

# EXECUTIVE BOARD DECISION



**REPORT OF:** Executive Member for Finance and Governance

**LEAD OFFICERS:** Director of Finance

**DATE:** 14th July 2022

**PORTFOLIO/S AFFECTED:** All

**WARD/S AFFECTED:** All

**KEY DECISION:** YES  NO

**SUBJECT: CORPORATE REVENUE BUDGET MONITORING REPORT QUARTER 4 - 2021/22  
OUTTURN POSITION**

## 1. EXECUTIVE SUMMARY

To report the overall revenue financial position of the Council for the year ended 31st March 2022, highlighting any significant issues and explaining variations in the final quarter of the financial year. Also to determine 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
- the outturn 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 31<sup>st</sup> March 2022 in relation to controllable budgets across all portfolios was £121.658 million, compared to an original budget of £119.949 million i.e. an increase in net expenditure of £1.709 million. Further details relating to the financial position of each portfolio are outlined in Section 6.

b) General Fund unallocated reserves are £7.718 million at 31st March 2022, compared to £8.373 million at 31st March 2021. 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

c) Earmarked Reserves available for discretionary use within the Council are £56.420 million at 31<sup>st</sup> March 2022 compared with a balance of £47.665 million at 31<sup>st</sup> March 2021, with a further £12.763 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 1<sup>st</sup> 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.

#### 6.1.2 Performance Against Controllable Budgets

Appendix 1 details the portfolio controllable budgets approved by the Executive Board in December 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 to / from Earmarked reserves
- transfers from contingencies
- transfers to Earmarked reserves in respect of grants / contributions and other budgets approved for carry forward to 2022/23

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	Outturn £000	Variation £000
<b>Portfolio Expenditure</b>	119,949	1,656	121,605	121,658	53
<b>Corporate Income and Expenditure</b>	(7,798)	(14,181)	(21,979)	(21,702)	277
Contribution to/(from) Reserves	(4,463)	13,178	8,715	8,440	(275)
General Fund Working Balance	53	(653)	(600)	(655)	(55)
<b>Net Expenditure</b>	<b>107,741</b>	<b>0</b>	<b>107,741</b>	<b>107,741</b>	<b>0</b>
<b>Total Income</b>	<b>(107,741)</b>	<b>0</b>	<b>(107,741)</b>	<b>(107,741)</b>	<b>0</b>

## **Covid-19**

As stated above, the Covid-19 pandemic continues to result in significant increased 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 with all subsequent losses needing to be covered by Council resources.

### **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:

#### **Adult Services & Prevention**

The final outturn position for the portfolio is an underspend of £2,427 million.

Pressures exist within the commissioning budget due to the additional demand and cost of care, however the outturn position is a significant underspend, the majority of which is as a result of one off income in this financial year. Income applications for Covid-19 including for Discharge to Assess from Health, additional one-off unplanned receipts and associated budget adjustments for Continuing Health Care contributions from the CCG, ordinary residence disputes which have been resolved, reclaims of individual direct payment budgets have contributed for the underspend.

The increased demand pressures in extra care and domiciliary care as well as the cost of individual care packages due to acuity of needs should be noted as it is likely these pressures will impact on the 2022/23 budget as one off income streams are no longer available.

The final outturn position reflects £0.600 million funding carried forward for future years use to meet new requirements and assurance frameworks for Care Quality Commission inspections readiness.

The net underspend on non-commissioning budget areas is predominantly due to staffing vacancies for essential posts but difficulties in social care recruitment exacerbated with realignment of duties to meet Covid-19 priorities are continuing and these operational issues have been highlighted at a national level affecting many other Authorities.

#### **Public Health & Wellbeing**

The portfolio's final outturn position is an overspend of £0.398 million following allocation of Covid-19 grants to support income losses.

Due to the impact of extended Covid restrictions, leisure facilities, the museum and 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. As the year progressed and restrictions started to ease further, income generation continued to show improvements as leisure membership numbers gradually increased, audiences returned to venues and customer confidence strengthened.

Services' continue to deliver their recovery plans in order to mitigate the impact of service closures during the restrictions. The portfolio is likely to require further support to offset its ongoing income losses going into the financial year 2022/23 and the position will require careful monitoring.

#### **Children, Young People & Education**

The portfolio returned an overspend of £1.738 million against its approved budget in 2021/22.

The demand pressures that existed in 2020/21 continued into 2021/22 with the largest overspends being seen within Placement Services, specifically Special Guardianship Orders, Commissioned Placements and Foster Care. Additional pressures were also seen against the Home to School and SEN Transport budgets.

The budget pressures associated with Special Guardianship Orders have been addressed as part of the Medium Term Financial Plan, with additional funding of £1.000 million allocated against this budget in 2022/23.

### **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 deficit of £0.274 million is made up of a decrease across all of the individual school balances of £0.922 million, and an underspend of £0.648 million in respect of centrally retained budgets.

The above variations decrease the level of the School Balances Reserve to £8.139 million and the Dedicated Schools Grant Reserve is now £4.247 million.

### **Environmental Services**

The final outturn position for the portfolio is an overspend of £0.182 million. The main variations being losses on taxi licensing and parking income partially offset by sales, fees and charges COVID funding and savings on Waste Disposal.

### **Growth & Development**

The portfolio had previously reported a forecast overspent by £0.251 million arising from budget pressures on highways and commercial activities. These have been partially offset by savings on the planning and property budgets and the allocation of Covid-19 funding to support the Market operations. The final overspend being £0.156 million.

### **Digital & Customer Services**

The final outturn position for the portfolio is an underspend of £0.067 million, having forecast breakeven at quarter 3 monitoring.

### **Finance & Governance**

The portfolio underspent by £0.200 million arising due to Covid-19 losses 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. These losses were offset to an extent by savings on tenanted properties and building running costs, but the pressures will continue into 2022-23 as footfall in the Mall continues to be below pre-pandemic levels.

## **6.2 General Fund Unallocated Reserves**

<b>Summary of movement</b>	<b>£million</b>
Balance on Unallocated General Fund reserves at 31 December 2021	8.977
Net savings across portfolios	0.221

Savings on “ring-fenced” budgets:	
- Reduction in provision for housing benefit overpayments	0.055
- Non-distributed costs (former employee pension costs)	0.259
Create provision for legal costs	(0.995)
Utilise prior year underspend on PFI codes to part fund affordability gap	(0.177)
Increased costs on “ringfenced” budgets	
- Increase in net cost of housing benefits	(0.319)
- Coroners Service	(0.023)
- Flood Defence Levy	(0.003)
Net costs in respect of interest and debt repayment costs	(0.277)
Balance on Unallocated General Fund reserves at 31 March 2022	7.718

### 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 31<sup>st</sup> March 2022 will be £55.628 million compared with a balance of £47.665 million as at 31<sup>st</sup> March 2021.

Summary of movement	£million
Balance on Earmarked reserves at 31 December 2021	50.480
Establish a reserve for the reinstatement of St John’s	3.540
Transfer developer’s contributions into the S106 reserve	0.698
Transfer capital financing back into earmarked reserve – due to slippage of capital expenditure into 2022/23	0.594
Funding to be carried forward into 2022/23 (see Appendices 1 and 3)	4.270
Utilise general COVID funding	(3.136)
Utilise Support for future redundancy costs reserve	(0.102)
Other net movements as detailed in Appendix 3	0.076
Balance on Earmarked reserves at 31 March 2022	56.420

### 6.4 Collection Fund

#### Business Rates

The outturn position for the Business Rates Collection Fund is a deficit carried forward into 2022/23 of £10.762 million, comprising:

	31/12/2021 Estimate	31/03/2022 Outturn
	£million	£million
Business Rates surplus brought forward from 2020/21	18.485	18.485
Deficit for the year	(4.488)	(7.723)
<b>Deficit carried forward as at 31/03/2022</b>	<b>13.997</b>	<b>10.762</b>
<b>Distribution of deficit carried forward</b>		
Central Government	6.998	5.381
Lancashire Combined Fire Authority	0.140	0.108
Blackburn with Darwen Council	6.859	5.273
	<b>13.997</b>	<b>10.762</b>

The Council's share of the deficit carried forward into 2022/23 is £5.273 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 surplus carried forward into 2022/23 of £0.128 million, made up of:

	<b>31/12/2021 Estimate</b>	<b>31/03/2022 Outturn</b>
	£million	£million
Council Tax deficit brought forward from 2020/21	1.694	1.694
Surplus for the year	(2.588)	(1.822)
<b>Deficit carried forward as at 31/03/2022</b>	<b>(0.894)</b>	<b>(0.128)</b>
<b>Distribution of deficit carried forward</b>		
Lancashire Police and Crime Commissioner	(0.106)	(0.018)
Lancashire Combined Fire Authority	(0.033)	(0.004)
Blackburn with Darwen Council	(0.755)	(0.106)
	<b>(0.894)</b>	<b>(0.128)</b>

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.

<b>VERSION:</b>	<b>V2</b>
-----------------	-----------

<b>CONTACT OFFICER:</b>	<b>Julie Jewson</b> <b>Senior Finance Manager</b> <b>Tel 01254 585893</b>
-------------------------	---

<b>DATE:</b>	4 <sup>th</sup> July 2022
--------------	---------------------------

<b>BACKGROUND PAPER:</b>	N/A
--------------------------	-----