



Belfast City Council

Report to:	Strategic Policy and Resources Committee
Subject:	Financial Reporting – Quarter 1 2010/11
Date:	24 September 2010
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Relevant Background Information

It was agreed at the Strategic Policy and Resources Committee on 18 June 2010 that financial reporting packs would be produced for the Strategic Policy and Resources Committee and each Standing Committee on a quarterly basis and following discussion, that the first reports for the quarter ended June 2010 would be available for Committees in September. Monthly financial updates were also agreed to be provided to the Budget and Transformation Panel, if there were any significant issues to report.

The reporting pack contains a summary dashboard of the financial indicators and an executive summary explaining the financial performance (Appendix 1). It also provides a more detailed explanation of each of the relevant indicators covering the year to date and forecast financial position, progress in year on the capital programme, implications for reserves, payments to creditors and recovery of debt.

As was advised in the 18 June 2010 Committee report, the reporting pack should be viewed as still under development and the style and information in the reports will continue to evolve, in liaison with Members.

The information within these financial reporting packs has been developed through collaboration between central finance and departmental management teams. The information for Standing Committees has therefore been reviewed and endorsed by central finance. As was outlined in the Strategic Policy and Resources Committee report of 18 June 2010, a number of practical issues have been resolved in the development of the reports. In particular, Members are asked to note the following:

- (i) the original 2010/11 rates setting exercise included a budget for a pay rise of 1.5%. The pay position of the council is determined by national negotiations and currently no pay rise has been offered for 2010/11, which is causing significant trade union concern. The budget of £1.1m has therefore been removed from departmental budgets, for reporting purposes, so that the true departmental variances can be identified. The current unutilised pay rise

budget underspend has been logged centrally;

- (ii) demand led internal charges have also been removed from the budgets and expenditure of service users and applied to the budgets of service providers (eg ISB, facilities management etc) for reporting purposes which keeps the budgetary treatment for 2010/11 in line with that agreed by Members on 18 June for 2011/12
- (iii) capital charges are non cash items which have been removed from departmental budgets so that accurate variances can be identified.

Key Issues

A. Current and Forecast Financial Position 2010/11 and Implications for Reserves

The current year to date financial position for the council is an underspend of some £1.1m (4%) with a forecast end of year underspend of some £2.9m (3%). The reasons for this underspend relate to the current unutilised pay rise budget, additional electricity generation income, fuel costs being lower than anticipated and the deferred roll out of food collection as part of waste management. The financial reporting pack contains more detail on both the overall council position and the financial performance in each of the Committees.

It should be emphasised that it is very early in the financial year and therefore it is difficult to make an accurate forecast of the end of year financial position. There are considerable uncertainties which could impact on the forecast, for example, the level of bad debt which the council may have to bear on its rates income or any changes to the pay rise assumptions. Nonetheless, an early forecast is helpful to Members in making financial decisions for the remainder of 2010/11 and in advance of the 2011/12 rates setting exercise.

The district reserves of the council were planned to be some £9.1m by 31 March 2011, being the opening reserves of £4.6m at 1 April 2010 and the £4.5m contribution from the rates to reserves, agreed as part of the 2010/11 rates setting exercise. The current forecast underspend of £2.9m would lead to reserves of some £12m by 31 March 2011, unless Members agree alternative uses of the forecast in year underspend.

B. Recommended Actions on the Forecast Financial Position

As already stated, it is difficult to make an accurate financial forecast so early in the year. Therefore a degree of prudence is needed and we would recommend, in consultation with the Budget and Transformation Panel, that only some £1.9m of this underspend is subject to debate at this stage with any remaining underspend considered at a later point in the year, when the financial position is clearer.

In terms of the utilisation of the remaining £1.9m forecast underspend, it is recommended that Members take into account:

- (a) that this is an in year underspend which should be utilised to support one off

- revenue initiatives rather than ongoing revenue expenditure, to avoid an implication for the 2011/12 rates setting exercise; and
- (b) in order to maximise the benefit for the 2011/12 rates setting exercise, it would be preferable if such one off revenue initiatives either pulled expenditure forward into 2010/11 from 2011/12 (eg. invest in reserves in 2010/11 rather than as part of 2011/12 rates setting etc) or lowered the cost base of the council in 2011/12 (invest to save type initiatives); and
 - (c) the monies must be capable of being planned for and spent by 31 March 2011

It is recommended that officers bring back specific proposals for use of the forecast underspend to the Committee at its meeting on 22 October 2010.

C. Other Financial Indicators

The financial reporting pack includes information on a number of other financial indicators - progress in year on the capital programme, payments to creditors and recovery of debt. Of these indicators, recovery of debt is currently red and cause for concern. It is recommended that a further report is provided to Committee in October on the current processes for billing and collection and proposals for improvement.

D. Training

As was agreed at the Strategic Policy and Resources Committee on 18 June 2010, to provide training in financial management for Members. It is currently planned that this will be provided in liaison with the Improvement and Development Agency (I&DEA) and will take place in three sessions on 27 September. Members have already been advised of this training and attendance is encouraged, wherever possible.

E. Links to performance management

Members should note that officers are currently working on the development of performance management reporting packs which in time will become available for Members' consideration alongside the financial reporting packs. Further updates will be brought to Members as the work progresses.

Resource Implications

There is a year to date underspend of £1.1m and a forecast underspend of some £2.9m.

Recommendations

Members are recommended to:

- (i) Note the above report and associated financial reporting pack;
- (ii) Agree to the criteria for the assessment of proposals for the utilisation of £1.9m set out in section B above;
- (iii) Agree to consider a report on specific proposals for the utilisation of the £1.9m underspend at the Committee on 22 October 2010;

- (iv) Note that a further report is provided to Committee on the current processes for billing and collection and proposals for improvement; and,
- (v) Note that financial training is to be provided to Members on 27 September and attendance, wherever possible, is to be encouraged.

Decision Tracking

Key to Abbreviations

Documents Attached
Financial Reporting Pack