



EXECUTIVE BOARD DECISION

REPORT OF: Executive Member for Finance and Governance

LEAD OFFICERS: Director of Finance

DATE: 11th November 2021

PORTFOLIO/S AFFECTED: All

WARD/S AFFECTED: All

KEY DECISION: YES ☒ NO ☐

SUBJECT: CORPORATE REVENUE BUDGET MONITORING REPORT QUARTER 2 - 2021/22

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 budget summary provided in Appendix 2
- the Earmarked reserves position shown in Appendix 3

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 2021 in relation to controllable budgets across all portfolios was £53.605 million, which is 42.13% of the current budget. Further details relating to the financial position of each portfolio are outlined in Section 6.

b) Based on the information currently available, Earmarked Reserves available for discretionary use within the Council are £46.206 million at 30th September 2021 compared with a balance of £47.665 million at 31st March 2021, with a further £13.078 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 2021-24, as approved at Finance Council on 1st March 2021.

6. FINANCIAL IMPLICATIONS

6.1 CASH LIMITS AND REVENUE EXPENDITURE

6.1.1 Revenue Budget Overview

The 2021/22 Budget and MTFS 2021-2024 approved by Finance Council in March 2021 set a balanced budget for the year based on the assumptions made at that time. The Covid-19 pandemic continues to create a significant shock to the economy and result in 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 September 2021 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
- transfers from contingencies
- transfers from Earmarked reserves in respect of grants / contributions and other budgets approved for carry forward from 2020/21

The principle issues at the end of the second quarter of the year are summarised below and provided in detail at Appendix 2:

Summary

	Original Budget 2021/22 £000	Variations £000	Working Budget 2021/22 £000	Forecast Outturn £000	Variation £000
Portfolio Expenditure	119,949	6,033	125,982	131,639	5,658
Corporate Income and Expenditure	(7,797)	(9,429)	(17,226)	(17,226)	0
Contribution to/(from) Reserves	(4,463)	3,004	(1,459)	(1,459)	0
General Fund Working Balance	53	392	445	(5,213)	(5,658)
Net Expenditure	107,741	0	107,741	107,741	0
Total Income	(107,741)	0	(107,741)	(107,741)	0

Covid-19

As stated above, the Covid-19 pandemic has resulted in significant unplanned expenditure and income losses, which are being monitored and reported by portfolios. The Government's Sales, Fees and

Charges support scheme finished at the end of June 2021 and all subsequent losses will need to be covered by Council resources.

With regard to economic activity and the potential ongoing impact, the government's own data indicates activity is not expected to 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.

As noted in the last quarterly report an amount of £5.149m has been allocated for response and recovery activity across the portfolios, to manage increased demand and to provide capacity to deal with outstanding backlogs as we move to business as usual. This expenditure is being monitored closely and will be incurred across the financial years 2021-22 and 2022-23.

Portfolio positions

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

Adult Services & Prevention

At the end of September monitoring, based on current levels of demand and information presently available, net spend for the portfolio for 2021/22 is predicted to breakeven.

Pressures exist within the commissioning budget due to the additional demand and cost of care, however these are offset by one off income in this financial year.

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. The impact of Covid-19, together with winter pressures is likely to result in escalating costs over the next few months.

Neighbourhood and Prevention Services is forecasting to break even.

Public Health & Wellbeing

Leisure, Heritage & Cultural Services:

On the basis of the current position following the reopening of leisure facilities and information presently available, net spend for the portfolio for 2021/22 is predicted to be an overspend of £1.011m. This is a significantly improved position from a predicted overspend of £1.725m in Quarter 1 and reflects the positive uptake of Leisure services and hence increasing income following the re-opening of sites.

Whilst income generation in leisure is improving, membership numbers are showing slower signs of recovery at Blackburn Sports and Leisure Centre and Witton Park Arena which is impacting on their income levels. Leisure recovery will need careful monitoring throughout the year.

The Executive Board on 14th October 2021 approved investment in health and fitness facilities at Witton Park Arena and Blackburn Sports and Leisure Centre for new gym equipment, new flooring and new lighting. The purchase of new equipment for WPA and BSLC from the £5.149m COVID recovery monies noted above will enable the centres to develop and grow the membership base following the reductions incurred as a result of the pandemic.

The impact of the extended service closures during the Covid restrictions will continue throughout this financial year and the portfolio will require further support to offset its ongoing income losses.

Public Health:

The currently predicted forecast in respect of Public Health assumes a break even position for the year.

Children, Young People & Education

The portfolio continues to feel the ongoing financial impact of the Covid-19 pandemic, and this is likely to continue into the foreseeable future.

The main areas facing significant budget pressures are Special Guardianship Orders, Education Transport and Fostering. There has also been a reduction in the latest income projections for Free Flexible Entitlement income within the Children's Centres for the Autumn and Spring terms, which is currently under review.

The current forecast is an estimated overspend against budget of £1.736m at financial year end.

Dedicated Schools Grant / Schools Block

Services in Schools & Education (DSG) are currently forecast to spend the funding available in 2021/22 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 is currently predicting an overspend of £557k. This predicted overspend is a result of COVID impacted income losses from taxi licensing and parking services in particular. Waste disposal budgets continue to be monitored closely for pressures that may arise as the year progresses.

Growth & Development

The portfolio is currently forecasting an overspend of £844k which is mainly in respect of the Highways budgets and commercial income losses as the current trading position remains impacted by the pandemic and additional COVID related expenditure.

Digital & Customer Services

The portfolio is currently predicted breakeven; income across Registrars and Customer Services which was impacted by COVID 19 in 2020-21 is now returning to pre-pandemic levels.

Finance & Governance

The portfolio has estimated income losses of £1.51m due to Covid-19 losses arising from reduced commercial and traded service income. The forecast for Quarter 1 was an overspend of £2.052m. The current forecast reflects that the trading position is improving at present but this, as with the other portfolios could be impacted by a move to the Government's Plan B for dealing with the rising COVID cases over the winter period and/or the implementation of a further lockdown in this financial year. The significant losses included within this forecast are income losses from commercial rents including the Council's income share from the Mall.

6.2 General Fund Unallocated Reserves

	£million
Balance on Unallocated General Fund reserves at 30 September 2021	8.818

There are no further changes to report at this point in the financial year.

6.3 Earmarked reserves

Taking account of the adjustments highlighted at Appendix 3, the level of Earmarked reserves held for discretionary use by the Council at 30th September 2021 will be £46.206 million compared with a balance of £47.665 million as at 31st March 2021.

Summary of movement	£million
Balance on Earmarked reserves at 30 June 2021	38.151
Section 31 Grant - compensation for lost Business Rates income	8.100
Funding to be carried forward into 2022/23 (see Appendices 1 and 3)	0.327
Utilise COVID-19 Funding reserve to finance capital expenditure on replacement gym equipment	(0.285)
Utilise CCTV Hub reserve to finance capital expenditure on CCTV equipment	(0.070)
Utilise Support for future redundancy costs reserve	(0.017)
Balance on Earmarked reserves at 30 September 2021	46.206

6.4 Collection Fund

Business Rates

As reported at quarter 1, the government has introduced a scheme of enhanced rates reliefs applying to occupied retail, leisure and hospitality properties in the year 2021/22. The discounts are 100% for the period April to June reducing to 66% from July, and are currently estimated to reduce 2021/22 business rates income by £8.1 million.

Funds to fully reimburse local authorities for the local share of these enhanced reliefs are once again being paid on account using a grant under section 31 of the Local Government Act 2003, with a full reconciliation to be carried out at year-end. The budget for "Other non-ringfenced grants" has, therefore, been increased by £8.1m with a corresponding transfer to earmarked reserves, which will be used to offset any business rates deficit carried forward as a pressure on 2022/23 budgets.

The current projected year end position for the Business Rates Collection Fund is a deficit carried forward into 2022/2 of £9.6 million, comprising:

	BR Collection Fund Total £m	Blackburn with Darwen Share £m
Impact of extended reliefs - compensated by s31 grant	8.1	4.0
Deficit deferred from 2020/21 in line with 3 year deficit spreading arrangements	0.7	0.3
Net reduction in collection	0.8	0.4
Total projected deficit	9.6	4.7

The rate of collection for Business Rates is behind target (4.57%) but ahead of last financial year. The change in the rate of discounts awarded from 100% to 66% has resulted in the Council having to re-bill those businesses in receipt of the enhanced rates reliefs. As a result, the profile of direct debit instalments has been extended to March rather than January 2022, which makes projection of the likely overall collection rate more difficult.

Council Tax

The Council's rate of collection for council tax was 0.7% below target at the end of September 2021. Local Council Tax Support working age claimants are now declining after hitting a peak in 2021/22, and recovery action is continuing as planned.

Taking all these factors into account, the current projected year end position for the Council Tax Collection Fund is break even. It should be noted, however, that a deficit of £1.1 million has been deferred from 2020/21 under the 3 year deficit spreading arrangements, with £0.556 million being recovered from the General Fund budget in each of the years 2022/23 and 2023/22.

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:	V2
CONTACT OFFICER:	Julie Jewson Senior Finance Manager Tel 01254 585893
DATE:	30th October 2021
BACKGROUND PAPER:	N/A