



## BELFAST CITY COUNCIL

<b>REPORT TO:</b>	<b>Strategic Policy and Resources Committee</b>
<b>SUBJECT:</b>	<b>Budget Monitoring Report to 31<sup>st</sup> August 2009/10</b>
<b>DATE:</b>	<b>23rd October 2009</b>
<b>REPORTING OFFICER:</b>	<b>Trevor Salmon, Director of Corporate Services</b>
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### **Relevant Background Information**

The Strategic Policy and Resources Committee have requested that they receive regular updates on budgetary performance throughout the year. This report will update Members on the current year's budget at period 5, the forecast outturn for the financial year and will highlight budget risk areas.

### **Key Issues**

#### **Revenue Budget Position**

BCC has a net departmental budget of £54.4m for the period. Outturn for the year to date is £52.3m giving an under-spend of £2.1m.

It should however be noted that a number of departments have variations in their budgets due to budgetary control issues. For example, budget profiling, grant accruals and internal journals have not been processed. Financial Services have subsequently developed a training programme for operational budget holders. The first module of this programme has been delivered to Parks and Leisure Services.

#### **Budgetary Risks / Pressures**

An analysis of budget risks was carried out by Financial Services and Business Support Managers at the end of Quarter 1. A register of all the risk areas, their financial implication and the action required to manage the risks is revised and updated monthly.

A number of key risks that are going to put pressure on the current year's budget are highlighted:

1. Investment income is profiled for the last quarter of the year and as such has no impact on the year to date performance. However, if the current low level in interest rates prevail to the end of the year, this is likely to cause a £460,000 loss of income.

2. A balance sheet review, including the reserves balance, is currently being carried out by Financial Services which will require approval by the Chief Local Government Auditor. This will form part of the closure of the 2008/09 annual accounts. Nevertheless it is likely that reserves will come under pressure in 2009/10. The 2009/10 rates were struck on the strength of a £2.4m contribution from reserves to support the departmental budgets. There are several other factors that will impact on reserves throughout the year. For example the level of bad debt in 2009/10 is likely to increase given the wider economic climate, so the provision for doubtful debts has been increased from 5% to 10% of total debt. This in turn becomes another pressure on reserves should the level of un-recovered debt rise in line with the provision.
3. Building Control show a loss of income due to the downturn in the housing market. This has resulted in a net expenditure of £116,610 above budget for the period.
4. The Facilities Management budget is under pressure due to having under recovered internal income. The income for the Property Maintenance Section is under recovered by £1,253,420. Their main customer, Parks and Leisure Services Department, has made the decision to commit to only "Priority 1" maintenance which has resulted in an under spend within Parks and Leisure Services of £450,750 against the repairs to property budget.
5. ISB has experienced a loss of external income of £70,000 at Period 5. The service is currently looking at redundancies to address the loss of demand.
6. ISB has moved forward with Voluntary Redundancies and Early Retirements for 15 staff. No budgetary provision has been made for these redundancies and retirements either in the service revenue account or the corporate pension's budget. In totality the cost of these changes is in the region of £1.1m. However, as the redundancies and retirements are likely to take place at the end of Period 6 there is approximately 6 months of savings that will be available in 2009/10 as a result of the decision. These savings amount to approximately £300,000.
7. The voluntary redundancy exercise currently underway has attracted in excess of 120 expressions of interest. Consideration must be given as to how this will be facilitated in the current financial year.
8. The City Investment Fund has a budget for period of £833,330 against which no spend has been made. The annual budget of £2m was set up for three purposes:
  - as a resource for the City Investment Strategy
  - as a contingency to assist the departmental budgets where they come under pressure due to the worsening economic situation, and
  - to support the reserves position.

**Forecast Outturn 2009/10**

After considering forecasts for departmental net expenditure (including risks) and rate income, and allowing for voluntary redundancy in ISB the forecast outturn for 2009/10 is an under-spend of £86,000. This however does not allow for the current voluntary redundancy exercise.

**Capital Programme 2009/10**

The draft Capital Programme for 2009/10 and future years outlines a programme of expenditure of £10,221,000 for 2009/10 to be financed by loans plus £2,112,250 to be financed by revenue contributions, giving a total budgeted expenditure for the year of £12,333,250.

Expenditure for the period amounts to £7,870,430. The most significant areas of expenditure are Ulster Hall Major Works of £1.6m and City Hall Major Works of £1.7m.

The Council's capital finance policy is that expenditure to be financed by loan remains within the target of £15m per year up to a maximum of £45m. Our existing loan obligations up to 31.03.09 amount to £26.3m, plus projected loan obligations for 2009/10 of £13.1m. This gives a total loan obligation of £39.4m by the end of the current financial year. This only allows for £5.6m expenditure on capital schemes in future years until such times as existing loan obligations have been met. It is therefore important that other means of financing Capital Schemes are considered.

**Forecast Outturn 2009/10**

Forecast capital financing requirement for the year is within budget. Capital expenditure for the year will be met from the debt charge budget of £3.5m and the revenue contribution budget of £2.1m.

**Conclusion**

Members are asked to note that processes have been put in place to manage budget risks. Forecast outturn for the year is within budget, however financing of the voluntary redundancy exercise currently underway requires consideration and is not included in forecast figures.

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