



EXECUTIVE BOARD DECISION

REPORT OF: Executive Member for Finance and Governance

LEAD OFFICERS: Director of Finance

DATE: 10th February 2022

PORTFOLIO/S AFFECTED: All

WARD/S AFFECTED: All

KEY DECISION: YES ☒ NO ☐

SUBJECT: CORPORATE REVENUE BUDGET MONITORING REPORT QUARTER 3 - 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 31st December 2021 in relation to controllable budgets across all portfolios was £87.501 million, which is 70.35% 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 £50.788 million at 31st December 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	3,487	123,436	127,359	3,923
Corporate Income and Expenditure	(7,798)	(11,625)	(19,423)	(19,423)	0
Contribution to/(from) Reserves	(4,463)	7,587	3,124	3,124	0
General Fund Working Balance	53	551	604	(3,319)	(3,923)
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 December monitoring, based on current levels of demand and information presently available, net spend for the portfolio for 2021/22 is predicted to underspend by £525k.

The pandemic continues to impact on demand for services resulting in one off savings in financial year 21/22, however as a result of changes to discharge and joint funding pathways and care package costs reverting back to Local Authority funding demand and cost are expected to rise in the coming months. 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 2022/23 which will require funding from Covid-19 grants carried forward.

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 £615k. 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 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 current forecast is an estimated overspend against budget of £2.028m at financial year end.

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, Fostering and Commissioned Placements.

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 £602k. 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 £251k which is mainly in respect of commercial income losses as the current trading position remains impacted by the pandemic and additional COVID related expenditure. These are partially offset by savings on the planning and property budgets.

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 is forecasting an overspend of £952k due to Covid-19 losses arising from reduced commercial and traded service income. 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

Summary of movement	£million
Balance on Unallocated General Fund reserves at 30 September 2021	8.818
Savings in interest earned on investments and paid in relation to short term debt	0.242
Contribution to Local Enterprise Partnership (LEP) running costs	(0.083)
Balance on Unallocated General Fund reserves at 31 December 2021	8.977

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 31st December 2021 will be £50.788 million compared with a balance of £47.665 million as at 31st March 2021.

Summary of movement	£million
Balance on Earmarked reserves at 30 September 2021	46.206

Transfer developer's contributions received to date into the S106 reserve	2.285
Transfer capital financing back into the S106 reserve – due to slippage of capital expenditure into 2022/23	1.955
Funding for the Council's growth strategy	(0.308)
Funding to be carried forward into 2022/23 (see Appendices 1 and 3)	0.417
Utilise Invest to Save reserve to fund	(0.050)
Utilise Support for future redundancy costs reserve	(0.025)
Balance on Earmarked reserves at 31 December 2021	50.480

6.4 Collection Fund

Business Rates

As reported previously, 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 £7.7 million. In addition, on 25 March 2021, the Government announced plans to provide an additional business rates support package, worth £1.5 billion, to support businesses in England affected by COVID-19 but not eligible for existing support linked to business rates. Guidance on this support package, the COVID-19 Additional Relief Fund (CARF), was issued in mid-December 2021 and the Council received an allocation of £3.7 million, the majority of which will be applied by the end of the financial year, reducing business rates income further.

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 relevant proportion of this grant income, which is credited to the Council's General Fund, will be held in earmarked reserves, and used to offset the 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 £14 million, comprising:

	Business Rates Collection Fund Total £m	Blackburn with Darwen Share £m
Impact of extended reliefs - compensated by s31 grant	11.2	5.5
Deficit deferred from 2020/21 in line with 3 year deficit spreading arrangements	0.7	0.3
Net reduction in collection	2.1	1.1
Total projected deficit	14.0	6.9

The Council's share of Business Rates Collection Fund deficit, together with funding from s31 grants currently held within earmarked reserves, have been reflected within the 2022/23 budget and Medium Term Financial Plan (MTFP) for 2022-25.

Council Tax

The Council Tax collection rate outturn for December of 77.80% is slightly ahead of the target but still 0.4% behind the previous financial year. The billing and recovery process is still being adversely affected by residents returning to work and increases in hours worked. These changes in circumstance have a knock effect to the Council Tax Support awards, and ultimately result in the recalculation of bills and a delay in the collection of outstanding council tax. We will continue to maximise the recovery options available to the council.

Taking all these factors into account, the current projected year end position for the Council Tax Collection Fund is a surplus of £0.9 million, comprising:

	Council Tax Collection Fund Total £m	Blackburn with Darwen Share £m
Deficit deferred from 2020/21 in line with 3 year deficit spreading arrangements	0.6	0.5
In year surplus	(1.5)	(1.2)
Total projected surplus	(0.9)	(0.7)

The Council's share of Council Tax Collection Fund surplus has been reflected within the 2022/23 budget and Medium Term Financial Plan (MTFP) for 2022-25.

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
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CONTACT OFFICER:	Julie Jewson Senior Finance Manager Tel 01254 585893
DATE:	1 st February 2022
BACKGROUND PAPER:	N/A