



**Belfast City Council**

<b>Report to:</b>	Strategic Policy and Resources Committee
<b>Subject:</b>	Financial Reporting – Quarter 2 2014/15
<b>Date:</b>	21 November 2014
<b>Reporting Officer:</b>	Ronan Cregan, Director of Finance and Resources and Deputy Chief Executive
<b>Contact Officer:</b>	Mark McBride, Head of Finance and Performance

<b>1.0</b>	<b>Relevant Background Information</b>
1.1	This report presents the financial performance of the Council for the period 1 April 2014 to 30 Sept 2014.
1.2	As well as reporting the in-year financial performance of the Council, consideration of the Quarter 2 report by the Strategic Policy and Resources Committee forms one of the key stages in the 2015/16 rate setting process agreed by Members in August 2014 as it provides the Committee the opportunity to consider the prioritisation and allocation of any forecast in year under spend to proposals for non recurring expenditure developed as part of the service convergence stage of the revenue estimates.

<b>2.0</b>	<b>Key Issues</b>
2.1	<b>Current and Forecast financial Position 2014/15</b> The financial position for Quarter 2 is a net departmental under-spend of £1.16m (2.0%). The forecast year end departmental position is an under-spend of £1.42m (1.2%). The major reasons for the variance in the year end forecast, relate to reduced expenditure in corporate pension and invest to save budgets as well as additional income in Digital Services, and Building Control.
2.2	<b>Capital Financing</b> The capital financing budget is £13.37m. This budget is forecast to break even and will be used to finance the capital programme and feasibility work to support the Investment Programme. A detailed Quarter 2 half year capital programme report will be presented to SP&R in December 2014.
2.3	<b>Rate Income</b> The quarter 2 forecast by LPS is a positive rate settlement of £2.9m. The

	assumptions around this forecast will form part of the analysis of the 2015/16 EPP for the new Council.
2.4	<b>Investment Programme</b> Committed expenditure approved by the Strategic Policy and Resources Committee for the 3 year Capital Programme stands at £30.10m, leaving £44.90m of schemes within the 3 year programme at the uncommitted or emerging project stage.
2.5	Committed expenditure on LIF projects currently stands at £4.75m, with 50 projects worth £4.06m having been through the Council's due diligence process. Actual payments of worth £1.047m have been made to date.
2.6	The amount of levered external funding for the Investment Programme which has been agreed in principal is £69.415m, with £50.290m of these funds confirmed through letters of offer.
2.7	Actual capital expenditure for the period was £4.85m, while non-recurring expenditure was £257k.
	<b>Other Financial Indicators</b>
2.8	The percentage of average for debt under 90 days old decreased during the quarter to 53.7% which was below the target of 65%. This mainly related to one significant debt which has since been settled. The percentage of debt collected in 30 days improved to 56.4% against a target of 60%.
2.9	The average number of creditors paid within 28 days for quarter 2 was 84.5%, compared to a target of 85%.

<b>3.0</b>	<b>Resource Implications</b>														
	<b>Committed Non Recurring Funding Available</b>														
3.1	Table 1 below shows the total forecast outturn which the Committee can use to finance one-off expenditure taking into consideration decisions already taken by the Committee to realign under spends at quarter 1.														
	<p><b>Table 1</b> <b>Forecast Outturn Available for Non Recurring Expenditure</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>Forecast Outturn 14/15</td> <td style="text-align: right;">£4,307,000</td> </tr> <tr> <td><u>Less Committed Expenditure</u></td> <td></td> </tr> <tr> <td>Waterfront Mobilisation</td> <td style="text-align: right;">-£700,000</td> </tr> <tr> <td>Innovation Centre Mobilisation</td> <td style="text-align: right;">-£130,000</td> </tr> <tr> <td>IBF World Title Fight</td> <td style="text-align: right;">-£50,000</td> </tr> <tr> <td>Other Section 37 Initiatives</td> <td style="text-align: right;">-£12,500</td> </tr> <tr> <td><b>Total Available</b></td> <td style="text-align: right;"><b>£3,414,500</b></td> </tr> </table>	Forecast Outturn 14/15	£4,307,000	<u>Less Committed Expenditure</u>		Waterfront Mobilisation	-£700,000	Innovation Centre Mobilisation	-£130,000	IBF World Title Fight	-£50,000	Other Section 37 Initiatives	-£12,500	<b>Total Available</b>	<b>£3,414,500</b>
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<b>Total Available</b>	<b>£3,414,500</b>														
3.2	There are two key demands for the available finance: <ol style="list-style-type: none"> <li>1. Funding requests</li> <li>2. Non-recurrent expenditure proposals.</li> </ol>														

3.3	<p><u>Funding Requests</u></p> <p>Funding requests by external organisations are normally considered by the Committee at the half year position in the context of the forecast outturn for the Council. The Council has received two such requests for non-recurring funding from the Ulster Orchestra (£500k) and the City of Belfast Youth Orchestra (£25k) which are subject of separate reports on the Committee Agenda. In addition, the Development Committee has recommended to the Committee £13k funding for BCCM. Any in year allocation to these funding requests by the Committee will reduce the amount available for the non recurrent expenditure proposals outlined below.</p>								
3.4	<p><u>Non-recurrent Expenditure Proposals</u></p> <p>As part of the service convergence revenue estimates process, departments submitted proposals for non recurring expenditure arising from the boundary change aspect of local government reform and other corporate priorities. These proposals excluded non-recurring costs associated with transferring functions, as these will be subject to a separate phase of the estimates process. A summary of the non-recurrent expenditure proposal is included in Table 2 below.</p>								
<p><b>Table 2</b> <b>Departmental Non Recurrent Revenue Expenditure Proposals</b></p>									
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3.5	<p><b>Assets Revenue:</b> An analysis of the £2,896,585 of asset related costs has been included as Appendix 2. These comprise of costs associated with transferring assets from Castlereagh and Lisburn, leisure transformation mobilisation costs and one off repairs to existing leisure centres. This category also includes £140,000 of non recurring costs for Girdwood Creative Hub and £12,000 for new street signs.</p>								
3.6	<p><b>Other Costs:</b> The £1,000,206 of costs in the “Other” category includes non asset related LGR costs such as ICT licences, branding and grant support.</p>								
3.7	<p>In addition to the above, there is also the need to provide one-off funding for expenditure relating to:</p> <ul style="list-style-type: none"> <li>• the transfer of functions from central government</li> <li>• accommodation and City Hall accommodation works</li> <li>• temporary staffing arrangements, for example, temporary staff employed to deliver Investment Programme projects.</li> </ul>								
3.8	<p>Table 1 illustrates that there is currently only £3,414,500 of in year financing available which could be allocated to meet some of the proposed non recurring revenue expenditure of £3,896,804. It should be noted that if the Committee agree contributions to the funding requests from the Ulster Orchestra, City of Belfast Youth Orchestra and Belfast City Centre Management, then this will further reduce the level of financing available.</p>								

3.9	It is therefore recommended that, subject to the separate funding requests being considered at this Committee, no further in year re-allocations are considered at this stage, but that the non-committed element of the forecast year end under spend of £3,414,500 be earmarked for non recurring expenditure and that specific allocations of this amount be considered at a later stage as part of the rate setting process in order to avoid such non-recurring costs being added to the district rate in 2015/16.
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<b>4.0</b>	<b>Equality and Good Relations Implications</b>
	There are no equality and good relations implications associated with the report.

<b>5.0</b>	<b>Recommendations</b>
	<p>The Committee is asked to :-</p> <ul style="list-style-type: none"> <li>• Note the contents of the quarter 2 financial report.</li> <li>• Agree that, subject to the separate funding requests being considered at this Committee, no further in year re-allocations are considered at this stage, but that the non-committed element of the forecast year end under spend of £3,414,500 be earmarked for non recurring expenditure and that specific allocations of this amount be considered at a later stage as part of the rate setting process to avoid such non-recurring costs being added to the district rate in 2015/16.</li> </ul>

<b>6.0</b>	<b>Documents Attached</b>
	<p>Appendix 1: QTR2 Performance Report  Appendix 2: Analysis of Non Recurring Costs  Appendix 3: Q2 Treasury Management Report</p>