BLACKPOOL COUNCIL

REPORT

of the

DIRECTOR OF RESOURCES

to the

EXECUTIVE

6 FEBRUARY 2023

FINANCIAL PERFORMANCE MONITORING AS AT MONTH 9 2022/23 AND MEDIUM TERM FINANCIAL PLAN 2023/24 – 2026/27

---

1. Introduction

1.1 Over the 12-year period 2011/12 – 2022/23 cumulative Revenue Budget savings amounting to £194.6m have been required to be made by Blackpool Council. This is greater than the Council's current annual Net Requirement Budget of £160m and even more starkly the compound effect over the same period amounts to nearly £1.4bn 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.

1.2 The principles of the Medium-Term Financial Sustainability Strategies 2016/17-21/22 and 2021/22-26/27 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 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 £2.59m in 2021/22 both net of Government grants) with little prospect now of any further Government financial support.

1.3 The last 12 years has seen unprecedented volatility within local government finance: 9 years of successive central government funding cuts between 2011/12 – 2019/20 were followed by the United Kingdom's exit from the European Union, 2 years of a global pandemic with ongoing consequences and now a war within the European continent. This has all conspired to produce a perfect storm of labour and supply shortages, pay demands and spiralling inflation and rising interest rates in an attempt to stem the pressure. During this period the Council has continued to i) deliver its annual budget in line with statutory requirements; ii) maintain its reserves and balances at stable and appropriate levels that reflect the risk environment; iii) consistently fund and deliver the ambitions of successive administrations; and iv) deliver for the people of Blackpool. However, here in the present, sector experts and economic commentators cannot agree how and when these key drivers of the economy will land, which makes medium-term financial planning and financial management extremely challenging.

2. Report Format

2.1 This report sets out the summary revenue budget position for the Council and its individual directorates for the first 9 months of 2022/23, i.e. the period to 31st December 2022, 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. The report also includes an update on the Medium Term Financial Plan 2023/24 – 2026/27.

2.2 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 2022/23. 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.

2.3 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.

3. Budget Performance

3.1 The adverse full-year forecast budget variance as at the end of month 9 of 2022/23 is exceptionally high and can be summarised as follows, categorised as either locally-managed pressures which colleagues are working hard to mitigate or externally-imposed pressures which inevitably will require some central intervention to resolve:

	£m	£m	
Children's Social Care	6.0		Locally-
Education Transport	0.6		managed
Adults' Social Care	2.2		pressures
Other Service Pressures	(2.9)		
		5.9	
Pay Award 2.5% budgeted -> 6.1% (net of Better Care Fund) based on National Pay Bargaining	2.7		
Non-pay Inflation, in particular Energy & Utilities	1.2		Externally-
Impact of Interest Rates on Treasury Management recharges	(0.5)		imposed
Impact of rising Interest Rates on Growth and Prosperity	1.5		pressures
Health & Social Care NI Levy reversal (5 mths)	(0.2)		
		4.7	
		10.6	

The 44% that are externally-imposed pressures is mirrored without exception by the experiences of other peer unitary authorities that have been contacted recently via the Society of Unitary Treasurers. This has been further highlighted in the press and media in recent weeks by the Institute for Fiscal Studies, *The Municipal Journal* and *Public Finance*.

3.2 At its meeting on 8 November 2021 the Executive approved the Medium Term Financial Sustainability Strategy for 2021/22 to 2026/27. As part of the Strategy it was agreed that due to the current level of financial risk and volatility the roll forward of the service budget under and overspends is suspended in order that finances can be managed more strategically at corporate level. The exception to this is that the underspending of £71k in respect of the scheme commitments on Ward Budgets will be carried forward to 2022/23 in full and this is reflected in Summary financial statements.

3.3 The full-year forecast position at this stage of 2022/23 shows a deterioration in the Council's financial standing when compared with the estimated draft unaudited position as at the close of 2021/22 which show working balances of £6,075k. Working balances are expected to fall to a surplus of £1,572k by the end of 2022/23 after taking account of the budgeted transfer of £6,138k to working balances. Plans are still being developed to address the 2022/23 savings targets and also the in-year pressures identified in this report.

3.4 The Council's Revenue Budget for 2022/23 set a target level of General Fund working balances of around £6m. It is deemed appropriate to maintain this target level of £6m for working balances for the medium term.

3.5 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 **£10,641k** for 2022/23 are summarised below:-

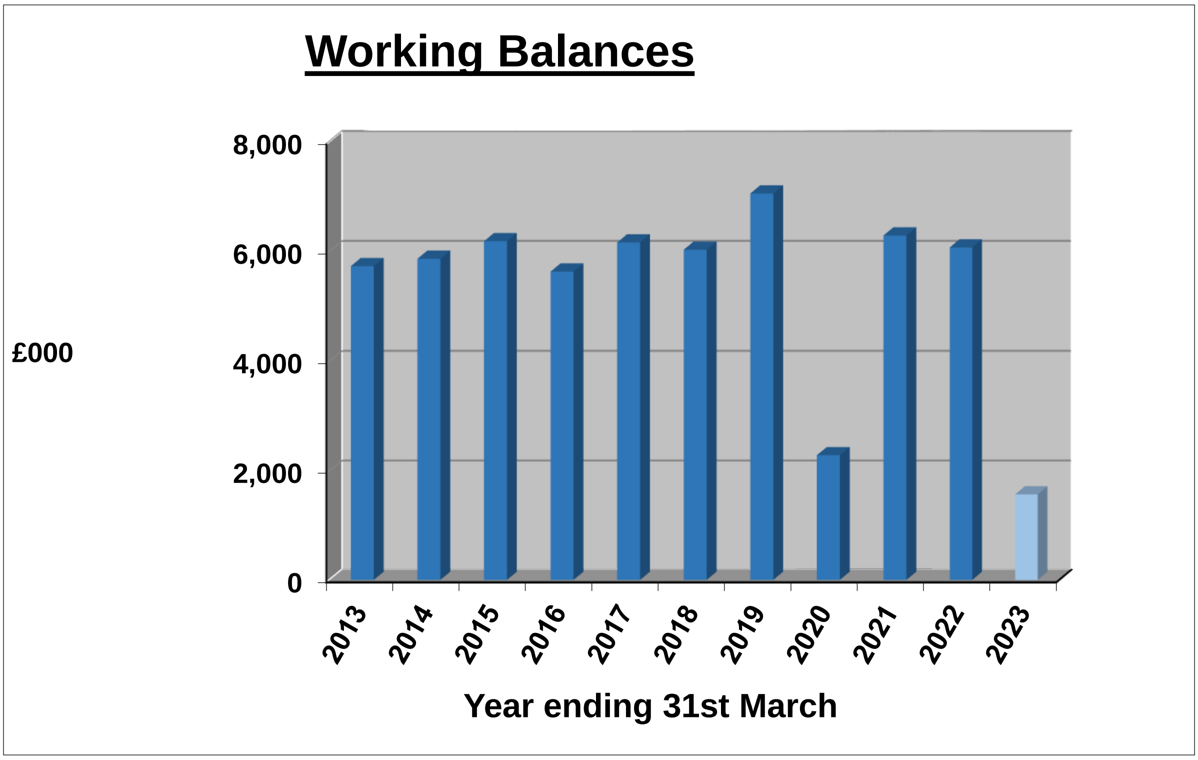
Directorate	Service	Forecast Variance £000
Children's Services	An overspend of £5,924k is forecast. Children's Social Care is forecasting an overspend of £6,043k due mainly to the additional support required following the breakdown of high cost placements and New to Care Placements offsetting the work to step Children down coming in at a greater pace than expected. There is an intention to review the assumptions within the CSMTFS as both the numbers and unit costs have diverted from the original plan. There was also an additional target to bring savings forward of £500k and if the current agency employees remain in post for the full financial year, this will add £741k to the forecast. By December 2022 LAC numbers stand at **562** which is a reduction of 10 compared to October 2022 with early indications that this positive trajectory is set to continue. There is expected to be an overspend in Education of £169k, Transport Service has now transferred to Community & Environmental Services and the remaining overspend relates to some one-off spend on a commissioning contract and unmet vacancy savings. Early Help for Children is expected to underspend by £189k due to vacant posts across the service. The Business Support and Resources Service is forecasting an underspend of £99k due a staffing restructure and some one-off income.	5,924
Adult Services	An overspend of £2,243k is forecast. Adult Commissioning Placements is forecasting a £2,359k overspend on a £51m net expenditure budget. Forecasted pressures of £2,034k on Short Term packages of care linked to hospital discharge, partially offset by £517k Discharge to Assess (D2A) recharges to the Clinical Commissioning Group (CCG) for the first 7 months of the year and £188k funding from the £500m Discharge Support Fund. Forecast overspends on Complex Cases of £468k and Residential and Nursing placements of £263k are due to additional packages as at December 2022. Supported Living hours have also increased and at month 9 an additional placement at a forecasted cost of £10k a week has resulted in a £276k overspend. Direct Payments commissioned Personal Assistant hours increased by 1,500 hours per week offset by the claw-back of unspent monies have also resulted in a net forecasted overspend position of £125k. Income for Fairer Charging as at month 9 is resulting in a surplus of £102k. Care and Support is forecasting an overspend of £57k due to income and staffing pressures. Adult Social Care is forecasting an underspend of £170k due to £62k relating to additional income from the Integrated Care Board (ICB) in relation to Direct Payments, a further £41k Community Mental Health Transformation grant income from Lancashire County Council and the	2,243

	remainder of the saving is due to a number of vacant posts across the service.	
Growth and Prosperity	An overspend of £1,510k is forecast. This is due to the increased cost of borrowing. The Executive at its meeting on 8th November 2021 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.	1,510
Contingencies and Reserves	The original Contingencies approved Cash Limited Budget was £10,260k. Movements out of Contingencies since the beginning of the financial year have been reflected in Services Cash Limited Budgets and the remaining Contingency budget is now showing an £4,303k saving. At month 9 there is a forecast pressure of £1,219k in Contingencies relating to an assumption that pay will increase by 6.1% (compared to the 2.5% currently allocated) at an additional cost of £2,658k (net of Better Care Fund) based on National Pay Bargaining, an early estimate that non-pay inflationary costs (covering gas, electricity and street lighting energy) will exceed the current allocation by £1,198k, a saving of £207k due to the reversal of the Health and Social Care Levy from 1st November 2022 and the release of £2,430k from Adult Reserves to offset the in-year overspend on Adult Services.	1,219
Community and Environmental Services	An overspend of £525k is forecast. Childrens Transport Services have been transferred into Community and Environmental Services and with it, an expected overspend of £550k. This is due to a combination of increased demand pressures and historic savings targets which have not been able to be achieved. The Leisure and Catering service is forecasting a pressure of £175k. Leisure Centres are reporting income pressures of £350k; this, however, is reduced by £300k due to savings within staffing, additional grant income and increased income within the Learn to Swim scheme. In addition, there is a pressure of £25k within the Parks service due to reduced income and £100k within Catering due to the increased cost of provisions. Highways and Traffic Management Services are forecasting an underspend of £45k due to staff vacancies. Waste Services are reporting an underspend of £75k as a result of Trade Waste forecasting increased income of £115k, partially offset by a forecast pressure of £40k within Public Conveniences relating to an inflationary uplift applied to the contract, which is not within the budget. Public Protection is currently forecasting a saving of £80k due to staff vacancies.	525

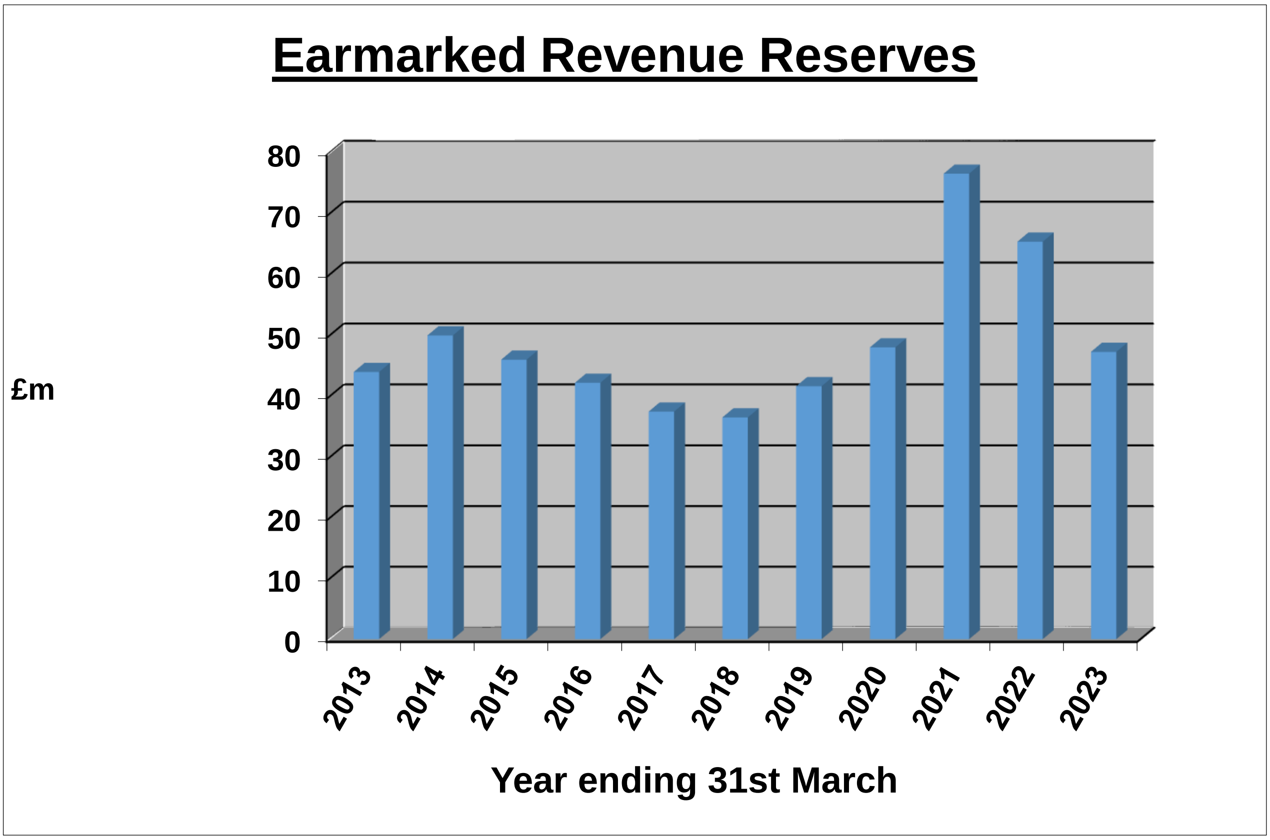
Communications and Regeneration	An overspend of £190k is forecast. Economic Development and Cultural Services is currently forecasting an overspend of £124k relating to the 2% Directorate saving target towards which no savings have been identified. This has been partially offset by a forecast saving of £30k in Economic Development. Visit Blackpool is expecting a pressure of £117k relating to increased marketing costs for which there is no expected increase in income and the cost of crowd safety equipment for which there is no budget. Planning is expecting an underspend of £39k due to increased income and vacant posts.	190
Governance and Partnership Services	An overspend of £125k is forecast. Corporate Legal Services is expecting a £83k overspend in Children's Legal Services due to the large number of complex cases. A net overspend of £42k relates to reduced income partially offset by staff savings. Ward budgets are expected to break-even.	125
Chief Executive	A break-even position is forecast.	Nil
Strategic Leisure Assets	Strategic Leisure Assets is forecasting a saving of £126k due to improved attraction performance. In accordance with the original decision for this programme by the Executive on 7th February 2011 the projected underspend on Strategic Leisure Assets of £126k (excluding Covid costs) will be carried forward and transferred back to Earmarked Reserves. The forecast cumulative deficit as at 31st March 2023 is £10,592k after accounting adjustments in 2021/22. The Leisure Assets medium-term financial plan currently expects the service to break-even, in-year, in 2025/26.	Nil
Public Health	A break-even position is forecast. The Public Health team are supporting 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 £1,024k in 2022/23 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.	Nil
Resources	An underspend of £388k is forecast. Property Services are forecasting an underspend of £210k against a gross budget of £12.18m which is an improvement due to new lease agreements. A saving of £178k relates to vacancy savings across services and a restructure in Accountancy.	(388)

Budgets Outside the Cash Limit	An underspend of £707k is forecast. Parking Services is forecasting an overspend of £39k for 2022/23. This is as a consequence of lost parking spaces due to regeneration projects, with the effect reduced by an increase in charges. Treasury Management is forecasting an underspend of £546k. This figure includes £2,621k of prudential recharges to services and means that the £742k savings target will be met in 2022/23. The Council is currently using temporary and long-term borrowing to finance prudentially-funded capital expenditure. With interest rates currently rising and in order to mitigate the impacts of any future interest rate rises, the Council has taken out £125m of long-term borrowing from the Public Works Loan Board. This long-term borrowing will replace the temporary borrowing when it is repaid. The Business Loans Fund has a savings target of £3,309k and is forecasting a pressure of £2,002k due to increases in interest rates and slippage in business loans awarded. 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 2022/23. Concessionary Fares is forecasting an underspend of £165k based on paying the compensation rate as per Department for Transport (DFT) guidance till March 2023. Subsidiary Companies are expected to underspend by £20k due to reduction in charges, mainly relating to debt management. Land Charges is expected to have a £15k underspend due to increased income.	(707)
Total		**10,641**

3.6 The graph on the next page shows the stark impact on the level of Council working balances in-year together with the last 10 years' year-end balances for comparison:



3.7 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 2023, is shown below:



3.8 **Earmarked Revenue Reserves (ERR)**

Provisional Available Earmarked Reserves

	£m
Provisional Balance at 1st April 2022	65.382
Plus: Strategic Leisure Assets non-Covid element of underspend	0.126
Less: Contributions to/from Reserves on Budget Book summary	(3.614)
Less: Ward budget underspend 2021/22	(0.071)
Less: Growth & Prosperity recovery of 2021/22 overspend	0
Less: Transfers from ERR in months 1 to 9 (inclusive)	(9.553)
Less: Transfer from Support to Adult Social Care Reserve to Contingencies	(2.430)
Plus: Pension BTS clawback	0.200
Plus: Enterprise Zone per budget	0.347
Plus: Contingency Contribution to Reserves	1.801
Forecast Available Earmarked Revenue Reserves as at Month 9 2022/23	52.188
Less: estimated net movement in Other Reserves Mths 10-12	(4.884)
Forecast Available Earmarked Revenue Reserves as at 31st March 2023	47.304

Provisional Other Earmarked Reserves

Balance at 1st April 2022	8.400
Less: Use to fund NNDR deficit in 2022/23	(8.400)
Forecast Balance at 31st March 2023	Nil

4.0 Covid-19

4.1 The current forecast effect on the Council's 2022/23 outturn due to the effects of Covid stands at £1,024k gross. It has been assumed that this will be met from the Contain Outbreak Management fund.

5.0 Budget Savings

5.1 Appendix 3 comprises a summary schedule showing the progress made by directorates in achieving their revenue budget savings targets for 2022/23 which total £8,629k. As at 31st December 2022 85% of the 2022/23 recurrent savings target has already been delivered. The full-year forecast predicts that 99% will be achieved by the year-end. All the savings have been found recurrently. 92% of the non-recurrent saving have been delivered and it is expected that 100% of the non-recurrent saving will be achieved by the year-end.

6.0 Collection Rates

6.1 Council Tax

At the end of month 9 the amount collected for Council Tax (excluding Police and Fire precepts) was £49.2m and the collection rate was **75.7%.** This compares to £46.8m and 74.8% at the same point in 2021/22. The amount collected has risen by £2.4m, which is mainly due to increases in both the Council Tax rate and base.

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 28th January 2022 as part of the setting of the Council Tax Base for 2022/23.

6.2 Council Tax Reduction Scheme (CTRS)

The Council Tax Reduction Scheme was introduced on 1st April 2013. It is approved annually to ensure that a local Council Tax Reduction Scheme is in place by the start of the following financial year thereby avoiding the financial risks associated with the Government imposed default Scheme. The 2022/23 scheme was approved by the Executive on 6th December 2021. 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. In recent years the scheme has been amended so that certain vulnerable groups would have the 27.11% reduced to 13.56%. In addition, amendments have been made to provide additional support for certain low income groups of claimants or partners so that they would also have the 27.11% reduced to 13.56%. 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. 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 £2.48m and the collection rate was **61.3%.** This compares to £2.37m and 52.4% at the same point in 2021/22.

The likely impact for 2022/23 is that the underlying rate of collection of Council Tax Reduction Scheme will be under greater pressure than 2021/22 due to accumulated arrears, limits on the amount that can be recovered from Attachment of Benefits, the impact of Covid and the ending of both furlough payments and the temporary £20 uplift to Universal Credit in 2021/22.

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 to 31st March 2020 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 £33.2m and the collection rate was **78.0%.** This compares to £23.1m and 68.4% at the same point in 2021/22. 2021/22 excludes the significant s31 'Extended Retail/Nurseries etc.' relief provided by central government which provided 3 months' relief (April 2021 to June 2021) at 100% and 9 months' relief (July 2021 to March 2022) at 66%. This relief reduces to 50% in 2022/23. 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. 1,207 business rate summonses were issued in the 9 months to the end of December 2022.

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 has been 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 have been applied in 2021/22 to the Collection Fund. This caused Earmarked Revenue Reserves to be overstated at year-end.

Subject to audit, the Business Rate cumulative deficit as at 31st March 2022 was £14,049k. The Council's share of this deficit is £6,884k (49% of deficit). The 2021/22 deficit will be offset by the s31 'Extended Retail/Nurseries etc.' relief provided by central government.

In 2021/22 s31 grants for Business Rate Reliefs totalling £8,400k were received which are to be applied in 2022/23 to the Collection Fund. This has been treated as a separate Earmarked Revenue Reserve in 2021/22.

7. Capital Monitoring Performance

7.1 All active capital schemes have been included within Appendix 4. 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 2022. 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 2022/23 capital programme.

7.3 The current economic climate is the most challenging of recent times. High inflation, rising interest rates, supply chain issues (particularly in relation to steel) and a lack of labour are leading to increased costs, primarily on capital schemes that are likely to span a number of years. A full review of capital schemes is therefore being undertaken to establish any schemes where approved budgets may become insufficient, and potential overspends identified. Despite the pressures, all schemes are assumed to proceed.

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 5. This provides a comparison of the actual cash receipts and payments compared to forecast for 2022/23.

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 due to the receipt of up-front grant income in this financial year. The Council fixed £125m of temporary loans in August 2022, which resulted in an increase in investment balances and over the next few months, short-term borrowing will be repaid using the fixed-term borrowing taken.

9. Summary Balance Sheet

9.1 In order to provide a complete picture of the Council's financial performance Appendix 6 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 Due to a consultation regarding the accounting treatment of infrastructure assets the 2020/21 accounts have not been signed off by the Council's external auditors. The consultation is now complete and the 2020/21 accounts are currently being audited for the changes to the infrastructure assets. As soon as the audit is complete the 2021/22 and 2022/23 balance sheet will require amendment, therefore the figures above should be treated as draft and will be subject to change.

9.3 Over the 9-month period there has been an increase in Property, Plant and Equipment of £49.9m due to capital expenditure which is in line with the Council's approved capital programme for 2022/23. Due to low interest rates, the Council has been using temporary borrowing to finance prudentially-funded capital expenditure. With interest rates currently rising and in order to mitigate the impacts of any future interest rate rises, the Council has taken out £125m of long-term borrowing from the Public Works Loan Board. This long-term borrowing will replace the temporary borrowing when it is repaid and is the reason for the increase in long-term borrowing of £125m and reduction in short-term borrowing of £128.9m. Cash and Cash equivalents have decreased by £17.8m due to the timing of capital and revenue grants.

10. Medium Term Financial Plan Update and Earmarked Reserves Forecast

10.1 The 6-year Medium Term Financial Sustainability Strategy (MTFSS) covering 2021/22 – 2026/27 was approved by the Executive on 8th November 2021 and whilst the principles still stand the current economic climate has had a significant impact on the supporting Medium Term Financial Plan (MTFP).

10.2 The continuing impact of Covid-19 on Council services through additional expenditure and reducing income, alongside inflationary pressures on both pay and prices not seen since the 1970s due at least in part to the war in Ukraine, and the effect of the cost of living crisis on demand for Council services have now altered the outlook for the worse, and created a great deal of additional uncertainty. Recent years have also seen a significant growth in demand for Children's Social Care nationally which has also been experienced in Blackpool.

Challenges in recruitment and retention, and pressures in adult social care are also contributing to a situation in which Council finances are under considerable strain.

10.3 Following a detailed refresh of the MTFP the table below illustrates the impact the current conditions have had on the annual forecast budget gaps:

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
Reduction / (Increases) in funding /income	(14.4)	(12.8)	(3.7)	(3.2)
Pay awards, increments, NI and pensions	5.0	3.2	3.3	2.8
Non-Pay Inflation	6.5	2.7	2.7	2.9
Service pressures/Demand and demographic pressures	26.2	13.5	2.5	4.1
Prior year non-recurrent savings	0.1	0	0	0
Budget Gap	23.4	6.6	4.8	6.6
Total Cumulative Budget Gap since 2011/12	218.0	224.6	229.4	236.0

10.4 These financial pressures are compounded by repeated delays to Government reforms of Local Government finance such as business rates reset and Fair Funding formula review implementation, which are expected to result in additional funding for Blackpool. Failure to implement these measures has resulted in further financial pressures above those that would otherwise have been the case.

10.5 Despite consistently delivering a balanced budget in previous years, the factors outlined within this report have created a forecast budget gap that the Council will struggle to address without significant funding.

10.6 The revised MTFP identifies for planning purposes a financial gap of c£23m in 2023/24 reducing to c£7m in 2024/25, c£5m in 2025/26 and c£7m in 2026/27. Given the level of uncertainty, a number of assumptions have had to be made, and these will need to be revised throughout the budget planning process.

10.7 As part of this budget planning process a detailed exercise has also been undertaken on Earmarked Revenue Reserves to check the validity of amounts held and a forecast of when funds will be drawn down covering the same period as the latest MTFSS. A summary table is shown below:

Reserves Summary						
Directorate	Draft 31/03/22 £m	Est Balance 31/3/23 £m	Est Balance 31/3/24 £m	Est Balance 31/3/25 £m	Est Balance 31/3/26 £m	Est Balance 31/3/27 £m
Total	(65.4)	(47.3)	(38.8)	(40.7)	(40.1)	(39.7)

11. Conclusions and Recommendations

11.1 The Council's Revenue Budget for 2022/23 set a target level of General Fund working balances of around £6m. However, given the current economic climate it is recommended that work continues towards target working balances of £6m by 31st March 2024 rising to £8m by 31st March 2025 being 5% of the net requirement. Earmarked revenue reserves at the start of the financial year stood at £65.4m, though with known in-year commitments against this the balance will fall to an estimated £47.3m by the end of the year. This is still 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).

11.2 If the 2022/23 forecast position became the actual outturn, then in accordance with the Council's Financial Procedure Rules within its Constitution the forecast revenue outturn 2022/23 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).

However, these are still unprecedented times for the whole of the local government sector 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 - revised service and financial plans are being developed including the review of technical accounting treatments, freezing of non-essential spend, delays to filling non-front line vacancies and the prospective redesignation of earmarked reserves should they need to be used.

11.3 The Executive is asked:

1. To note the report.

2. To require the respective directors and Director of Resources to continue to closely monitor and manage service financial and operational performances, specifically Children's Services, Adult Services, Growth and Prosperity and Community and Environmental Services.

3. To prompt the Scrutiny Leadership Board to continue to independently review the financial and operational performances of the services listed in 11.3.2.

4. To continue to lobby central government (Department for Levelling Up, Housing and Communities, Department for Health and Social Care 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 burdens and demands presenting as a result of exceptional inflationary pressures and demographic demands upon statutory services.

5. To continue to work towards target working balances of £6m by 31st March 2024 rising to £8m by 31st March 2025.

Steve Thompson
Director of Resources