



# EXECUTIVE BOARD DECISION

<b>REPORT OF:</b>	Executive Member for Finance and Governance
<b>LEAD OFFICERS:</b>	Chief Executive (acting s151 officer)
<b>DATE:</b>	12 August 2021

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

**SUBJECT: CORPORATE REVENUE BUDGET MONITORING REPORT QUARTER 4 - 2020/21 OUTTURN POSITION**

## 1. EXECUTIVE SUMMARY

The report details the overall revenue position of the Council for the year ended 31st March 2021, highlighting the key issues for review. It also determines the year end position with regard to portfolio under/overspends and the impact on earmarked and unallocated reserves.

## 2. RECOMMENDATIONS

The Executive Board is asked to approve:

- the portfolio budget adjustments outlined in Appendix 1.
- carry forward of the specific amounts shown in Appendix 1 from 2020/21 to 2021/22.
- the earmarked reserves position shown in Appendix 2
- the variations to revenue expenditure, as listed in Section 6, thereby giving rise to a revised balance of £8.373 million on the unallocated General Fund revenue reserve at 31st March 2021.

## 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

The Council has seen an increase in the level of reserves held at 31<sup>st</sup> March 2021, largely in its earmarked reserves held for specific purposes. This includes specific Covid funding received from central government which is to be utilised over the 2 year period through to March 2022. Indeed, a significant amount of this funding for business rates support and the Council's ongoing response to and

recovery from the impacts of the Covid-19 pandemic, has already been committed in the first quarter of this financial year. This position is similar to many other local authorities.

At the year-end date of 31<sup>st</sup> March, there is an overall underspend across Council services, this is due in part to: reduced demand for some services in the last year, service closures with staff redeployed to support response efforts, accounting for funding received in response to the pandemic, offset by significant loss of income from fees and charges. However, we expect demand for many services to increase this year, although income from fees and charges is not expected to recover fully for some time, likely leading to a call on reserves and the funding carried forward in this financial year.

Actual net revenue expenditure at 31<sup>st</sup> March 2021 was £166.113 million, compared to an original budget of £143.375 million i.e. an increase in net expenditure of £22.738 million.

Portfolio controllable expenditure, including Schools & Education (DSG), was £114.038 million for the year, which was £4.335 million less than the revised budget of £118.373 million, approved by Executive Board in February 2021.

General Fund unallocated reserves are £8.373 million at 31<sup>st</sup> March 2021, compared to £7.173 million at 31<sup>st</sup> March 2020. The increase relates to a number of transfers both to and from unallocated reserves that were approved during the year, together with final outturn adjustments detailed in Section 6.

The Council holds earmarked reserves of £47.665 million for discretionary purposes. These include;

- £1.543 million to fund improvements to assets and infrastructure
- £14.310 million to meet the cost of downsizing and transformation in future years, including potential redundancy costs
- £4.484 million for People services, including amounts set aside to meet future demand pressures
- £1.295 million for Place and Resources services
- £10.031 million set aside in respect of welfare and local taxation reform.
- £11.983 million in respect of grants, contributions and other budgets carried forward from 2020/21 to 2021/22 to meet specific costs (this includes £6.539m of non ring-fenced Covid-19 funding).
- £4.019 million set aside for specified purposes.

Appendix 2 to this report provides the detail of the carried forward reserves and also reflects that £17.328 million, will be allocated to portfolios in the first monitoring report of 2021/22 providing a revised earmarked reserves held for discretionary purposes amounting to £30.337 million at the end of the first quarter of the new financial year.

The Council also holds reserves of £12.660 million in relation to expenditure for Schools and Education, and £0.418 million is held in respect of joint arrangements, charitable purposes and other ring-fenced commitments.

## **5. POLICY IMPLICATIONS**

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

## **6. FINANCIAL IMPLICATIONS**

### **6.1 REVENUE BUDGETS AND 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.

During the course of 2020, the Government began to provide additional resources to Councils to meet these unplanned costs and mitigate some of the financial losses incurred. Funding was made available through a Contain Outbreak Management Fund (COMF). This funding is ring-fenced for public health purposes to tackle Covid-19, working to break the chain of transmission and protecting the most vulnerable. Non ring-fenced Covid-19 grant was also received and the Government introduced a Sales, Fees and Charges losses support scheme which reimbursed 75p in every pound after the Council has met the first 5% of eligible income losses, mainly excluding commercial income. Additional funding was also provided for Local Authorities like ours under the local restrictions tiering in 2020 and the subsequent national lockdowns. As the continuing response to and recovery from Covid-19 spans financial years, funding received in the financial year 2020/21 can be carried forward into 2021/22 to support ongoing response and recovery work. Indeed, the specific funding will be critical during 2021/22 as we continue to deliver Covid-related response and recovery activity alongside an increasing number of Council services returning to business as usual.

As with other public sector organisations, we are also dealing with a backlog and rise in demand across many of our services including social work support for vulnerable adults and children, legal, registrars, public protection, youth provision, employment and business support. To acknowledge the adjustments to services in continuing to respond to the pandemic, and operate within Covid-safe guidelines, the Council has allocated additional resource in 2021/22 to manage the increased demand and provide capacity to deal with outstanding backlogs as reported to Executive Board in June.

With regard to economic activity and the potential ongoing impact on our sales, fees and charges the government's own data indicates activity will not return to pre-Covid-19 levels until 2023. The impact of the pandemic led to a 10% fall in economic output over 2020 which is only expected to recover by 4% this year and 7% in 2022/23. The government has extended the Sales, Fees and Charges compensation scheme but only until the end of June 2021.

At Outturn Covid-19 revenue support has been applied to Portfolio controllable budgets contributing to an overall underspend of £7.007 million. In addition the Schools and Education (DSG) portfolio has underspent by £3.621 million. The summary of the outturn revenue position is as follows:

## 6.1.2 Performance against budgets

Appendix 1 details the portfolio budgets at 31<sup>st</sup> December 2020, as approved by the Executive Board in February 2021 (totalling £118.373 million), together with the adjustments recommended to the Board for approval in this Quarter 4 report; these result in a revised total budget allocation across the portfolios of £124.666 million, and reflect:

- transfers to and from earmarked reserves to support spending on specific schemes for which these reserves were established, or to replenish these reserves
- transfers from unallocated reserves to support budget pressures
- transfers to unallocated reserves in respect of savings made
- transfers from sums held in contingencies
- transfers to earmarked reserves in respect of grants / contributions and other year-end budget carryover requests

	Original Budget (after portfolio changes)	Revised Budget (incl outturn adjustments at Appendix 1)	Actual Outturn	Variation from Revised Budget Over/ (Under) spend
<b>Net Expenditure</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Adults & Prevention Services	50,854	53,262	49,795	(3,467)
Public Health and Wellbeing	2,154	2,965	2,486	(479)
Children, Young People & Education	29,802	32,045	30,813	(1,232)
Environmental Services	8,948	11,319	9,922	(1,397)
Growth & Development	7,850	7,339	7,737	398
Digital & Customer Services	5,625	5,916	5,330	(586)
Finance & Governance	9,555	12,761	12,517	(244)
Sub-total	114,788	125,607	118,600	(7,007)
Schools and Education (DSG)	(941)	(941)	(4,562)	(3,621)
<b>Net portfolio controllable expenditure</b>	<b>113,847</b>	<b>124,666</b>	<b>114,038</b>	<b>(10,628)</b>
Contribution from schools for prudential borrowing	(520)	(520)	(520)	0
Contribution to capital expenditure	300	129	129	0
Interest and debt repayment	19,610	19,410	18,135	(1,275)
Amounts to be allocated / contingencies	9,818	829	829	0

Parish councils	190	190	190	0
<b>Total net expenditure</b>	<b>143,245</b>	<b>144,704</b>	<b>132,801</b>	<b>(11,903)</b>
Contribution (from)/to reserves	130	27,816	33,312	5,496
<b>Total net budget</b>	<b>143,375</b>	<b>172,520</b>	<b>166,113</b>	<b>(6,407)</b>
<b>Financed by:</b>				
Non-ringfenced Government grants	(66,064)	(95,209)	(88,802)	6,407
Non-domestic rates	(20,587)	(20,587)	(20,587)	0
Council tax	(56,022)	(56,022)	(56,022)	0
Net deficit on Collection Fund	(702)	(702)	(702)	0
<b>Total financing</b>	<b>(143,375)</b>	<b>(172,520)</b>	<b>(166,113)</b>	<b>6,407</b>

### ***Portfolio Positions***

The outturn position for each portfolio, after the allocation of Covid-19 funding to offset cost pressures and income losses is as follows:

### ***Adults and Prevention Services***

The final outturn position for the portfolio is an underspend of £3,466,882.

The portfolio incurred significant costs during the year providing financial support to care sector providers, however individual care package costs reduced during the pandemic due to changes in National hospital discharge guidance. From 19th March to 31st August 2020, care costs for residential and nursing care attributed to hospital discharge or hospital admission avoidance were paid directly by the NHS. In addition, Continuing Health Care (CHC) frameworks for joint funded packages of care were suspended during this time. The hospital discharge guidance was then revised on 1st September 2020 and with effect from that date, only the first six weeks following discharge were funded by the NHS. During this time no charges were made for social care however as with other additional Covid-19 costs these were supported by Covid-19 grants. During the year some staffing costs were paid directly by Health funds and the department faced challenges in recruiting to vacant posts during this time contributing to the underspend.

As at 1<sup>st</sup> September, CHC frameworks were restarted and CHC recovery systems were put in place to work through backlogs of cases. As a result of changes to discharge and joint funding pathways the portfolio is beginning to see 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 to take into consideration the impact of Covid-19 and hospital discharge wherever possible and it should be recognised that this may result in further escalating costs in 2021/22 which will require funding from Covid-19 grants carried forward.

In addition the portfolio anticipates that pressures on external commissioned budgets will increase in 2021/22 as the country gradually comes out of lockdown and the care sector works to recover from the

impact of the pandemic, these again will require support from Covid-19 grants carried forward in 2021/22.

### ***Public Health and Wellbeing***

After the application of Covid-19 grants to support the portfolios loss of income and work attributable to the Contain Outbreak Management Fund, the portfolio's final outturn position was an underspend of £478,331.

Over the course of the year 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. This is an ongoing position into the financial year 2021/22 and the portfolio will require further support to offset its ongoing income losses.

### ***Children, Young People and Education***

As reported throughout the year, the Children's Services portfolio continued to experience increased levels of demand resulting in significant cost pressures in 2020/21. The portfolio's final position for the year shows an underspend of £1,231,926. As with the other portfolios this outturn position is after the application of Covid-19 grants. The demand pressures particularly around Commissioning and Special Guardianship Orders are expected to increase as the country slowly moves towards the new normal and the portfolio will require further Covid-19 funding to meet these pressures.

### ***Environmental Services***

The portfolio received Covid-19 funding to offset income losses and pressures and reported a final outturn position of £1,397,216 underspent. Waste disposal costs have decreased due to the introduction of the blue bins and whilst there was an increase in recycling tonnages, the recycling costs of fibre have been favourable. It should be noted that these can vary significantly as the portfolio cannot control the pricing of commodity materials which fluctuate throughout the year.

Budgets across the portfolio, continue to be closely monitored; income streams continue to be impacted and are unlikely to recover to pre-pandemic levels for some time, and there is potential for an increase in waste tonnages.

### ***Growth and Development***

As with the other portfolios Growth and Development has received significant Covid-19 funding to offset additional expenditure and income losses incurred as a result of the pandemic. Notwithstanding this the portfolio's final outturn position is an overspend of £397,634. This overspend is accounted for by underlying pressures commercial services such as the Market.

### ***Digital and Customer Services***

The portfolio's outturn position is an underspend of £586,542 This saving arises largely from the capitalisation of staff working on specific IT projects which have continued throughout the year.

### ***Finance and Governance***

The portfolio has underspent by £243,493 after the allocation of Covid-19 funding. The underspend relates to staffing vacancies and costs that have not been incurred during the period as activities have ceased or been deferred e.g. training courses, meetings and the progression of legal cases.

### ***Dedicated Schools Grant / Schools Block***

Schools and Education is primarily funded by the Dedicated Schools Grant (DSG). Expenditure against this grant is monitored by the Schools Forum, at which financial reports are considered on a regular basis.

The reported surplus of £3.621 million is made up of an increase across all of the individual school balances of £3.786 million, and an overspend of £0.165 million in respect of centrally retained budgets. The majority of the latter is attributable to the High Needs Block and is due to demand pressures in respect of children with Special Educational Needs.

The above variations increase the level of the School Balances Reserve to £9.061 million and the Dedicated Schools Grant Reserve is now £3.599 million.

## 6.2 General Fund Unallocated Reserves

The table below shows the movements in unallocated reserves since the last Executive Board report in February 2021.

	£'000	£'000
<b>Forecast unallocated reserves as per Executive Board Report February 2021</b>		<b>8,042</b>
<i>Transfers to / from unallocated reserves</i>		
Net savings across portfolios	7,006	
Net savings in respect of interest and debt repayment costs	1,275	
Savings on "ring-fenced" budgets:		
- Reduction in provision for housing benefit overpayments	100	
- Non-distributed costs (former employee pension costs)	54	
Contingencies not required	43	8,478
Transfer to earmarked reserves	(7,650)	
Increased costs on "ringfenced" budgets		
- Increase in net cost of housing benefits	(461)	
- Coroners Service	(33)	
- Flood Defence Levy	(3)	(8,147)
<b>Balance on unallocated general fund reserves at 31 March 2021</b>		<b>8,373</b>

## 6.3 Earmarked reserves

Total earmarked reserves stand at £60.743 million at 31st March 2021 comprising reserves for discretionary use by the Council of £47.665 million and other earmarked reserves of £13.078 million, which largely comprise reserves held in respect of schools.

Details of the requested application of reserves are included in Appendix 1.

Details of all earmarked reserve balances at 31st March 2021 are shown in Appendix 2. This Appendix shows all movements in the specific reserves since the February 2021 Executive Board report including:

- utilisation of the individual reserves
- increases made to these reserves from unallocated reserves or creation of new reserves
- revenue contributions made to capital that are no longer required in 2020/21
- transfers to reserves in respect of grants / contributions and other budgets for carry forward from 2020/21 into 2021/22

## 6.4 Collection Fund

### Business Rates

The outturn position for the Business Rates Collection Fund is a deficit carried forward into 2021/22 of £18.485 million, comprising:

	31/12/2020 Estimate	31/03/2021 Outturn
	£million	£million
Business Rates surplus brought forward from 2019/20	(2.412)	(2.412)
Deficit for the year	19.769	20.897
<b>Deficit carried forward as at 31/03/2021</b>	<b>17.357</b>	<b>18.485</b>
<b>Distribution of deficit carried forward</b>		
Central Government	9.159	9.723
Lancashire Combined Fire Authority	0.164	0.175
Blackburn with Darwen Council	8.034	8.587
	<b>17.357</b>	<b>18.485</b>

The Council's share of the deficit carried forward into 2021/22 is £8.587 million, which will largely be funded from section 31 grants carried forward in earmarked reserves for this purpose.

### Council Tax

The outturn position on the Council Tax Collection Fund is a deficit carried forward into 2021/22 of £1.694 million, made up of:

	31/12/2020 Estimate	31/03/2021 Outturn
	£million	£million
Council Tax surplus brought forward from 2019/20	(0.712)	(0.712)
Deficit for the year	2.459	2.406
<b>Deficit carried forward as at 31/03/2021</b>	<b>1.747</b>	<b>1.694</b>
<b>Distribution of deficit carried forward</b>		
Lancashire Police and Crime Commissioner	0.199	0.193
Lancashire Combined Fire Authority	0.067	0.065
Blackburn with Darwen Council	1.481	1.436
	<b>1.747</b>	<b>1.694</b>



The Council's share of the deficit carried forward into 2021/22 is £1.436 million, which has been budgeted for over the three financial years 2021/22–2023/24, in line with the government's deficit spreading guidance.

## 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.

<b>VERSION:</b>	<b>0.04</b>
<b>CONTACT OFFICER:</b>	<b>Julie Jewson (Extn 5893)</b>
<b>DATE:</b>	20 <sup>th</sup> July 2021
<b>BACKGROUND PAPER:</b>	N/A

