



EXECUTIVE BOARD DECISION

REPORT OF:	Executive Member for Finance and Governance
LEAD OFFICERS:	Director of Finance
DATE:	11th February 2021

PORTFOLIO/S AFFECTED:	All
WARD/S AFFECTED:	All
KEY DECISION:	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>

SUBJECT: CORPORATE REVENUE BUDGET MONITORING REPORT QUARTER 3 - 2020/21

1. EXECUTIVE SUMMARY

To report the overall revenue financial position of the Council, highlighting any significant issues and explaining variations in the third 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 £8.042 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 31st December 2020 in relation to controllable budgets across all portfolios was £84.423 million, which is 70.76% 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 £8.042 million at 31st December 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 £47.353 million at 31st December 2020 compared with a balance of £19.152

million at 31st March 2020, with a further £9.448 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.

This is a fluid situation and we are continuing to monitor and forecast the costs and savings associated with both the pandemic and any emerging budget pressures over the last quarter of the year. The position is complex as we have received over 60 different Covid related grants to date, with more anticipated – some are for general use, some are for specific areas/activities, some must be spent by 31st March 2021 or will need to be repaid to government, and some can be carried forward for use in 2021/22 either generally or on specific areas/activities. A report will be provided to the March Executive Board to update on this.

6.1.2 Performance Against Controllable Budgets

Appendix 1 details the portfolio controllable budgets approved by the Executive Board in November 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 reserves to support budget pressures
- other use of Earmarked reserves
- transfers to Earmarked reserves in respect of grants / contributions to be carried forward and utilised in 2021/22

The principle issues for each portfolio at the end of the third 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	0.526	(2.719)	(2.193)
Public Health & Wellbeing	2.828	(3.627)	(0.799)
Children, Young People & Education	1.297	(0.900)	0.397
Schools & Education (DSG)	0.452	(0.000)	0.452

Environmental Services	1.503	(1.503)	0.000
Growth & Development	1.703	(1.867)	(0.164)
Digital & Customer Services	0.418	(0.371)	0.047
Finance & Governance	3.251	(3.848)	(0.597)
Cross Portfolio pressures	3.715	(3.715)	0.000
TOTAL	15.693	(18.550)	(2.857)

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 the £15.03m of general COVID-19 Grant funding that the Council has received, the government has provided further financial support to councils to meet a proportion of their losses in Sales, Fees and Charges; this is based on the eligibility criteria issued by MHCLG, defining the specific sales, fees and charges covered by the scheme. The council has submitted two of these claims to date, based on our forecast of eligible losses, amounting to £5.75 million; a final return to reflect the actual losses for the 12 months to 31st March 2021, net of any savings generated through non-delivery or reduced activities in these areas, will be submitted at the year end.

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 £2.193 million for the year, excluding the additional costs and losses of income arising due to Covid-19.

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 will be funded by the NHS going forward. CHC frameworks have also restarted and CHC recovery systems are now back in place, as a result there has been an increase in referrals and care package costs reverting back to Local Authority funding. Hospital discharge trackers continue to be monitored to estimate care costs coming back to Social Care and the present forecasts seek to take into consideration the impact of Covid 19 and hospital discharge wherever possible. However, hospital tracker systems are being reviewed to update our estimates and it should be recognised that together with winter pressures, this may result in further escalating costs over the remaining few months.

The portfolio is therefore predicting a net overspend of £526k including additional costs associated with Covid-19 for the year of £2.719 million but, due to changes made in the hospital discharge guidance issued during this pandemic, a resulting net underlying underspend of £2.193 million.

The Neighbourhoods and Prevention department within the portfolio is forecasting a breakeven position by the end of the financial year.

Public Health & Wellbeing

The portfolio is forecasting an underlying underspend of £799k, i.e. excluding the costs associated with Covid-19.

Over the course of the year to date our leisure facilities, the museum and our venues in Blackburn and Darwen have been unable to operate as normal, firstly due to lockdown and then once they could reopen, this was only at a reduced capacity; these services are again in lockdown. The Leisure and Culture department is therefore forecasting an overspend in the region of £2.752m, including additional costs and income losses due to Covid of £3.551m, i.e. a net, underlying underspend of £799k.

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

Children, Young People & Education

The portfolio is forecasting an underlying overspend of £397k, i.e. an increase of £275k from the position reported at Quarter 2. This is primarily due to an increase in the forecast for expenditure for commissioned placements. The department continues to explore all options to mitigate rising demand and to ensure that all sources of external grant funding are maximised.

The portfolio is close to finalising a tri-partite agreement with colleagues in the NHS by which the NHS will fund a proportion of costs incurred in relation to children with complex health needs. This follows a piece of work undertaken by health in collaboration with local authorities across Blackburn with Darwen, Blackpool, LCC and South Cumbria due to a recognition from the SEND inspections undertaken, that there has been very little joint commissioning around placements for young people with complex needs. At this juncture no funding has been included in forecast overspend of £397k but once this agreement is finalised, this will have a beneficial impact on the budget position at outturn.

Dedicated Schools Grant / Schools Block

Services in Schools & Education (DSG) are currently forecasting to overspend by £452,000 against the funding available in 2020/21 through the DSG and Pupil Premium. This overspend arises from increasing Special Educational Need placement costs as a result of an increase in the number of Education, Health and Care Plans (EHCPs). This overspend will be funded in year from the High Needs reserve and for 2021-22, a contingency has been set aside in the High Needs Block in anticipation of continued growth in this area.

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

Environmental Services

The portfolio is now reporting an underlying break even position, i.e. excluding the costs of Covid, as waste disposal costs have decreased due to the introduction of the blue bins and we have seen a corresponding increase in recycling tonnages since August. The recycling costs of fibre during September and October have been favourable, however it should be noted that these can vary as the portfolio cannot control the pricing of commodity materials which fluctuate throughout the year.

Budgets across the portfolio, especially those which are impacted by the current lockdown restrictions, continue to be closely monitored; income streams continue to be impacted and there is potential for an increase in waste tonnages as people remain at home.

Growth & Development

Pressures previously identified within the Highways budgets of approximately £500k have been addressed by management action. The portfolio is currently forecasting an underlying, non-Covid19, underspend of £164k.

Covid-19 pressures of £1.867m are forecast within the portfolio, arising from losses of income in respect of business rents and planning income in particular.

Digital & Customer Services

The portfolio is forecasting an overspend of £418k for 2020/21, based on actual levels of income and expenditure received/incurred at 31st December 2020, and the assumptions made in respect of income and expenditure for the final 3 months of the year.

Of this overspend, £371k relates to losses of income and costs incurred in respect of the response to Covid, including Registrars (£222k), ITM&G (£108k) and Coroners (£24k).

Excluding the impact of Covid, the underlying forecast for the year is an overspend of £47k.

Finance & Governance

The portfolio is forecasting an overspend of £3.251m for 2020/21, which includes a forecast of Covid related expenditure and losses of income incurred on behalf of the council of £3.848 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 £597k which relates to staffing vacancies which have not yet been filled together with 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. As noted last quarter, £202k of the underspend reflects 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 Qtr 2 2020/21 Executive Board Report (Nov 2020)	8.045
Transfers (from) Unallocated reserves	
Budget increase for Children, Young People and Education portfolio to fund a temporary post processing Subject Access Requests	(0.023)
Transfers to Unallocated reserves	
Savings in respect of interest payable due to significantly reduced interest rates	0.020
Balance on Unallocated General Fund reserves at 31 December 2020	8.042

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 31st December 2020 will be £47.353 million compared with a balance of £19.152 million as at 31st March 2020.

Summary of movement	£million
Balance of reserves at 30 th September 2020 (as reported to Executive Board in November 2020)	41.409
Use of Developers contributions (Section 106) Reserve to finance revenue expenditure – Corporation Park (included in Appendix 1)	(0.135)
Release to portfolios of grants and budgets carried forward from 2019/20 into 2020/21 (included in Appendix 1)	
- Flexible Homeless Support Grant	(0.015)
- Better Care Fund	(0.056)
Additional government grant funding – see Note 1 below	2.842
Grants and budgets requested to be carried forward from 2020/21 into 2021/22 (included in Appendix 1)	1.072
Revenue contributions for financing capital expenditure returned to reserves due to capital slippage and re-profiling of capital financing:	
- Developers contributions (Section 106) reserve	1.696
- Office accommodation and property improvements reserve	0.300
- Future maintenance of Wainwright Bridge reserve	0.240
Balance on Earmarked reserves at 31 st December 2020	47.353

Note 1 – Additional government grant allocations received:

- Local Authority Compliance and Enforcement - £103,500
- Additional s31 grant to compensate for enhanced Business Rate Reliefs, following submission of an updated estimate - £976,300
- Sales Fees and Charges claim (first instalment / tranche) - £1,762,500

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, grant allocations of over £17 million have been made to compensate the Council for extended business rate reliefs introduced to help businesses through the coronavirus pandemic. As these grants are held in the Council's General Fund, rather than the Collection Fund, the business rates budget has been re-profiled to reflect the impact of the changes in the various discounts given on the amount of income due.

In addition to the reliefs granted by the government the council took a number of proactive measures to support businesses in the borough. During April, May and June the council delayed requesting direct debit payments and agreed to spread business rates bills over a longer period of time. As a result, the current rate of collection for business rates remains 4.24% below that normally expected at this point

in the year. The rate is improving each month and the recommencement of recovery action will also benefit collection.

The current projected year end position for the Business Rates Collection Fund is a deficit carried forward into 2021/22 of £17.357 million, comprising:

	£million
Business Rates surplus brought forward from 2019/20	(2.412)
Estimated deficit for the year	19.769
Projected deficit carried forward as at 31/03/2021	17.357

The Business Rates Retention scheme provides for non-domestic rates collected by a billing authority to be shared between it, its major precepting authorities and central government. Under this scheme, the Council, as billing authority, is required by 31st January each year to notify Lancashire Combined Fire Authority and the Secretary of State of its calculation of non-domestic rating income for 2021/22 and its estimate of the 2020/21 surplus/deficit on the Collection Fund.

Consequently, the estimated deficit above will be shared between the Council, the Fire Authority and Central Government and will be subtracted from each party's share of 2021/22 non-domestic rating income. In line with the Government's decision to allow local authorities to spread a deficit on the collection fund from 2020/21 over three years, an adjustment has been made to spread any in-year deficit (but not the element offset by the receipt of Section31 grant income) over the period 2021/22 to 2023/24.

The impact of the "3 year spread" adjustment on the total deficit and the Council's share of this is detailed in the table below:

Business Rates	Total Deficit £'mill	BwD share of deficit £'mill
Difference between 'estimated' and 'actual' surplus brought forward from 2019/20	(1.922)	(1.413)
Impact of extended reliefs provided by the government to support businesses through the pandemic – these sums will be accounted for in 2021/22 but will be offset by Section31 grant received in 2020/21 and which is being carried forward into 2021/22 in an Earmarked reserve	17.170	8.413
Forecast Business Rates deficit in relation to 2020/21 which is not compensated for by Covid related Section31 grants – <i>this element can be spread equally over the 3 years 2021/22 to 2023/24</i>	2.109	1.033
Forecast Deficit carried forward at 31/03/2021, prior to adjustment for 3 year spread	17.357	8,033
Amount to be deducted from the deficit calculation as adjustment for 3 year spread	(1.406)	(0.688)
Forecast Deficit carried forward at 31/03/2021	15.951	7.345

Council Tax

The Council's current rate of collection for Council Tax is largely in line with expectations, however, any comparison with the previous year is distorted by the allocation of £2 million of Hardship Support together with the increase in the number of Local Council Tax Support claimants. Whilst recovery action has commenced, the numbers of accounts this relates to is much reduced compared to last year. It is

extremely difficult to predict what the impact will be at the end of the year, however we are expecting a lower collection rate.

Taking all these factors into account, the current projected year end position on the Council Tax Collection Fund is a deficit carried forward into 2021/22 of £1.747 million, made up of:

	£million
Council Tax surplus brought forward from 2019/20	(0.712)
Estimated deficit for the year	2.459
Projected deficit carried forward as at 31/03/2021	1.747

In a similar way to business rates, Council Tax is collected by the Council, as billing authority, on behalf of its major precepting authorities i.e. Lancashire Police and Crime Commissioner (PCC) and Lancashire Combined Fire Authority. The Council is required by 31st January each year to notify the PCC and the Fire Authority of its estimate for the 2020/21 surplus/deficit on the Collection Fund.

Consequently, the estimated deficit above will be shared between the Council, the PCC and the Fire Authority and will be subtracted from each party's share of 2021/22 Council Tax income. These shares are calculated after making an adjustment to spread any 'in-year', i.e. 2020/21, deficit over the period 2021/22 to 2023/24.

The impact of the "3 year spread" adjustment on the total deficit and the Council's share is detailed in the table below:

Council Tax	Total Deficit £million	BwD share of deficit £million
Difference between 'estimated' and 'actual' deficit brought forward from 2019/20	0.079	0.067
Council Tax deficit in relation to 2020/21 – <i>this element is spread equally over the 3 years 2021/22 to 2023/24</i>	1.668	1.415
Forecast Deficit carried forward at 31/03/2021 prior to adjustment for 3 year spread	1.747	1,482
Amount to be deducted from the deficit calculation as adjustment for 3 year spread	(1.112)	(0.943)
Forecast Deficit carried forward at 31/03/2021	0.635	0.539

The Council's share of the adjusted deficits in both tables above will be included within the draft 2021/22 budget to be presented to Finance Council on 1st March 2021.

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:	V1
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CONTACT OFFICER:	Julie Jewson Senior Finance Manager Tel 585893
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DATE:	27 th January 2021
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BACKGROUND PAPER:	N/A
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