

































# Strategic Policy and Resources Committee

## Quarterly Finance Report

Report Period: Quarter 2 2010/11

## Dashboard: Quarter 2, 2010/11

Strategic Element: Financial Planning		£,000 (under)/ over	Indicator %		Page no
<b>Year to date variance</b>					
BCC	(1,423)	(3%)			<b>3</b>
• Strategic Policy and Resources	(2,112)	(13%)			
• Health & Environmental Committee	(890)	(4%)			
• Parks & Leisure Committee	213	2%			
• Development Committee	(222)	(2%)			
<b>Forecasted variance</b>					
BCC	(2,138)	(2%)			<b>4</b>
• Strategic Policy and Resources	(2,049)	(6%)			
• Health & Environmental Committee	(648)	(2%)			
• Parks & Leisure Committee	193	1%			
• Development Committee	(490)	(2%)			
<b>Capital Programme</b>					
Forecasted Capital variance	1,168	17%			<b>5</b>
<b>Reserves</b>					
Reserves variance	( 2,138)	48%			<b>6</b>
<b>Strategic Element: Better Services</b>		<b>Days</b>	<b>Days</b>		
		Q1 10/11	Q2 10/11		
% of creditors paid in 30 days (average)	65	71			<b>7</b>
% Debt recovered in 30 days (average)	36	45			<b>8</b>
% Debt under 90 days old	47	41			<b>9</b>

**Note: Negative variances represent an under spend**

## **Executive Summary**

### ***Year to Date % variance***

The Council revenue position at the end of quarter 2 is an under spend of £1.4m (3%) at the end of quarter 2, up by £0.3m from quarter 1.

In line with quarter 1, the main elements of the year to date underspend relate to the current unutilised pay rise budget, additional electricity generation income, fuel costs being lower than anticipated, the deferred roll out of food collection as part of waste management and delays in the filling of vacant posts.

In addition, the year to date position reflects:

- (a) the utilisation of £1.1m of the 2010/11 underspend, which was agreed at Strategic Policy and Resources Committee on 22 October 2010;
- (b) increased savings in Health and Environmental Services and Strategic Policy and Resources Committees compared to quarter 1;
- (c) the latest rates income forecast for 2010/11 from the LPS which shows a reduction of £0.6m compared to our planned rates income; and
- (d) a reduction of £0.2m in the industrial de-rating grant received from DOE due to an increase in the number of vacant properties.

### ***Forecasted variance***

The Council is forecasting an under spend of £2.1m (2%) at the year end, down £0.8m from the £2.9m reported at quarter 1. The forecast reflects the factors set out in the year to date variance above. Most notably, **the £0.6m reduction in estimated rates income and the £0.2m reduction in the industrial de-rating grant reflect the downturn in the wider economy and the impact of vacant properties**, particularly in the non domestic sector. These two issues also represent **significant risk factors for the 2011/12 rates setting process**.

The Committee report provides advice on this current year end forecast.

### ***Capital Programme***

We expect two projects to be completed earlier than expected and as a result we expect to incur £1m more than we had forecast for the year at quarter 1. Both projects will have been completed on time and within the agreed project budgets.

The remaining programme is within the estimated budgets.

## **Reserves**

Exclusive of in year savings, reserves are forecast to be £9.1m by 31 March 2011. The forecast underspend is currently estimated to be £2.1m. If this underspend were applied to reserves, the forecast balance for 2010/11 would be £11.2m. However, Members will consider the use of this underspend in the attached Committee report and in the quarter 3 financial report.

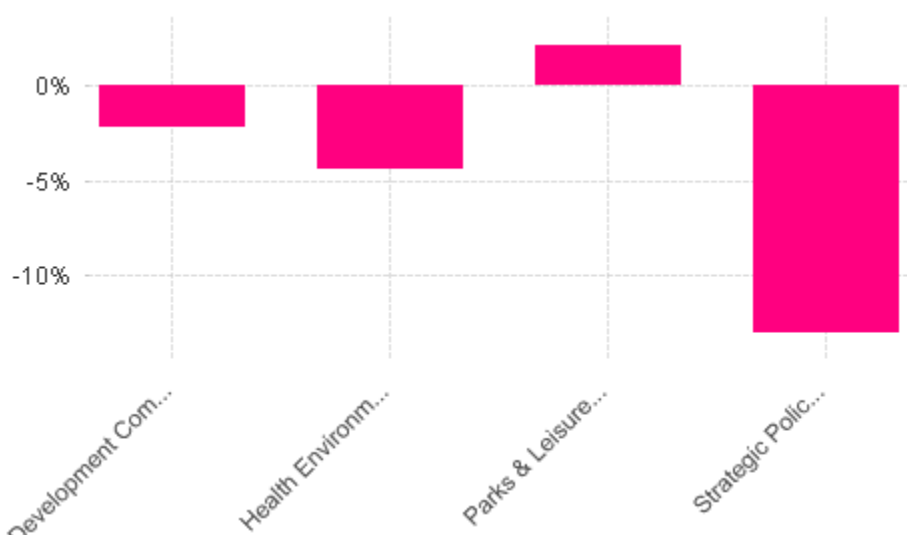
## **Better Services: Creditors and Debtors**

The average number of creditors paid within 30 days at 71% (quarter 1: 65%) has increased for the quarter. Further action is being taken to bring the actual performance closer to the target of 75%.

The overall Council debt has fallen to £3.6m (quarter 1: £3.9m) and the percentage of debtors collected within 30 days has risen to 45% (quarter 1: 36%). This continues the trend in recent years to reduce the level of debt owed to the Council. However, the debt over 90 days old is still a cause for concern. An update on debt management was provided to the Committee at its meeting on 22 October.

## Year to Date % variance

This indicator calculates the difference between the budgeted net expenditure and the actual net expenditure as a percentage. It is reported for the year to date.



### Commentary and action required

The Council has an under spend of £1,423k (3%) at the end of quarter 2, up by £300k from quarter 1. The main reasons for the variance are:

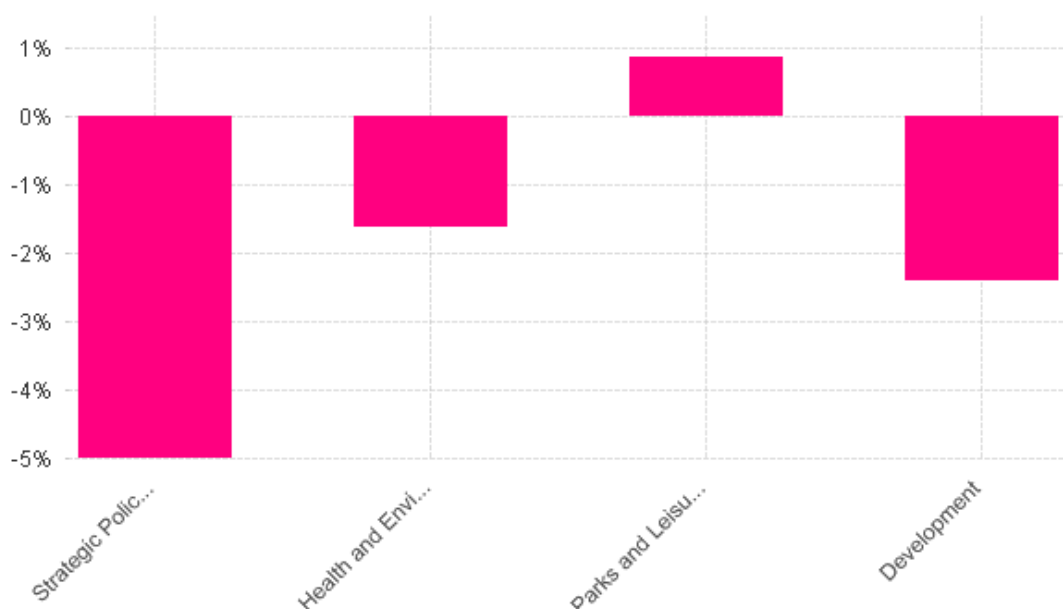
- The deferred roll out of the inner city food collection element of the waste management plan means that forecast 2010/11 expenditure is no longer required. In addition, the contingency budget for potential fuel price pressures, held centrally, has not been needed to date. Together these give rise to a £500k under spend at the end of quarter 2 (SP&R)
- Electricity generation income from the North Foreshore is higher than anticipated leading to additional income of £147k (SP&R)
- Pensions are under-spent by £230k, though expect to be fully utilised by the year end (SP&R)
- Pay is under spent by £623k given there has been no pay rise in 2010/11.
- With the exception of Parks and Leisure, departmental under-spends are mainly as a result of delays in filling posts and consequent delays in projects and programmes
- The most significant underspends are within Health and Environmental Services and Strategic Policy and Resources

These are offset by:

- Parks and Leisure employee budget is over spent by 4%.
- Reductions in rates income of £0.6m and industrial de-rating grant of £210k

## Forecast % variance

This indicator calculates the difference between the planned net expenditure and the forecasted net expenditure as a percentage. It is reported as a forecast for the end of the financial year.



### Commentary and action required

The Council is forecasting an under spend of £2.1m (2%) at the year end. The main reasons for this forecast under spend are :

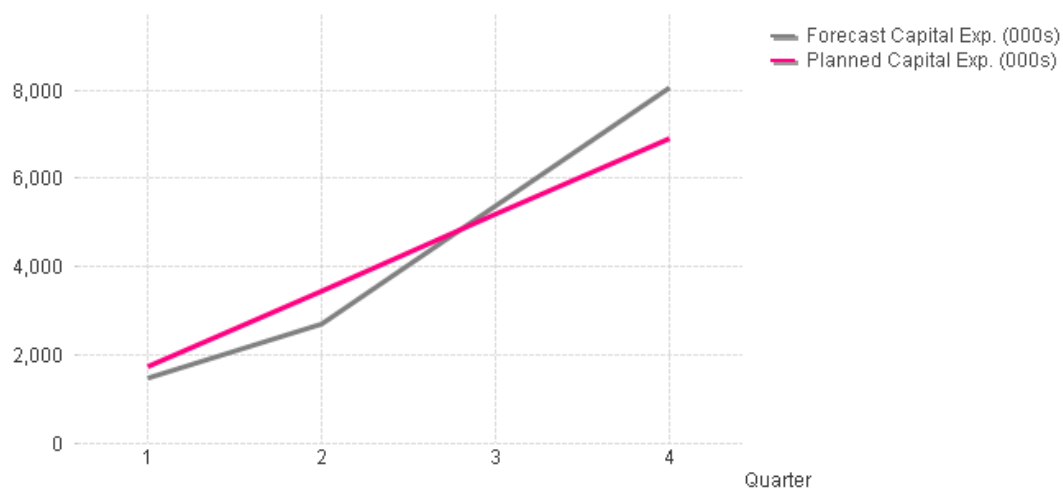
- Electricity generation is forecasting to raise additional income of £0.3m by the year end.
- Food waste collection proposals and fuel contingencies are forecast to be under spent by £1m at the year end.
- £1.1m of the budgeted pay rise is not anticipated to be required in 2010/11
- Under-spends on employee costs as a result of delays in restructuring, the application of the council's vetting procedure and staff turnover.

The current forecast of £2.1m reflects the decision to utilise some £1.1m of the above savings in 2010/11 on voluntary redundancy and other proposals in order to produce additional savings from 2011/12, as agreed at the SP&R on 22 October 2010. It also reflects the latest forecast for 2010/11 from LPS which has, concerningly, reduced the rates income forecast by almost £600k compared to the EPP advised at the time of setting the 2010/11 rates. There has also been a £210k reduction in the industrial de-rating grant received from DOE due to the increase in industrial vacant properties. It is proposed to prepare a report on rates/LPS issues for SP&R in December to provide an update on the implications for rates income for 2010/11 and future years.

## Capital Programme

This indicator shows the planned capital expenditure against the planned forecasted expenditure for the current year.

The planned capital expenditure is taken from the agreed capital programme which provides for new buildings, vehicles and large investments in IT amongst others.



### Commentary and action required

We are currently estimating that we will incur £1.1m more than we had forecast at quarter 1 for the current financial year. This is due predominantly to two specific projects attaining finalisation more rapidly than was originally envisaged.

It is now anticipated following discussions with the relevant contractors that the main contract final account for both the City Hall and The Grove Wellbeing Centre are likely to be finalised within the current financial year.

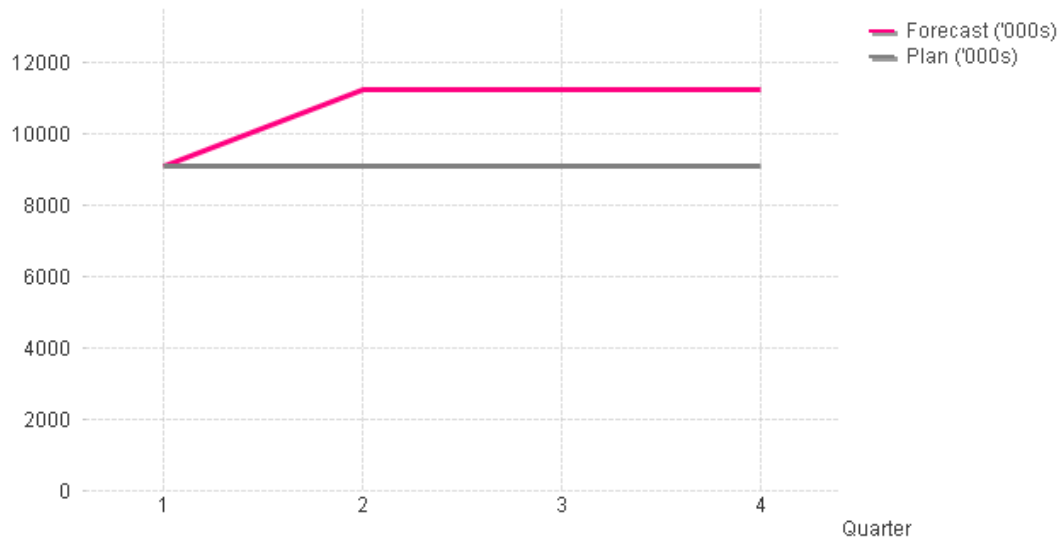
Whilst this means that we will pay these additional monies in the current year, both these projects will have been completed both on time and within the agreed project budgets.

As was outlined to SP&R Committee on 22<sup>nd</sup> October 2010 these projects are 'Committed and Funded' where the necessary loan funding has been made available through provision in the rates or other means.

The remaining programme is within the estimated budget.

## Reserves Balance

This indicator shows the forecasted reserves balance against the planned reserves balance, from the rate setting exercise.



### Commentary and action required

As agreed by Council in February 2010 the rate for 2010/11 included £4.5m as a contribution to reserves.

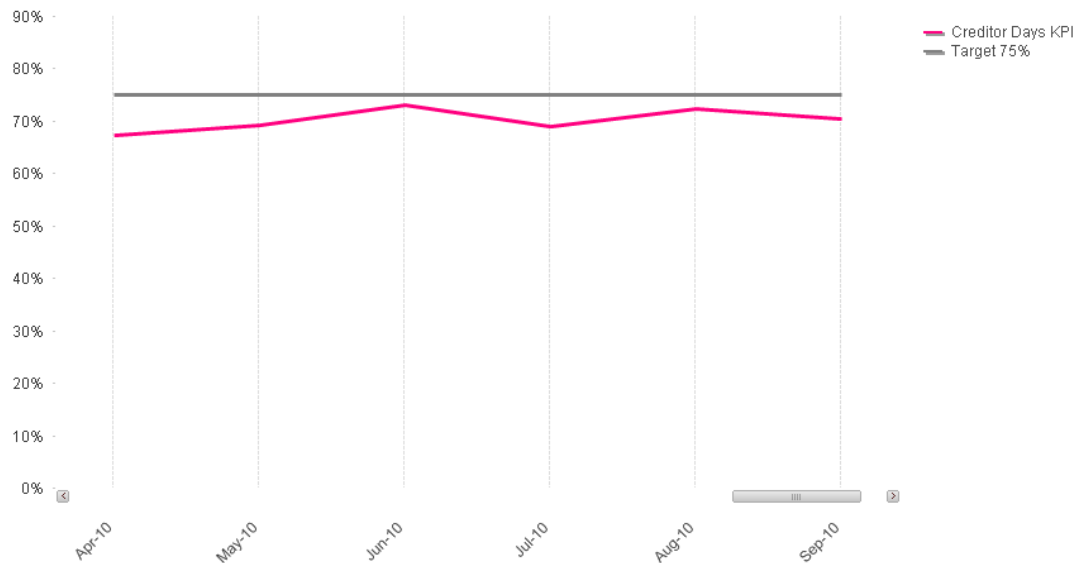
The final accounts for 2009/10 record a reserves balance of £4.6m. The forecast for 2010/11 is an under spend of £2.1m. If this under spend were applied to reserves, the forecast balance for 2010/11 would be £11.2m.

Advice is provided to Committee in relation to this reserves position in the covering report.



## % of Creditors paid within 30 days

This indicator measures the percentage of supplier (creditor) invoices that have been paid within the 30 day limit.



### Commentary and action required

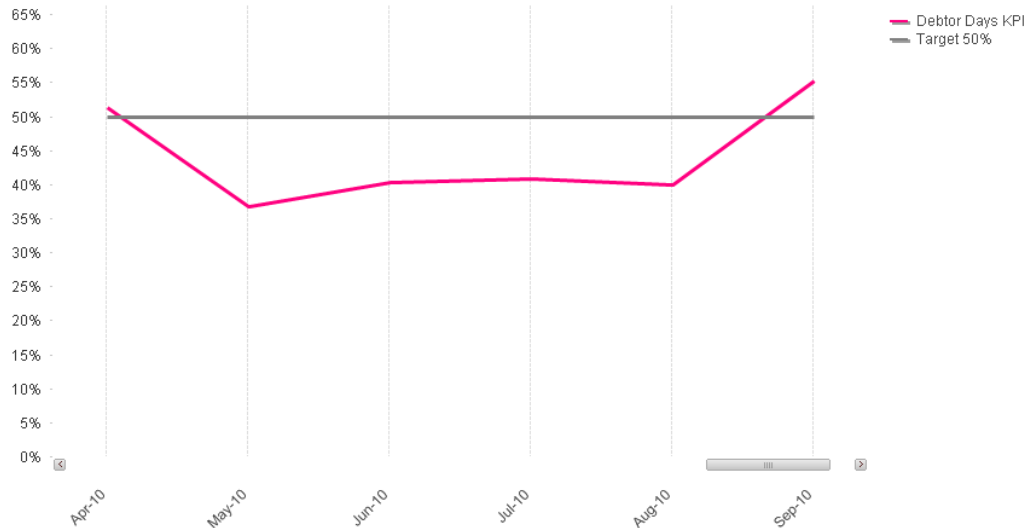
The average creditors paid within 30 days for the quarter is showing an upwards trend (qtr 1, 65% to qtr 2, 71%)

In order to improve the situation further we are recommending that certain suppliers who continue to send in invoices not containing the relevant information, e.g. purchase number, will have their invoices returned. This is to encourage suppliers to adhere to the Council's procedures and enable us to pay invoices faster and more efficiently.

The Council's performance management system will also be used to measure how departments adhere to procure-to-pay procedures to enable targeted remedial action.

## % of Debtors collected within 30 days

This indicator measures the percentage of customer (debtor) invoices that have been collected within a 30 day period.



### Commentary and action required

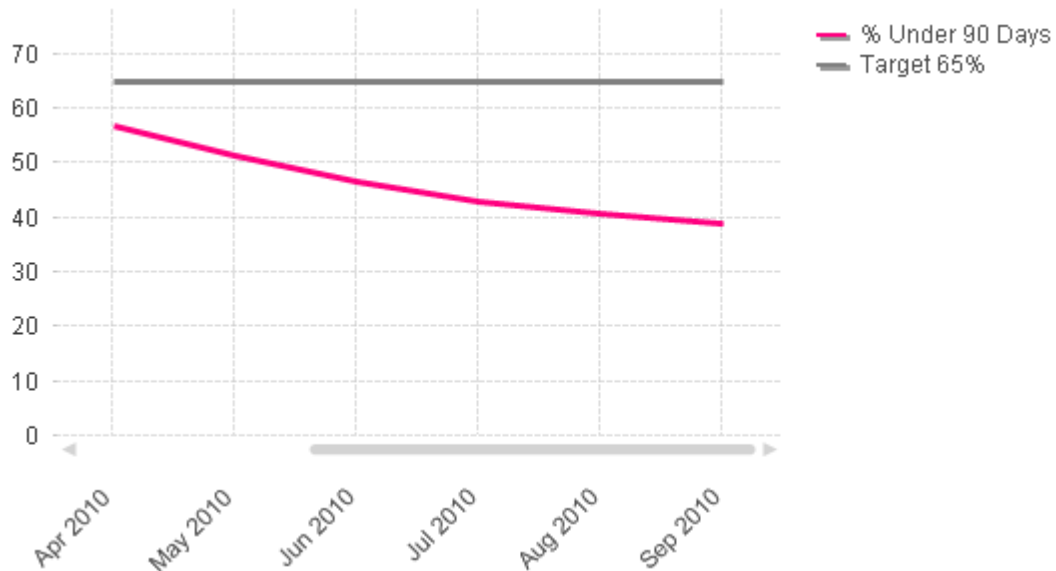
The average debt recovered within 30 days for the quarter is showing an upwards trend (qtr 1, 36% to qtr 2, 45%)

The rise in the above figures is due to 6 monthly invoices being issued in September for Commercial Waste. These invoices are collected by Direct Debit within 14 days of issue. This has led to the large percentage increase shown above.

A paper has gone to SP&R on 22 October 2010 on debt management on how to move forward with the recovery of debt in an attempt to improve this area.

## % of Debt under 90 days old

This indicator measures the percentage of outstanding money (debt) owed to the council that is less than 90 days old.



### Commentary and action required

The average debt under 90 days for the quarter is showing a downwards trend (qtr 1, 47% to qtr 2, 41%)

The overall level of debt has reduced to £3.6m from £3.9m. However, the debt over 90 days has not reduced as quickly as we would like.

A paper has gone to SP&R on 22 October 2010 on debt management on how to move forward with the recovery of debt in an attempt to improve this area.

## **Appendix A – Supplementary Information**

## Belfast City Council – Movement on Reserves

	Variance YTD £'000	% Variance	Plan 10/11 £'000	Forecast for Y/E at P6 £'000	Forecast Variance £'000	% Variance
<b>Total Departmental</b>	<b>( 2,533)</b>	<b>(4%)</b>	<b>114,946</b>	<b>111,930</b>	<b>( 3,016)</b>	<b>(3%)</b>
<b>City Investment Fund</b>			3,000	3,000		0%
<b>Capital Financing</b>	300		7,019	7,319	300	4%
<b>Rates &amp; General Grant</b>						
General Grant	210		( 4,372)	( 4,162)	210	(5%)
Rates Income			( 125,078)	( 125,078)		0%
APP	600			600	600	
<b>Specified Reserves</b>				( 232)	( 232)	
<b>Movement on Reserves</b>	<b>( 1,423)</b>	<b>(3%)</b>	<b>( 4,485)</b>	<b>( 6,623)</b>	<b>( 2,138)</b>	<b>48%</b>

<b>Analysis of Reserves Balance</b>	<b>£ 000's</b>
Opening Balance @ 01.04.2010	4,602
Add Forecast Movement for 10/11	6,623
<b>Forecast Reserves @ 31.03.11</b>	<b>11,225</b>

## Belfast City Council - Departmental Analysis & Forecast

	Variance YTD £'000	% Variance	Plan 10/11 £'000	Forecast for Y/E at P6 £'000	Forecast Variance £'000	% Variance
<b>Strategic Policy &amp; Resources</b>	( 2,112)	(13%)	31,731	29,681	( 2,049)	(6%)
Health & Environmental	( 890)	(4%)	39,332	38,684	( 648)	(2%)
Parks & Leisure	213	2%	22,291	22,484	193	1%
Development	( 222)	(2%)	20,351	19,861	( 490)	(2%)
Employee Pay Rise (1.5%)	( 623)		1,241	120	( 1,121)	(90%)
Agreed use of underspend	1,100			1,100	1,100	
<b>Total Departmental</b>	<b>( 2,533)</b>	<b>(4%)</b>	<b>114,946</b>	<b>111,930</b>	<b>( 3,016)</b>	<b>(3%)</b>

Note: Negative variances represent an under spend

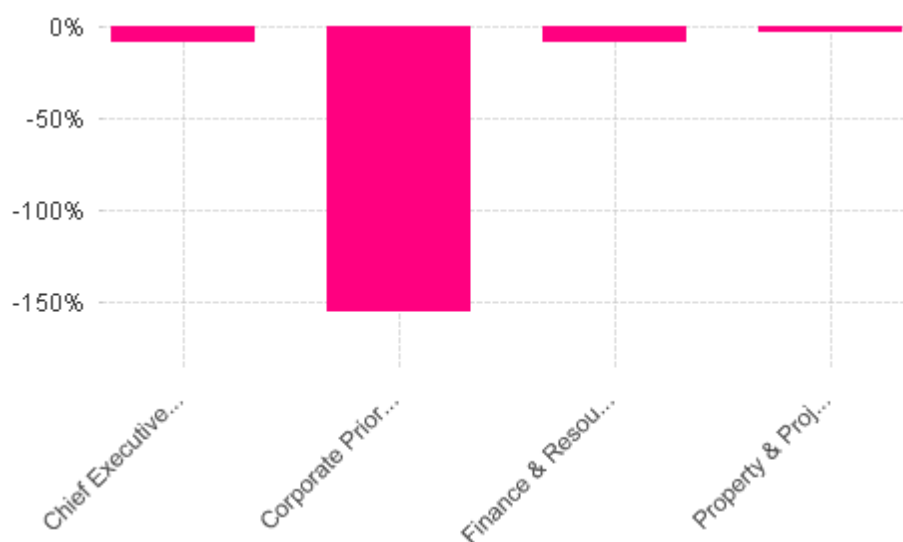
**Appendix B – Strategic Policy and Resources  
Committee detail**

## Year to Date % variance

Source: SAP

PI definition:

This indicator calculates the difference between the budgeted net expenditure and the actual net expenditure as a percentage. It is reported for the year to date.



### Commentary and action required

The Strategic Policy and Resources Committee is under-spent by £2.1m at the end of quarter 2. This compares to an under spend of £0.3m in quarter 1.

The variance against plan for corporate priorities has moved from an under-spend of £277k (88%) at the end of quarter 1 to an under-spend of £1,099k (155%) at the end of quarter 2. The main reasons for the movement in the variance are:

1. Contingency budgets for food collection (as the roll-out has been deferred until 2011/12) and fuel are unlikely to be required, together giving rise to a £500k under-spend.
2. The invest-to-save budget is under-spent by £295k as efficiencies are being achieved within existing departmental budgets.
3. Electricity generation income from the north foreshore is higher than anticipated, leading to an over-recovery of £147k.

The increases in under spends in Chief Executive's and Finance and Resources departments from quarter 1 are mainly as a result of:

1. An increase in the under spend on pensions of £120k from quarter 1 – however, this will fund voluntary redundancies later in the year
2. delays in filling vacant posts (£550k).

Property and Projects Department has addressed over-spending and is experiencing delays in implementing some programmes of work. As result the over spend of £216k at quarter 1 has moved to an under-spend of £180k at quarter 2.

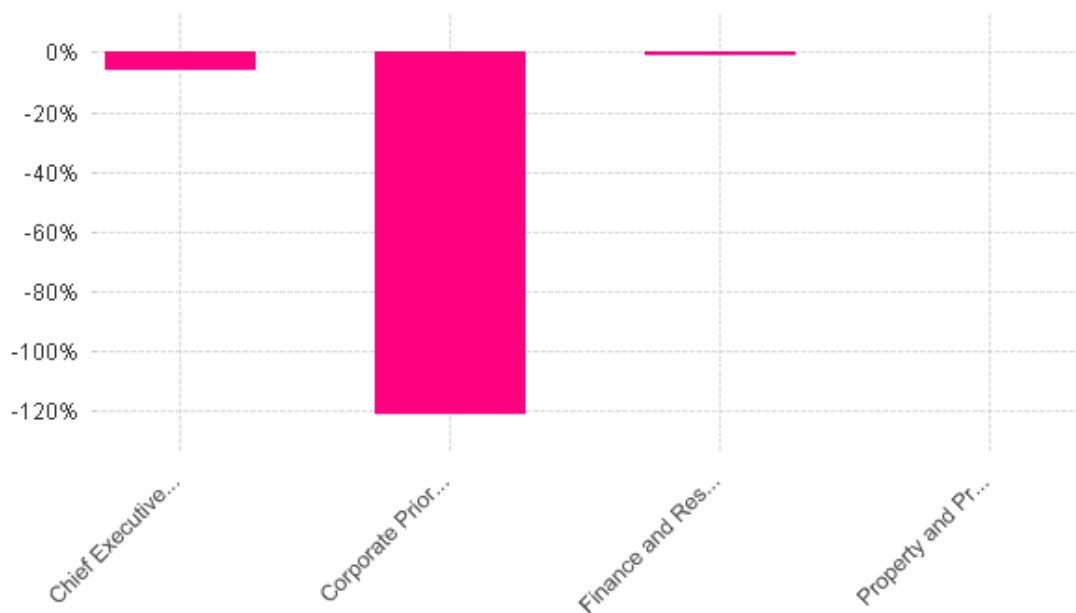


## Forecast % variance

Source: SAP

PI definition:

This indicator calculates the difference between the planned net expenditure and the forecasted net expenditure as a percentage. It is reported as a forecast for the end of the financial year.



### Commentary and action required

The Strategic Policy and Resources Committee is forecast at quarter 2 to have an under spend of £2.0m compared to the £1.3m under spend forecast at quarter 1.

Some £1.6m of this forecast is driven by corporate priorities, including:

1. Electricity generation is forecasting additional income of £300k
2. Invest-to-save budgets are now forecast to be under-spent by £374k.
3. Food and fuel contingencies are forecast to be under-spent by £1m.

Departments within the remit of Strategic Policy and Resources Committee are forecast to spend some £0.4m (1%) less than plan for the year. The forecast departmental under spend has improved by some £0.6m compared to quarter 1, as a result mainly of:

- delays in filling vacant posts
- reprogramming of works in Industrial Estates and North Foreshore
- efficiencies realised.

## Strategic Policy and Resources Committee - Section Expenditure Budgetary Analysis & Forecast

	Variance YTD £'000	% Variance	Plan 10/11 £'000	Forecast for Y/E at P6 £'000	Forecast Variance £'000	% Variance
<b>Strategic Policy &amp; Resources Total</b>	<b>( 2,112)</b>	<b>(13%)</b>	<b>31,731</b>	<b>29,681</b>	<b>( 2,049)</b>	<b>(6%)</b>
<b>Chief Executives Department</b>	<b>( 300)</b>	<b>(9%)</b>	<b>5,727</b>	<b>5,387</b>	<b>( 340)</b>	<b>(6%)</b>
Legal Services	( 54)	(14%)	787			
Corporate Communications	( 28)	(5%)	1,061			
Business Support	16	12%	249			
Good Relations	( 51)	(7%)	448			
Democratic Services	( 143)	(11%)	2,700			
Strategic Policy	( 39)	(16%)	482			
<b>Finance and Resources (exc corp Priorities)</b>	<b>( 532)</b>	<b>(9%)</b>	<b>12,385</b>	<b>12,260</b>	<b>( 125)</b>	<b>(1%)</b>
Human Resources	( 32)	(4%)	1,696			
Finance and Performance	( 220)	(16%)	2,834			
ISB	25	1%	4,167			
Audit Governance & Risk Services	( 40)	(13%)	636			
Project Corporate Systems	( 34)	(20%)	344			
Pensions	( 230)	(24%)	1,900			
Directorate	( 45)	(20%)	424			
Health and Safety	44	23%	384			
<b>Property and Projects</b>	<b>( 180)</b>	<b>(3%)</b>	<b>12,258</b>	<b>12,328</b>	<b>70</b>	<b>1%</b>
Facilities Management	43	1%	14,741			
CIT Management	( 45)	(13%)	629			
Projects, Procurement and Estates	( 178)	11%	( 3,111)			
<b>Corporate Priorities</b>	<b>( 1,099)</b>	<b>(155%)</b>	<b>1,361</b>	<b>( 293)</b>	<b>( 1,654)</b>	<b>(122%)</b>

