 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 **£5,616k** for 2021/22 are summarised below:-

Directorate	Service	Forecast Variance £000
Children's Services	An overspend of £4,707k is forecast including £420k net 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 2020/21 budget setting and 31st May 2020 and also to develop the placements market and increase the capacity within internal fostering. The CSMTFS aims to reverse the current trend and this investment alongside other service improvements should ensure the service can pay back the budget increase by 2026/27. However, the Children's Social Care division had a worsening position since May 2020 of £4,196k, mainly due to the additional support required following the breakdown of high cost placements. £344k of this pressure (net of other Covid funding) relates to breakdowns due to Covid. By December 2021 LAC numbers stand at **604** which is a increase of 7 on October 2021. There is expected to be a net overspend in Education of £855k. This relates to £664k demand pressures in Transport Services and a historical savings target that was not achieved. There are also pressures on an income target and staffing of £115k within the service and the balance of £76k relates to the net Covid cost. The gross Covid pressure of £389k is due to £281k additional transport costs, £94k due to the requirement for school baseline assessments and £14k for an additional post in the Special Educational Needs Team. Early Help for Children is expected to underspend by £289k due to vacant posts across the service.	4,707
Contingencies and Reserves	There are savings from prior years that have not yet been met recurrently and these are currently showing a pressure of £1,412k, primarily corporate procurement savings (£662k) & non-essential spending (£750k). In addition there is an anticipated pressure of at least £1,500k relating to the pay award pressure. Funding of £5,545k has so far been received from DLUHC and a contribution of £1,754k is anticipated from Blackpool CCG for Enhanced Hospital Discharges. A DLUHC compensation scheme for non-commercial income lost due to Covid is estimated to provide an additional £1,189k in the full year. The impact of reallocating the Covid funding relating to sales, fees and charges compensation claims and other Covid funding plus the contribution from the CCG amounting to £7,004k has been shown in the services	1,428

	above. The residual Covid funding of £1,484k is yet to be allocated.	
Strategic Leisure Assets	Strategic Leisure Assets is forecasting a pressure of £2,253k including £1,302k net Covid costs. This overspend consists of a Leisure Assets medium-term financial plan gap (excluding Covid costs) of £301k, a £350k income target, £91k shortfall on expected income from cultural exemption, an increased maintenance forecast of £99k and increased borrowing costs of £740k less increased Golden mile income of £30k and an improved attraction performance of £600k. There is a £1,302k net loss relating to Covid restrictions after assuming modest income from the Sales, Fees & Charges compensation scheme of £287k relating to quarter 1 and £460k of other Covid funding. This pressure has increased from period 8 due to a reduction in performance at Blackpool Entertainment Company Limited (BECL). In accordance with the original decision for this programme by the Executive on 7th February 2011 the projected overspend on Strategic Leisure Assets of £951k (excluding Covid costs) will be carried forward and transferred to Earmarked Reserves. The forecast cumulative deficit as at 31st March 2022 is £15,886k. The Leisure Assets medium-term financial plan now forecasts the service to break-even, in-year, during 2025/26. This has increased from 2024/25 due to a delay in the Conference Centre income generation.	1,302
Communications and Regeneration	An overspend of £572k is forecast including £340k net Covid costs. The Illuminations service is currently forecasting a pressure of £275k. This is made up of £100k additional cost of extending the Illuminations period till the end of December plus a net Covid pressure of £175k relating to £174k of additional staff costs and a £17k loss of income from business collections less £3k from the Covid Sales, Fees and Charges compensation scheme and £13k of other Covid grant funding. Visit Blackpool is expecting a pressure of £241k. A Covid pressure of £337k relates to £152k of lost advertising income on shelters, £95k of lost resort pass and ticket sale income, £27k of lost income from Switch on and Slimefest events due to reduced capacity (this figure has reduced from the previous month) and £63k of other lost event income after £34k of Sales, Fees & Charges compensation scheme income and £58k of other Covid funding has been applied. This pressure has been further offset this month by the reallocation of a Covid grant of £172k. There is a non-Covid pressure of £76k forecast which relates to sponsorship and increased rates costs on shelters offset by additional income generated by the Communications team. Welcome Back project expenditure of £75k has all	572

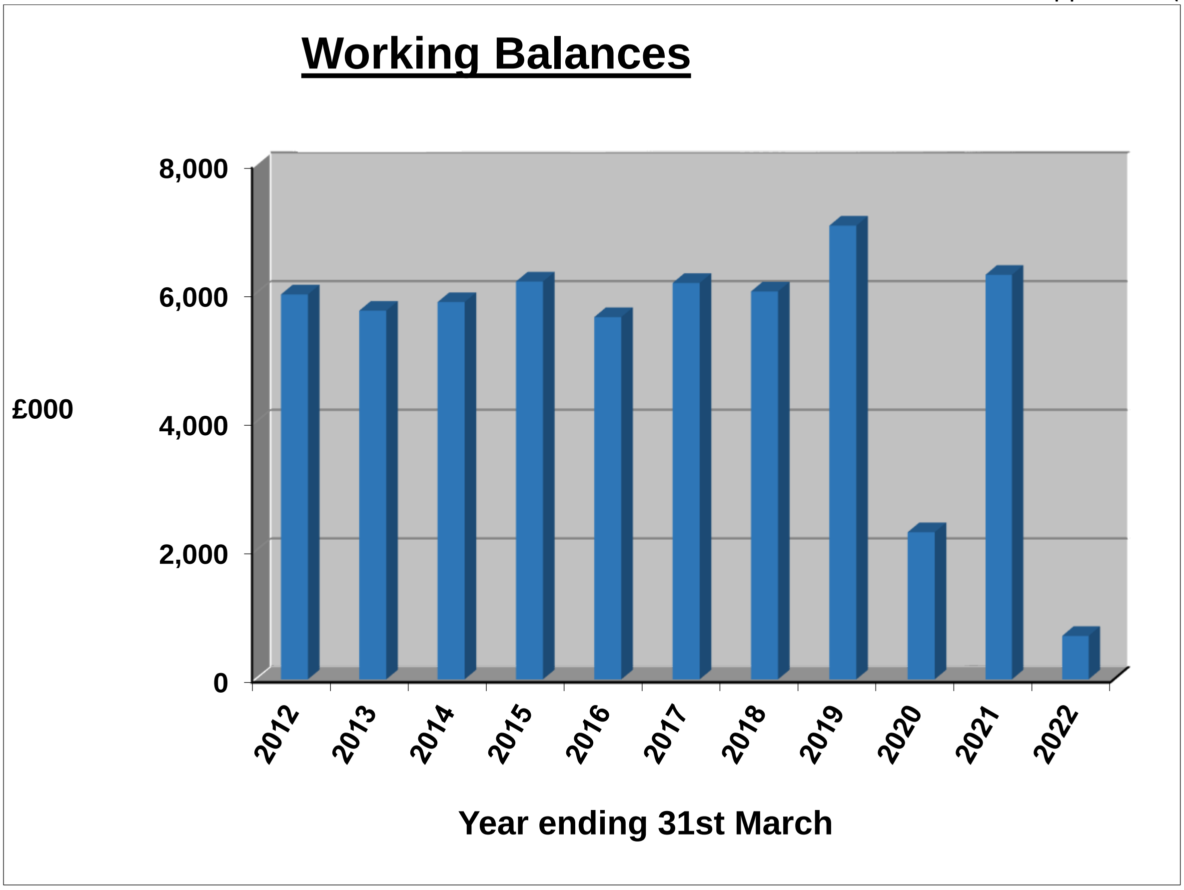
	been covered by grant funding. There is an expected pressure of £26k in Print Services due to a reduced income forecast.	
Adult Services	An overspend of £508k is forecast including nil net Covid costs. Adult Commissioning Placements is forecasting a £722k overspend. The total Covid cost of £9,132k is partially offset by the Infection Prevention Control grant (£1,979k), Lateral Flow Testing grant (£1,386k), Vaccine grant (£91k), Workforce Recruitment and Retention grant (£1,741k) and a contribution from the Blackpool Clinical Commissioning Group (£1,754k). The residual net Covid pressure of £2,181k has been fully offset when the Government grants relating to 2021/22 were allocated. The non-Covid overspend of £722k relates to increased demand within Complex Cases and Supported Living. Care and Support is forecasting an underspend of £201k due to staffing vacancies within the service. The Covid cost of £172k has been met by the Infection Prevention Control grant.	508
Governance and Partnership Services	An overspend of £307k is forecast including net nil Covid costs. Corporate Legal Services is expecting a £250k overspend in Children's legal services due to the large number of complex cases. Life Events is forecasting a pressure of £50k after other Covid funding of £2k has been applied. This relates mainly to income pressures in cremations. Information Governance is forecasting an overspend of £7k due to staff costs. Ward budgets are expected to break-even.	307
Community and Environmental Services	An overspend of £75k is forecast of which £426k is attributable to net Covid costs. The Leisure service is forecasting lost income in relation to Covid of £772k, due to memberships and patronage at leisure centres not increasing as quickly as hoped after lockdown measures were eased. Other Covid funding of £114k has been applied and it is anticipated that a Sales, Fees and Charges compensation claim will be made for losses in quarter 1 of 2021/22, amounting to £232k. The service has identified savings of £226k helping to reduce the income loss. There is a non-Covid related pressure of £20k within Parks due to unpaid invoices. Highways and Traffic Management Services is forecasting an underspend of £75k due to staffing vacancies and Waste Services are reporting a surplus of £70k due to increased income within Trade Waste.	75
Growth & Prosperity	The pace of delivery of the Growth and Prosperity work programme has been significantly and adversely impacted by the recent consequences of Covid, therefore it appears	Nil

	unlikely that the budgetary targets set are likely to be met in-year. Many external factors beyond the Council's control have conspired to delay progress and hence delivery of planned receipts including Covid-related delays in due diligence work, planning permissions/objections/appeals, private sector risk appetite, central government decision-making, office and retail rental levels, sourcing of building labour and materials and project costs. In addition the retail industry has been decimated by the lockdown and the continued absence of a major tenant within the Houndshill has led to performance of that asset being compromised despite negotiations underway to address this situation. Since the lifting of lockdown, progress has been made with the Blackpool Central and Showtown schemes. The complexities of achieving regeneration in a complex environment are many but the Growth and Prosperity team is fully committed to overcoming any and all challenges and continuing to ensure that regeneration continues at pace in Blackpool and that this recovery will ensure that future budgetary targets are met. This pressure has increased in the period due to development delays. At its meeting on 8th November 2021, the Executive considered a report on the Medium-Term Financial Sustainability Strategy 2021/22 – 2026/27. As part of this, it was reported that since 2017 the Council has been making assumptions on yields and receipts from its Growth and Prosperity work programme in order to bridge its annual budget gaps and that it is now clear from experience that the pace and delivery of this programme is significantly and adversely impacted by the factors detailed above. In this context it is deemed prudent to remove this volatility and uncertainty from the revenue budget process. The Executive agreed to the approach to transition out the Growth and Prosperity net revenue budget target over a 2-year period, 2022/23-23/24, with any proceeds subsequently realised from the existing work programme being directed to bolstering reserves and any new proceeds being retained by Growth and Prosperity for their re-investment. Consequently, the predicted pressure of £9,312k has been transferred to Earmarked Reserves.	
Public Health	A break-even position is forecast. Since March 2020 Public Health has been responding to the outbreak of Covid to protect the population of Blackpool. A single point of contact has been established to respond to calls/emails actioned by appropriately qualified and informed Public Health staff. A Public Health Duty Desk has been set up to respond to incident and outbreaks offering specialist guidance, advice and support. During the pandemic, the	Nil

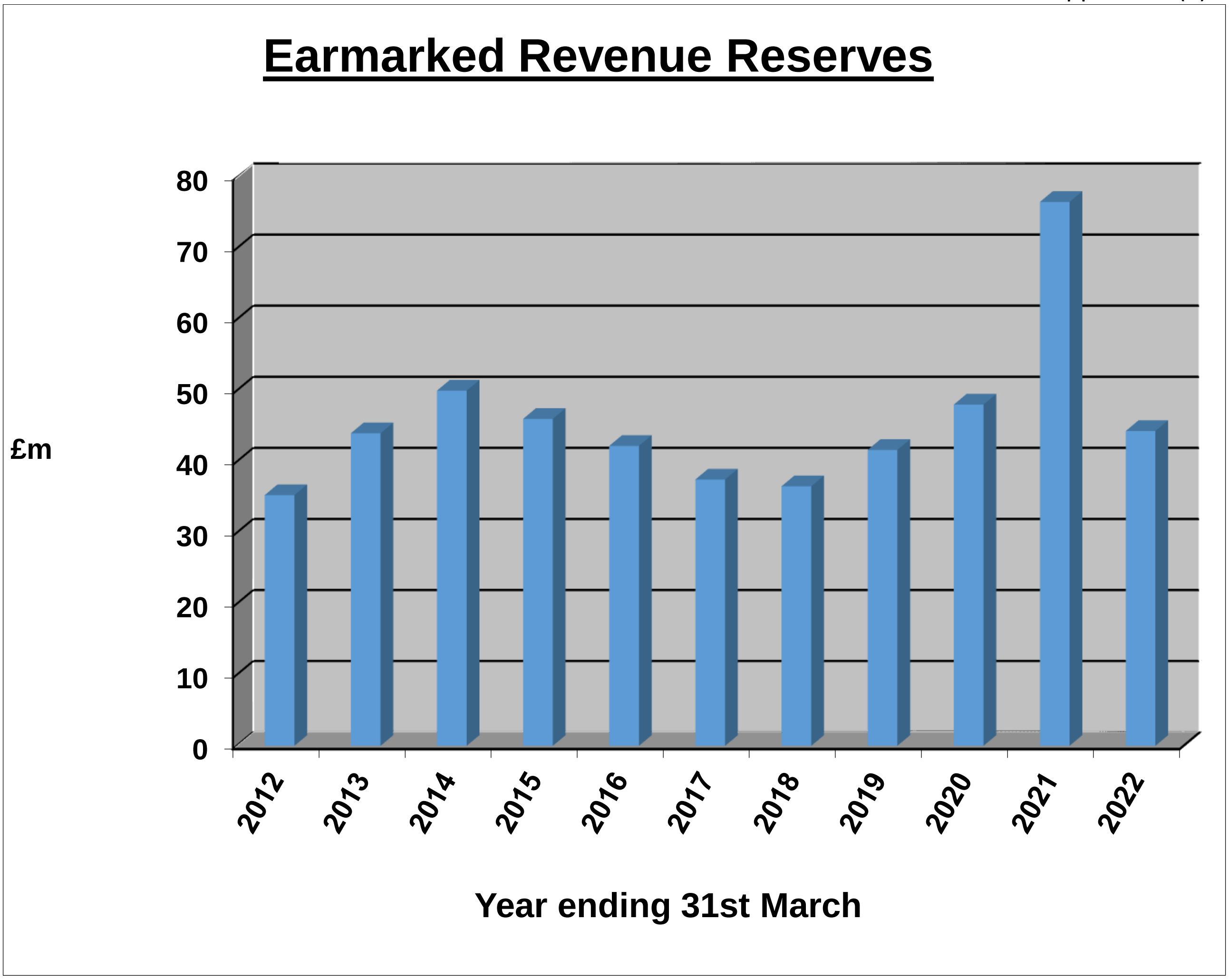
	team have developed Community Hubs, including supporting the homeless population, to ensure that those left vulnerable from Covid receive the support they need, for example food, welfare checks, medication, accommodation, etc. The Public Health team opted to support the Government's NHS Test and Trace service by contact tracing and providing support for all positive cases in Blackpool. More recently the Public Health team have been supporting with the vaccination programme delivery, aiming to get the most vulnerable people in Blackpool fully vaccinated. The spend relating to this work is estimated to be £3,473k in 2021/22 and is being funded through a ring-fenced Test and Trace service support grant and Contain Outbreak Management Fund 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 impacting our providers' ability to offer routine treatments and these savings have offset a shortfall in income generation for the directorate.	
Chief Executive	An underspend of £100k is forecast. Additional costs of £177k relating to the temporary accommodation of rough sleepers in line with the Government guidelines have been met by grant funding. The underspend is due to one-off savings from staffing and other general costs.	(100)
Resources	An underspend of £133k is forecast including a net Covid pressure of £73k assuming Sales, Fees & Charges compensation scheme income of £23k and other Covid grants of £164k. Income and utility pressures have been offset by vacancy and maintenance savings and a restructure in Accountancy.	(133)
Budgets Outside the Cash Limit	An underspend of £3,050k is forecast including £2,601k net Covid costs. Parking Services is forecasting a break-even position for 2021/22 mainly due to the pressure arising in quarter 1 due to Covid being offset by an increase in income expected in the last quarter of the year as well as assuming that £302k of income from the Sales, Fees & Charges compensation scheme is allocated to the service. There is a net underspend of £249k in subsidiary companies. A net Covid pressure of £998k remains after £245k is recovered from the Sales, Fees & Charges compensation scheme as well as £151k of other Covid funding. This has been 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. Concessionary Fares is	(3,050)

	forecasting an underspend of £889k. This includes £1,405k pressure due to the current restrictions relating to Covid after £501k of other Covid funding has been applied. 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 in 2020/21 has been extended until the end of the financial year 2022. A reduction in passenger numbers is also reflected. Treasury Management is forecasting a favourable variance of £1,912k. 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. Following a review of the Minimum Revenue Provision (MRP) which was approved by the Executive on 8th February 2021 a total of £6.7m of saving has been forecast to be achieved in 2021/22.	
Total		**5,616**

3.5 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:



3.6 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 2022, is shown below:



3.7 Earmarked Revenue Reserves (ERR)

	£m
Provisional Earmarked Revenue Reserves as at 1st April 2021	76.548
Less s31 Grants used to offset NNDR deficit	(14.599)
Less Covid grant funding	(2.061)
Less Strategic Leisure Assets non-Covid element of overspend	(0.951)
Less Growth & Prosperity 2021/22 overspend	(9.312)
Less Recurrent Gap funding underwritten by ERR	(2.987)
Less Ward Budget underspend 2020/21	(0.063)
Less Transfers from ERR months 1 to 9	(0.315)
Less 75% Income Tax Guarantee	(1.100)
Add Contingency Transfer to ERR to cover SLA 2021/22 onwards	2.987
Forecast Earmarked Revenue Reserves as at 31st December 2021	(48.147)
Forecast Earmarked Revenue Reserves as at 31st March 2022	(44.326)

4. Covid-19

4.1 The current forecast effect on the Council's 2021/22 outturn due to the effects of Covid stands at £22,147k gross **(£3,678k net)** of which funding of £15,231k has been assumed from DLUHC Covid support funding (£14,042k) and the Sales, Fees & Charges compensation scheme (£1,189k). It is anticipated that a recharge of £1,754k of these costs will be made to Blackpool Clinical Commissioning Group for Enhanced Hospital Discharges. This leaves a residual pressure to the Council of £5,162k. A further £1,484k of Covid Grants relating to 2021/22 is yet to be allocated. The Council's December Covid financial monitoring return (Round 18) to DLUHC, is due on the 28th January 2022 and will be reconciled to the above figures in due course.

4.2 For completeness the table shown in Appendix 3 shows all the Government Covid-related funding support announcements totalling £12.82m as at 31 December 2021.

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 2021/22 which total £20.285m. As at 31st December 2021 92% of the 2021/22 savings target has already been delivered. The full-year forecast, predicts that 99% will be achieved by the year end.

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 £46.8m and the collection rate was **74.8%.** This compares to £45.1m and 75.0% at the same point in 2020/21. The amount collected has risen by £1.7m 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 29th January 2021 as part of the setting of the Council Tax Base for 2021/22.

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 7th December 2020, the Executive approved that the reduction applied to working-age claimants under the 2021/22 Scheme remained the same as the 2020/21 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 £2.37m and the collection rate was **52.4%.** This compares to £1.63m and 56.6% at the same point in 2020/21.

The likely impact for 2021/22 is that the underlying rate of collection of Council Tax Reduction Scheme will be under greater pressure than 2020/21 due to accumulated arrears, limits on the amount that can be recovered from Attachment of Benefits, the impact of Covid and the ending of furlough payments in September and the temporary £20 uplift to Universal Credit in the autumn.

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 increased to 75% and authorities in the pool 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 £23.1m and the collection rate was **68.4%.** This compares to £12.8m and 69.2% 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 has been introduced which provides 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.

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 only 29 business rate summonses were issued in the 9 months to the end of December 2021.

Subject to audit, the Business Rate cumulative deficit as at 31st March 2021 was £28,578k.

The Council's share of this deficit is £13,687k (£1,293k surplus @ 73.5% + £29,871k deficit @ 49%). The 2020/21 deficit will be offset by the s31 'Extended Retail/Nurseries etc.' relief provided by central government.

In 2020/21, s31 grants for Business Rate Reliefs totalling £14.599m were received which are to be applied in 2021/22 to the Collection Fund. This causes Earmarked Revenue Reserves to be overstated at year-end.

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 2021. The month 9 report includes this data for comparative purposes. Future reports may show further changes in the capital programme, representing schemes that were approved after submission of the 2021/22 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 which is subject to ongoing negotiations with the administrators and partners including Homes England.

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 2021/22.

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. 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 2021/22.

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 £42.5m due to capital expenditure which is in line with the Council's approved capital programme for 2021/22. There has been a decrease in Temporary Borrowing of £9.6m and an increase in Cash and Cash Equivalents of £5.7m due to the timing of capital and revenue grants.

10. Conclusions and Recommendations

10.1 Over the 11-year period 2011/12 – 2021/22 cumulative Revenue Budget savings amounting to £186m have been required to be made by Blackpool Council. This is greater than the Council's current annual Net Requirement Budget of £149m and even more starkly the compound effect over the same period amounts to £1.2bn 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 Strategies 2016/17-21/22 and 2021/22-26/27 are being 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 adult social care provision plus the rising costs of providing care are still creating a burden that current levels of local taxation and Government funding struggle to meet. In addition, the financial consequences of Covid have been immense (£3.16m in 2020/21 and £3.68m forecast in 2021/22) with little prospect now of any further Government financial support.

10.3 Over the last 11 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 2020/21 by £28.5m despite the unprecedented financial pressures faced in that year.

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

10.4 The full-year forecast position at the end of month 9 of 2021/22 shows a deterioration in the Council's financial standing when compared with the draft unaudited position as at the close of 2020/21. Working balances are expected to reduce by the current forecast overspend of £5,616k including an overspend of **£3,678k** which is Covid-related.

10.5 The Council's Revenue Budget for 2021/22 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 has been made to deliver this and more. Earmarked revenue reserves at the start of the financial year stood at a record high of £76,548k, though with known in-year commitments against this the balance will fall to an estimated £44,326k 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 2m).

10.6 If the 2021/22 forecast position became the actual outturn, then in accordance with the Council's Financial Procedure Rules within its Constitution the forecast revenue outturn 2021/22 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 still 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 maintain the position - revised service and financial plans are still underway, including the review of technical accounting treatments, freezing of non-essential spend, use of earmarked reserves and delays to filling non-front line vacancies.

10.7 The Executive is asked:

i) to note the report;

ii) 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, Strategic Leisure Assets, Communications and Regeneration and Adult Services;

iii) to prompt the Scrutiny Leadership Board to continue to independently review the financial and operational performances of the services listed in ii); and

iv) to continue to lobby central government (HM Treasury, Department for Levelling Up, Housing and Communities, Department for Health and Social Care, Department for Transport, Department for Digital, Culture, Media and Sport, Department for Business, Energy and 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

Steve Thompson

Director of Resources
20th January 2022