Appendix 3a: REPORT

of the

DIRECTOR OF RESOURCES

to the

EXECUTIVE

on

12 June 2023

PROVISIONAL OUTTURN 2022/23

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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 31 March 2023 with the approved budget and ii) a statement of Capital Expenditure in the year ended 31 March 2023 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 2022/23, which is the subject of a separate report to the Audit Committee.

2. Provisional Revenue Outturn 2022/23

2.1 The Provisional Revenue Outturn for 2022/23 (before allowing for changes to working balances) is £163,892,000 compared with the approved budget of £154,138,000 – a net increase of £9,754,000. The summary figures are shown at Appendix 3b.

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

Summary	**2022/23 Variance £000**
Directorates	13,231
Budgets Outside the Cash Limit	(2,375)
Leisure Assets (Appendix 3h)	(28)
Leisure Assets – financed from Earmarked Reserves (Para 6.2)	28
Contributions and Contingencies, Levies and Capital Charges	(1,102)
Total	**9,754**

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

Service	Reasons	£000
Growth and Prosperity (Appendix 3i)	The primary reason for the overspend is the delayed delivery of income on a number of projects. This income is likely to be obtained in 2023/24. The overspend was further increased as a result of increased borrowing costs (£1,510k).	5,955
Children's Services (Appendix 3l)	The Children's Social Care Placements Budget overspent by £5,056k, mainly due 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 was also an additional target to bring savings forward of £500k and agency overspend of £149k. Other budget lines show a saving of (489k), mainly due to vacant posts within the Early Help Service.	5,216
Adult Services (Appendix 3k)	Adult Social Care had an underspend of £479k due to a significant number of staffing vacancies throughout the year in the service. The Care and Support division had an income shortfall of £13k within Nibbles Café and a staffing pressure of £12k against the Langdale day service, however, these were offset by £58k of staffing savings in other areas. The Adults Commissioning Placement budget had an overall overspend of £2,352k. Additional Short Term packages of care was the major cause of this with pressures of £1,819k partly offset by additional income from the Integrated Care Board (ICB) and government grants of £1,270k. Further pressures arose in Direct Payments (£182k), Residential and Nursing placements (£414k), Supported Living (£402k), Complex Cases (£796k) and day services (£73k). These pressures were somewhat mitigated by underspends in Homecare (£851k) and Transport Services (£67k). There were also increases in bad debt provisions (£812k) and deferred payments (£42k)	1,840
Community and Environmental Services (Appendix 3j)	Leisure and Catering is showing an underspend of £92k. Leisure had increased income of £215k through School Swimming and the Learn to Swim scheme. There was an overspend of £23k within the Parks service due to projects carried out. Catering reported a £99k pressure due to the increased cost of provisions. Highways and Traffic underspent by £346k due to staff vacancies and additional scheme income being received. Business Services overspent by £1,799k due to it holding the majority of the Directorate's savings targets. This was partly offset by planned savings delivered by Street Cleansing and	604

	Waste Services and Coastal and Environmental Partnerships. Street Cleansing and Waste Services made savings of £352k due to a combination of reduced waste disposal costs and additional Trade Waste Income offsetting other waste pressures. Coastal and Environmental Partnerships achieved a £936k saving from a combination of additional grant income and contributions from Streetlighting and Coastal income. Integrated Transport reported an overspend of £564k due to cost pressures within Children's Transport Services, which were transferred into Community and Environmental Services with an expected overspend. Within other services, there were staff savings of £33k within Public Protection.	
Communications and Regeneration (Appendix 3g)	The majority of this overspend (£408k) lies within the Tourism and Communications division. The Illuminations service had an overspend of £96k mainly relating to increased security, staffing and materials. Visit Blackpool had an overspend of £281k of which £30k related to sponsorship, £83k to reduced income and increased costs relating to bus shelter advertising, £137k to increased event costs and £31k increased marketing costs. There was a £30k overspend in Print Services mainly relating to reduced income. The Beach Patrol service had a £1k overspend. Economic Development and Cultural Services had a £3k underspend. A £130k savings target was offset by one-off savings in staffing in the Library and Economic Development services. There was also a £4k underspend in the Planning department.	401
Ward Budgets (Appendix 3e)	As per Executive Decision EX54/2020 any underspend in an election year will not be carried over.	(11)
Governance and Partnerships (Appendix 3d)	There was an overspend in Customer Care and Life Events of £46k. The majority of the overspend related to one-off staffing and coroner's costs.	(44)

	Democratic Governance generated a saving of £78k due to one-off income and staffing savings. Savings of £6k were made in both Legal and Information Governance.	
Chief Executive (Appendix 3c)	One-off savings from staffing and increased income meant that the HR, Organisation and Workforce Development Service had an underspend of £135k, Corporate Delivery Unit an underspend of £48k and the Chief Executive Service an underspend of £1k.	(184)
Resources (Appendix 3f)	An underspend was achieved in the Directorate as a result of staffing vacancies and income receipts generation across most areas. Additional one-off commercial rental income of £338k was received within Property Services and Investment Portfolio.	(546)
Total		**13,231**

2.4 The financial outturn for budgets 'outside the cash limit' is detailed at Appendix 3n and shows an aggregate underspending of £2,375,000. The main reasons for this are:-

Service	**Reasons**	**£000**
Treasury Management	Blackpool Council took out significant amounts of PWLB borrowing during the year in advance of interest rates rising to their highest rate for nearly 15 years. Also increased interest rates on cash balances have contributed to the underspend.	(1,890)
Employers Previous Year Pension Liability	The underspend of £624k is due to savings achieved by paying 3 years employers pension and deficit contributions up front in April 2020. This is the final year of the up-front payment.	(624)
Concessionary Fares	This service has an underspend of £189k due to passenger numbers continuing to be lower than pre-Covid.	(189)
Council Tax and NNDR Cost of Collection	This underspend of £102k is due to increased recovery of court costs back to pre-Covid levels.	(102)
Subsidiary Companies	This relates to savings in employer pension contributions to retired employees and debt management costs.	(35)
Corporate Subscriptions	The £8k underspend is due to subscriptions being reduced due to early payment.	(8)
Housing Benefits	This overspend is due to £47k reduction in overpayments debt partly offset by reduced bad debt provision, £29k overspend on bank charges and £11k reduction in administration subsidy grant.	87

Parking Services	The overspend in Parking Services was due to a combination of lower than budgeted income (£165k), increased maintenance and rates costs (£141k) and some one off safety costs relating to fencing and provision of video badge technology (£80k).	386
Total		**(2,375)**

2.5 Contributions to Reserves, Contingencies, Levies and Capital Charges had a favourable variation of £1,102,000. This is mainly due to the Council's share of the Government's NNDR Levy Account surplus, increased funding for New Burdens and a reduction in contributions to earmarked reserves.

3. Treatment of Revenue Budget Variances

3.1 In previous years as part of the year-end process an analysis of budget variances is undertaken in order to determine the treatment of under/overspendings on service budgets. The conventional Cash Limited Budgeting approach required that:-

- underspendings are carried forward in full and are then available to supplement the following year's service budget;

- overspendings are similarly carried forward but must as far as possible be recovered in the following financial year; and

- any windfall gains, as determined by the Director of Resources and arising from events outside the control of the service, are added to the Council's general working balances.

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

3.3 Having considered the Provisional Revenue Outturn 2022/23 and financial outlook in detail and consulted Corporate Leadership Team colleagues, it is recommended that:-

- the following under and overspendings are to be written off:

Directorate	**£000**
Chief Executive	(184)
Governance and Partnership Services	(44)
Ward Budgets	(11)
Resources	(546)
Communications and Regeneration	401
Growth and Prosperity	5,955
Community and Environmental Services	604

Adult Services	1,840
Children's Services	5,216
Total	**13,231**

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 2023/24.

4. Provisional Capital Outturn 2022/23

4.1. This section sets out the level of expenditure incurred by the Council on its 2022/23 Capital Programme. It provides a breakdown of expenditure by service in addition to providing a proposal on how the Capital Programme for 2022/23 should be financed.

4.2. The total capital expenditure for the year was £80,262,426. This is summarised below with an analysis of spend by individual scheme available at Appendix 3o:-

Directorate	**£**
Communications and Regeneration	48,478,513
Community and Environmental Services	2,790,549
Children's Services	1,629,331
Resources	4,216,038
Adult Services	3,776,811
Housing Revenue Account	19,371,184
Total	**80,262,426**

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 2022/23 of £80,262,426 is split between non-Housing Revenue Account of £60,891,242 and Housing Revenue Account of £19,371,184.

4.4 The original Capital Programme for 2022/23 was set at £81,071,000 whilst the amount actually spent in-year was marginally less, mainly due to slippage.

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

Source	**£**
Prudential Borrowing	43,072,807
Government and Other Grants	22,346,352
Capital Receipts	64,691
Housing Revenue Account	7,169,586
Other Sources:	
- Revenue	3,880,339
- Leaseholder Contributions	828,618
- CoolSilk ShowTown	1,051,701

- Schools contributions	297,777
- Commuted Sums Common Edge Road	100,000
- Self Insurance Fund	1,165,592
- Rent Abingdon Market	101,420
-Other	183,543
Total	**80,262,426**

The Council has maximised all capital resources available to it during 2022/23 and arrangements have been made to ensure that funding for re-profiled schemes is carried forward into 2023/24.

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 £57.76m and the collection rate was 88.88%. This compares to £55.1m and 88% at the same point in 2021/22. The amount collected has risen by £2.66m which is mainly due to increases in both the Council Tax rate and base offset by the impact of Covid-19, 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 28th January 2022 as part of the setting of the Council Tax Base for 2022/23.

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 2022/23 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 2023 the level of arrears has increased to £25.2m (compared to £24m in 2021/22) and the provision for bad debts has increased to £10.3m (compared to £9.9m in 2021/22). These reflect the current economic climate 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 in-year deficit for 2020/21 net of any prior year elements. The Council must discharge the liability over the 3 financial years 2021/22, 2022/23 and 2023/24. The Council has 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. 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 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 £2.97m and the collection rate was 71.43%. This compares to £2.89m and 63.26% at the same point in 2021/22.

The collection rate is significantly higher in 2022/23 due to a number of Council Tax Reduction Scheme accounts being credited with the non-recurring Energy Rebate and Discretionary Energy Rebate. If these rebates are excluded from the figures the in-year collection rate is 66%.

5.3 National Non-Domestic Rate (NNDR)

Prior to 1 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 1 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 £40.51m and the collection rate was 95.05%. This compares to £29.17m and 92.27% at the same point in 2021/22. Both years exclude 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 reduced to 50% in 2022/23. This will impact on future collection rates.

In 2022/23 the S31 extended retail, hospitality and leisure business rate relief scheme provided eligible, occupied, retail, hospitality and leisure properties with a 50% relief up to a cash cap limit of £110,000 per business.

As at 31 March 2022 the level of business rate arrears has decreased slightly to £9.5m (compared to £9.6m in 2021/22). The appeals provision has decreased to £9.1m in 2022/23 (compared to £16.3m in 2021/22) and is deemed necessary due to the volume of appeals still to be determined by the Valuation Office.

The NNDR 2020/21 in-year deficit is also spread over 3 years in the same way as Council Tax (paragraph 5.1). The Council has spread the 2020/21 NNDR deficit, which was estimated in the NNDR 1 return, of £600,378 over the 3 years (£200,126 per year).

6. Reserves and Provisions

6.1 In accordance with CIPFA Bulletin 13 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 available earmarked reserves has decreased by £20.871m from £65.382m to £44.511m during 2022/23 with those reserves summarised and shown in the following table:-

Earmarked Reserves	**2022/23**	**2021/22**
	£000	**£000**
Support for Adult Social Care	(5,722)	(6,747)
Collection Fund Deficit Reserve (Council Tax and NNDR)	(5,626)	(11,868)
Potential Pay Liabilities	(3,531)	(3,063)
Insurances	(9,100)	(8,465)
Museum Reserve	(836)	(2,393)
Vehicle, Plant and Equipment Replacement Reserve	(1,242)	(1,669)
Treasury Management – Prudential borrowing	(1,108)	(797)
Transformation Reserve	0	(582)
Other Reserves	(17,346)	(29,798)
Total Available Earmarked Reserves	**(44,511)**	**(65,382)**
S31 Extended Retail Relief for Hospitality, Retail and Nurseries to offset NNDR Deficit in 2022/23	0	(8,400)
Total Reserves	**(44,511)**	**(73,782)**

6.2 In 2021/22 the Government provided additional business rate reliefs for retail, hospitality and nurseries due to the Covid-19 pandemic. These reliefs were funded by S31 grants. The S31 grant must be used to offset against the NNDR deficit but this did not happen until 2022/23. Therefore, the S31 grants of £8.4m were held in an earmarked reserve and used in 2022/23. The reserve is shown separate from the other earmarked reserves as it did not represent additional spending power taken forward to 2022/23.

6.3 The year-end balances of the Housing Revenue Account (HRA) are £1,721,000 which is £21,000 more than originally forecast for 2022/23.

6.4 Maintained schools' balances (which lie outside the control of the Council) decreased by £0.479m in 2022/23 to £3.649m. £2,785,000 is also held in an unusable reserve in relation to overspent Dedicated Schools Grant.

7. General Fund Working Balances

7.1 The Council's Revenue Budget for 2022/23 set a target level of General Fund working balances of around £6m. The level of working balances as at 31st March 2023 is lower at £2.459m.

7.2 The 2023/24 Revenue Budget report to Executive on 6 February 2023 made provision for the working balances to be £6m from 1 April 2023 rising to £8m by 31st March 2024.

8. Statutory Audit Deadlines for 2022/23

8.1 In March 2021 The Accounts and Audit (Amendment) Regulations 2021 amended the requirements for when the Statement of Accounts must be made available for public inspection for the 2020/21 and 2021/22 accounts, and set out that the period for the exercise of public rights for those two years needed to commence on or before the first working day in August in the following financial year.

8.2 For 2022/23, the statutory requirement for category 1 authorities reverts back to the original requirement in the 2015 regulations, i.e. to make the unaudited accounts available for public inspection for a period that includes the first 10 working days of June (i.e. publication of the unaudited accounts by 31 May at the latest).

8.3 This means that draft accounts must be signed by the Section 151 Officer and published by 31 May 2023. The draft accounts include a confirmation by the Section 151 Officer that they are satisfied the accounts present a true and fair view of the financial position of the Council at the end of the financial year. It is likely that there will be unresolved audit issues for the 2020/21 and 2021/22 accounts therefore the Section 151 Officer is unable to give that confirmation.

8.4 There are currently outstanding audit issues in the 2020/21 accounts with the main ones relating to accounting for infrastructure assets. This is a national issue raised by the Financial Reporting Council regarding de-recognition of parts of infrastructure assets. This has also delayed the audit of the 2021/22 accounts. It is likely that the 2020/21 accounts will be considered at Audit Committee in July 2023.

8.5 As the 2022/23 accounts are unable to be published until the 2020/21 and 2021/22 accounts have been audited, the Council must therefore publish a notice on its website stating that the Council has not been able to publish the accounts and has not been able to commence the period for the public inspection.

9. Conclusion

9.1 The Provisional Outturn for 2022/23 shows the financial performance culminating with the Council's General Fund working balances standing at £2.459m.

9.2 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.