



EXECUTIVE BOARD DECISION

REPORT OF: Executive Member for Finance and Governance

LEAD OFFICERS: Director of Finance and Customer Services

DATE: 12th November 2020

PORTFOLIO/S AFFECTED: All

WARD/S AFFECTED: All

KEY DECISION: YES NO

SUBJECT: CORPORATE REVENUE BUDGET MONITORING REPORT QUARTER 2 - 2020/21

1. EXECUTIVE SUMMARY

To report the overall revenue financial position of the Council, highlighting any significant issues and explaining variations in the second quarter of the financial year.

2. RECOMMENDATIONS

The Executive Board is asked to approve:

- the portfolio cash limit adjustments outlined in Appendix 1.
- the Earmarked reserves position shown in Appendix 2
- the variations to revenue expenditure, as listed in Section 6, giving rise to a balance of £8.045 million in the unallocated General Fund revenue reserve.

3. BACKGROUND

All portfolios are required to examine their revenue budget position on a monthly basis. Regular reports are submitted to Executive Board for review along with a final report, detailing the financial outturn position.

4. KEY ISSUES & RISKS

a) Actual revenue expenditure at 30th September 2020 in relation to controllable budgets across all portfolios was £56.844 million, which is 47.32% of the current budget. Further details relating to the financial position of each portfolio are outlined in Section 6.

b) Subject to Executive Board approval of the proposed adjustments, General Fund unallocated reserves are £8.045 million at 30th September 2020 compared to the minimum level of unallocated reserves agreed at Finance Council in February 2020 of £4.0 million.

c) Based on the information currently available, Earmarked Reserves available for discretionary use within the Council are £41.409 million at 30th September 2020 compared with a balance of £19.152

million at 31st March 2020, with a further £9.479 million of 'Other Reserves' held mainly in relation to schools.

5. POLICY IMPLICATIONS

The information contained within the report accords with the three year budget forecast within the Medium Term Financial Strategy 2020-23, as approved at Finance Council on 24th February 2020.

6. FINANCIAL IMPLICATIONS

6.1 CASH LIMITS AND REVENUE EXPENDITURE

6.1.1 Revenue Budget Overview

The 2020/21 Budget and MTFs 2020-2023 approved by Finance Council in February 2020 set a balanced budget for the year based on the assumptions made at that time. Since then, the Covid-19 pandemic has created a significant shock to the economy and resulted in significant, unplanned expenditure and income losses for the Council, as set out in previous reports to the Executive Board and Council Forum.

Work will continue over the coming months to monitor and forecast the costs and savings associated with both the pandemic and any other emerging budget pressures. In the meantime, arrangements are continuing to scrutinise all existing expenditure plans and Executive Members and their Directors are working to develop potential savings options for consideration.

6.1.2 Performance Against Controllable Budgets

Appendix 1 details the portfolio controllable budgets approved by the Executive Board in February 2020 together with the details of the adjustments recommended to the Board for approval in this report. These include:

- transfers (budget virements) between portfolios
- transfers from Unallocated and reserves to support budget pressures
- transfers from contingencies
- transfers from Earmarked reserves in respect of grants / contributions and other budgets approved for carry forward from 2019/20
- other use of Earmarked reserves

The principle issues for each portfolio at the end of the second quarter of the year are summarised below:

Summary

Portfolio	Total Forecast (Under) / Over spend 2020/21	Less: Overspend due to Covid-19 related costs/loss of income	Underlying position (Under) / Over spend 2020/21
	£mill	£mill	£mill
Adults & Prevention Services	1.798	(3.359)	(1.561)
Public Health & Wellbeing	3.223	(3.703)	(0.480)
Children, Young People & Education	1.321	(1.199)	0.122
Schools & Education (DSG)	0.000	(0.000)	0.000

Environmental Services	1.861	(1.205)	0.656
Growth & Development	2.021	(1.963)	0.057
Digital & Customer Services	0.390	(0.465)	(0.075)
Finance & Governance	3.000	(3.632)	(0.632)
Cross Portfolio pressures	3.715	(3.715)	0.000
TOTAL	17.329	(19.241)	(1.913)

Note: These figures do not include income losses in respect of Business Rates and Council Tax which are covered in section 6.4 below.

Covid-19

As stated above, the Covid-19 pandemic has resulted in significant unplanned expenditure and income losses. Work to collate both the actual costs incurred and income lost due to Covid-19 has continued throughout the period, and also to review and refine the assumptions on which the forecasts for these are based for the remainder of the financial year.

In addition to £15.03m general COVID-19 Grant funding the Council has received, the government announced additional financial support for councils to meet a proportion of their losses in respect of Sales, Fees and Charges based on a set of eligibility criteria issued by MHCLG. The first of these claims was completed at the end of September although we have yet to receive confirmation of approval; based on the work undertaken to forecast the eligible losses under this scheme, we estimate that £5.75 million will be due to the council if the areas we have claimed for are approved. Further returns to monitor the losses must be submitted at 31st December and 31st March respectively.

Portfolio positions

The underlying budget issues for each portfolio at the end of the second quarter are as follows:

Adults & Prevention Services

The portfolio is predicting an underspend of £1.561 million for the year, excluding the additional costs and losses of income arising due to Covid-19.

The forecast reflects a net underspend across the portfolio due to changes made in the hospital discharge guidance issued during the Covid-19 pandemic.

From 19th March to 31st August 2020, care costs for residential and nursing care attributed to hospital discharge or hospital admission avoidance have been paid directly by the NHS. In addition, Continuing Health Care (CHC) frameworks for the joint funding of packages of care were suspended during this time. The hospital discharge guidance was revised on 1st September 2020 and with effect from that date, only the first six weeks following discharge are will be funded by the NHS going forward. CHC frameworks have also restarted and CHC recovery systems are now back in place. As such, the department is anticipating a future increase in referrals and in care costs, as some of the care costs will now transfer back to Social Care. The current forecast outturn seeks to take into consideration the impact of Covid-19 and hospital discharge wherever possible, however It should be recognised that together with winter pressures, this may result in further escalating costs over the next few months.

The estimated additional costs associated with Covid-19 for the year are £3.359 million.

The Neighbourhoods and Prevention department within the portfolio has identified pressures of £88,000 but expects to manage this to a breakeven position by the end of the financial year.

Public Health & Wellbeing

The portfolio is forecasting an underspend, excluding the costs associated with Covid-19 of £480,000.

Due to the Covid restrictions, leisure facilities, museum and venues were not able to operate due to lockdown and are now operating at reduced capacity; the Leisure and Culture department is therefore forecasting an overspend in the region of £3.147m, which includes additional costs and income losses due to Covid of £3.627m

Public Health is currently predicted to overspend by £76k, which is totally due to the additional costs incurred due to the crisis.

Children, Young People & Education

The portfolio has incurred costs associated with Covid of £1.199 million in respect of building adaptations to the accommodation at The Limes, Whalley New Road and Apple Trees, as well as additional workforce and residential care pressures.

Placement cost pressures have persisted during the first 6 months of the year and an overspend of £1.8 million is forecast based on the estimated costs of current placements and an estimate for the cost of additional placements over the course of the year, based on an average of actual numbers and the spend profile over the past few years. As such, the portfolio is requesting a cash limit increase from contingent sums for demand led pressures to support these in year pressures; the resulting forecast for the underlying underspend within the portfolio is therefore £122,000.

Placements costs will continue to be monitored over the course of the year and individual placements regularly reviewed. The department is exploring all options in order to mitigate rising demand and will ensure that we maximise the use of all sources of external grant funding.

Dedicated Schools Grant / Schools Block

Services in Schools & Education (DSG) are currently forecast to spend the funding available in 2020/21 through the DSG and Pupil Premium.

Schools and Education funding from DSG is monitored by the Schools Forum and reports are considered on a regular basis.

Environmental Services

The portfolio has identified non-Covid-19 related pressures in respect of recycling and waste disposal services, public protection and environmental health amounting to £656,000.

Covid-19 income losses within the portfolio include taxi licensing, trade waste, parking services and at the motor vehicle service station (i.e. for MOTs for taxis and HGV testing) which amount to approximately £1.205 million.

Growth & Development

Pressures previously identified within Highways budgets of approximately £500,000 have been addressed by management action. The portfolio is currently forecasting a non-Covid19 related overspend of £57,000.

In addition to this, Covid-19 pressures of £1.963 million have also been identified arising from losses of income across the portfolio in respect of business rents and planning income in particular.

The overall forecast outturn for the portfolio outturn is estimated to be £2.021 million.

Digital & Customer Services

The portfolio is forecasting an overspend of £390,200 for 2020/21, based on cumulative income and expenditure as at 30th September 2020 and the assumptions made in respect of income and expenditure for the final 6 months of the year.

Of this overspend, £464,800 relates to losses of income in respect of Registrars (£188,000) and ITM&G (£186,800) and additional costs incurred in Registrars (£50,000) and Coroners (£40,000), all of which relate to the response to Covid-19.

Excluding the impact of Covid, the key underlying position within the portfolio for the year is a forecast underspend of £74,600; this relates to vacancies across several teams which are in the process of being filled.

Finance & Governance

The portfolio is forecasting an overspend of £3.0 million for 2020/21, which includes a forecast for Covid related expenditure and losses of income for the year incurred on behalf of the council of £3.632 million. This figure includes purchases of personal protective equipment for use by all departments across the Council and by adult social care providers, the costs of establishing and operating a Food Hub to supported the most vulnerable during the first lockdown and forecast income losses across the portfolio due to Covid, including those on commercial rents and the Council's income share from the Mall.

The underlying position of the portfolio, excluding Covid costs and income losses, is an underspend £632,000 which relates to staffing vacancies which have not yet been filled and costs that have not been incurred during the period as activities have ceased or been deferred e.g. elections, training courses, meetings and the progression of legal cases. This position also includes £201,600 in respect refunds from various energy companies following a utility review by the Procurement Team which resulted in backdated repayments to the council dating back to 2010.

6.2 General Fund Unallocated Reserves

Summary of movement	£million
Unallocated reserves as per the 2019/20 Outturn Executive Board Report	7.689
Transfers (from) Unallocated reserves	
	0.000
Transfers to Unallocated reserves	
Net savings in respect of interest and debt repayment due to significantly reduced interest rates (Note 1)	0.356
Balance on Unallocated General Fund reserves at 30 September 2020	8.045

Note 1 – The transfer to unallocated reserves of £356k above comprises:

- A reduction in interest income - £75,000
- A reduction in interest costs - £367,000
- A reduction in MRP - £64,000

6.3 Earmarked reserves

Taking account of the adjustments highlighted at Appendix 2, the level of Earmarked reserves held for discretionary use by the Council at 30th September 2020 will be £41.409 million compared with a balance of £19.152 million as at 31st March 2020.

Summary of movement	£million
Balance of reserves at 31 st March 2020 (as reported to Executive Board in June 2020)	34.586
Allocation of tranche 4 of Covid-19 funding	5.736
Use of reserves to fund early retirement, voluntary redundancy (ER/VR) and pension strain costs up to 30 September 2020 (included in Appendix 1)	(0.256)
Use of Future Maintenance of Wainwright Bridge reserve to finance capital expenditure relating to the bridge	(0.240)
Release to portfolios of grants and budgets carried forward from 2019/20 into 2020/21 (included in Appendix 1)	(0.172)
Use of Developers contributions (Section 106) Reserve to finance revenue expenditure (included in Appendix 1)	(0.030)
Use of Welfare and Council Tax Reforms reserve to support Personal Budgeting Support Service provided by Shelter	(0.035)
Use of Brexit Preparation Funding to support Emergency Support budget	(0.166)
Use of Digital Programme reserve to cover programme expenditure at month 6	(0.014)
Re-designation of contingency to create reserve for Future cost pressures	1.000
Re-designation of contingency in respect of slippage in the delivery of the savings programme to the Earmarked Reserve for the support of part year effects of future savings programmes	1.000
Balance on Earmarked reserves at 30 September 2020	41.409

Details of the requested applications of reserves are outlined in the Appendices to this report.

6.4 Collection Fund

Business Rates

As reported in the previous corporate revenue budget monitoring report, an initial grant allocation of £16.324 million was made to the Council to compensate for extended business rate reliefs introduced to help business through the coronavirus pandemic. A second data gathering exercise was carried out during September which estimated that the Council is due a further £0.976 million to cover the costs of the additional reliefs

The Business Rates Collection Fund budget has been re-profiled to reflect the impact of the changes in the various discounts given on the amount of income due. The current rate of collection for business rates remains below that normally expected at this point in the year, as the Council has only recently recommenced recovery action following the deferment of collecting direct debt payments during the period April to June.

The current projected year end position for the Business Rates Collection Fund is a deficit carried forward into 2021/22 of £17.1 million, comprising:

	£million
Impact of extended reliefs in relation to the Covid pandemic - compensated by s31 grant	17.100
Assumed net reduction in collection	1.900
Projected in year deficit 2020/21	19.000
Less: a larger than anticipated surplus carried forward from 2019/20	(1.900)
Projected deficit carried forward 31/03/2021	17.100

Blackburn with Darwen's share of this deficit is £7.925 million.

Initial guidance issued in respect of the option to spread the Collection Fund deficit over 3 years rather than impact fully in the following financial year (i.e. in 2021/22), as is the current requirement, indicates that the above balances would impact on future years' general fund budgets in the following way:

	TOTAL £million	BwD £m	Impact
Impact of extended reliefs in relation to the Covid pandemic - compensated by s31 grant	17.100	8.389	Accounted for in 2021/22 but offset by s31 grant received in 2020/21 and carried forward via an earmarked reserve
Business rates deficit in relation to 2020/21 not compensated by Covid related s31 grants	1.900	0.949	Spread equally over the 3 years 2021/22 – 2023/24
Projected in year deficit 2020/21	19.000	9,338	
Difference between estimated and actual surplus/deficits in respect of 2019-20 brought forward	(1.900)	(1.413)	Accounted for in 2021/22
Projected deficit carried forward 31/03/2021	17.100	7,925	

Council Tax

The Council's current rate of collection for council tax is largely in line with expectations, following the recommencement of its collection and recovery processes. However, it is anticipated that the phasing out of the original job retention scheme combined with the implementation of tighter restrictions, will result in the number of local council tax support claimants increasing further, which will in turn reduce income further and possibly impact on collection rates.

Taking all these factors into account, the current projected year end position for the Council Tax Collection Fund is a deficit carried forward into 2021/22 of £1.615 million, made up of:

	£million
A smaller than anticipated surplus carried forward from 2019/20	0.079

An assumed increase in local council tax support claimants (not funded by Hardship Fund grant)	0.966
An assumed reduction in the overall collection rate from 97.5% to 96.5%	0.570
Projected deficit carried forward 31/03/2021	1.615

Blackburn with Darwen's share of this deficit is £1.37 million.

As for business rates, initial guidance issued in respect of the option to spread the Collection Fund deficit over 3 years rather than impact fully in the following financial year (i.e. in 2021/22), as is the current requirement, indicates that the projected Council Tax deficit for 2020/21 would impact on future years' general fund budgets in the following way:

	TOTAL £million	BwD £m	Impact
Difference between estimated and actual surplus/deficits in respect of 2019-20 brought forward	0.079	0.067	Accounted for in 2021/22
Council Tax deficit in relation to 2020/21	1.536	1.303	Spread equally over the 3 years 2021/22 – 2023/24
Projected deficit carried forward 31/03/2021	1.615	1.370	

7. LEGAL IMPLICATIONS

The Council has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

8. RESOURCE IMPLICATIONS

None.

9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1 Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2 In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. *(insert EIA link here)*

Option 3 In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. *(insert EIA attachment)*

10. CONSULTATIONS

Not applicable.

11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded in the Summary of Decisions published on the day following the meeting.

VERSION:	V3
-----------------	-----------

CONTACT OFFICER:	Julie Jewson Senior Finance Manager Tel 585893
DATE:	3rd November 2020
BACKGROUND PAPER:	N/A