



Strategic Policy and Resources Committee

Quarterly Finance Report

Report Period: Quarter 2, 2014/15

Dashboard

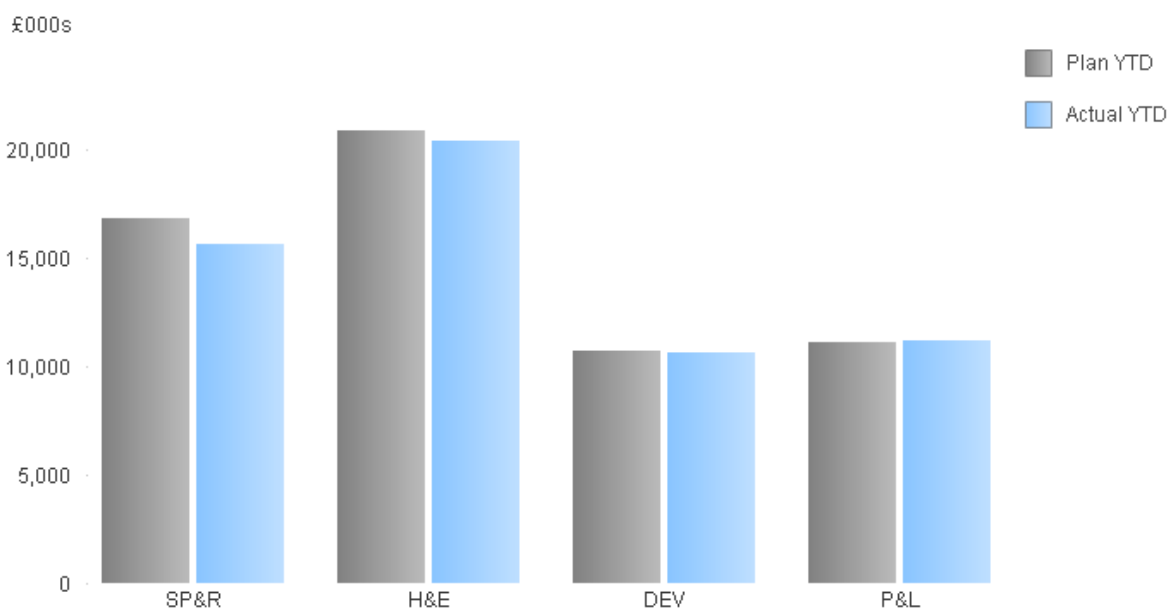
| Revenue Section | | | | | | | Page |
|---|-----|------------------|---------------|----------|-----------------------|---------------|----------------|
| | YTD | YTD Var £000s | Var % | Forecast | Forecast Var £000s | Var % | |
| Strategic Policy & Resources Committee | | (661) | (3.9)% | | (863) | (2.5)% | 3-5 & 22 |
| Health Environmental Services Committee | | (447) | (2.1)% | | (555) | (1.4)% | |
| Development Committee | | (95) | (0.9)% | | 0 | 0.0% | |
| Parks & Leisure Committee | | 44 | 0.4% | | 0 | 0.0% | |
| Committee Total | | (1,160) | (2.0)% | | (1,419) | (1.2)% | |
| Capital Financing | | | | | 0 | | 6 |
| Rate Income Variance | | | | | (2,888) | | 7 |
| Other movements on Reserves | | | | | 4,109 | | 8 |

| Investment Programme Section | | | | | | Page |
|------------------------------|----------------------|--------------------|--|-------------------------------|--------------------|------|
| | 3 Year Plan £000s | Committed £000s | | Balance Remaining £000s | Delivered £000s | |
| 3 Year Capital Programme | 75,000 | 30,101 | | 44,899 | 16,687 | |
| Belfast Investment | 20,000 | 0 | | 20,000 | 0 | |
| Local Investment | 5,000 | 4,751 | | 249 | 1,047 | |
| | 100,000 | 34,852 | | 65,148 | 17,734 | |
| Levered Monies | 50,000 | 69,415 | | (19,415) | 50,290 | |
| Total | 150,000 | 104,267 | | 45,733 | 68,024 | |

| | Annual Plan £000s | Actual Ytd £000s | | Forecast for YE £000s | Forecast Var £000s | |
|------------------------|----------------------|---------------------|--|--------------------------|-----------------------|--|
| Capital Programme | 32,233 | 4,851 | | 20,970 | (11,263) | |
| Non-Recurring Projects | 1,352 | 257 | | 2,041 | 689 | |

| Key Performance Indicators (KPI) | | | | | | | | | |
|----------------------------------|--------|--------|------|-----|-------------------------------|--------|-------|--|----|
| | | | Page | | | Page | | | |
| KPI | Actual | Target | | KPI | Actual | Target | | | |
| Debtors collected within 30 Days | 56.4% | 60.0% | | 16 | Compliant Purchases | 81.7% | 90.0% | | 19 |
| Debt under 90 Days | 53.7% | 65.0% | | 17 | Timeliness Of Goods On System | 70.2% | 75.0% | | 20 |
| Creditors Paid within 28 Days | 84.5% | 85.0% | | 18 | | | | | |

Committee Net Revenue Expenditure: Year to Date Position



The Quarter 2 position for net Departmental expenditure is an underspend of £1.16m or 2% of the Council's net Departmental budget.

The **Strategic Policy and Resources Committee** has an underspend of £661k (3.9%) of net budgeted expenditure at the end of Quarter 2. The key drivers to this position include:

- an underspend of £229k in the corporate pensions budget;
- additional income in Digital Services of £142k;
- a delay in implementation of planned changes to the NILGOSC pension scheme from April 2014 to April 2015 resulting in a £263k underspend.

The **Health and Environmental Services Department** is reporting a Quarter 2 underspend of £447k (2.1%) of net budgeted expenditure. The key drivers to this position include:

- Additional income of £299k in the **Building Control** Service due to the receipt of additional inspection fee and building notices income;
- An increase in the level of fixed penalty and SLA income (£124k) and underspend of £126k in staffing, premises, utilities and supplies and services resulting in an underspend of £250k in **Cleansing Services**;
- Unforeseen changes in assumptions made at the time of preparing the 2014/15 estimates (e.g. increased contract prices) and additional expenditure on security at public conveniences have resulted in an overspend of £139k in **Waste Management**.

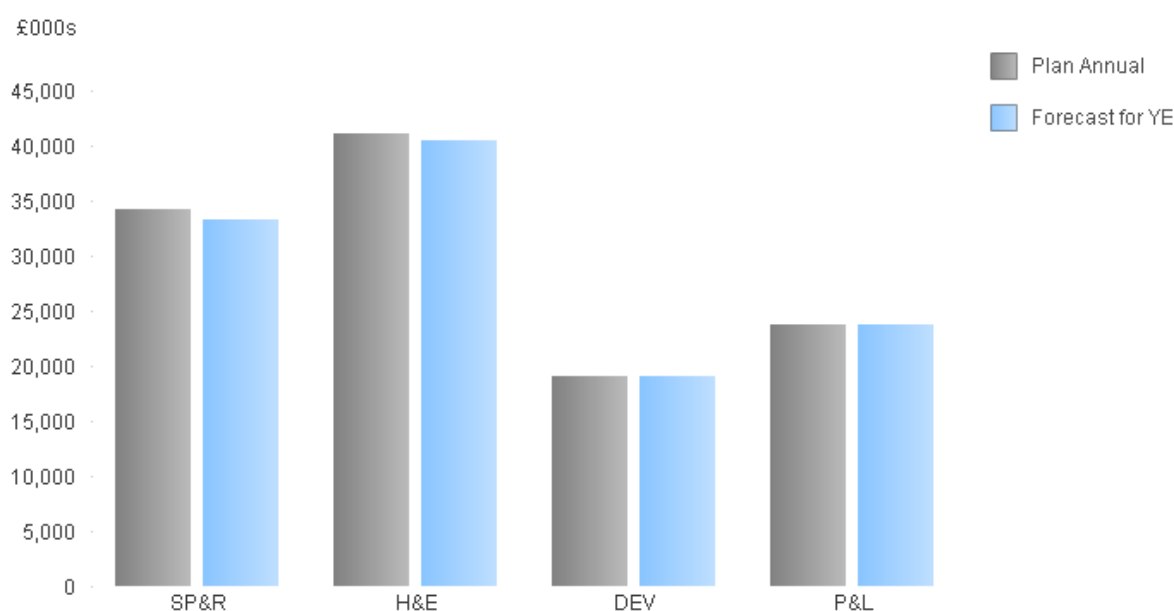
The **Development Department** have a Quarter 2 underspend of £95k (0.9%) of net budgeted expenditure. The key drivers to this position include:

- An underspend of £18k in **Community Services** due to lower than anticipated utility costs;
- Additional grant income of £48k in **Economic Initiatives**;
- Reduced income in City Events and Venues offset by reduced supplies and services and reduced utility costs resulting in an underspend of £32k in the **Waterfront/Events Unit**.

The **Parks and Leisure Department** have a Quarter 2 overspend of £44k (0.4%) of net budgeted expenditure. The key drivers to this position include:

- Unfilled posts in the **Directorate Support Unit** leading to an underspend of £94k;
- An underspend of £214k in the **Neighbourhood and Development Unit** due to in vacant posts (£78k), and underspends in supplies and services (£180k) as programmes of work are being progressed. There is also an underspend of £51k in grant payments which has helped offset additional costs of £112k on playgrounds refurbishment;
- An overspend of £302k in **Parks Operations** due to additional employee costs of £118k in the Zoo, additional supplies and services £224k, additional expenditure on compensation claims (£91k); loss of income from the Zoo £21k and reduced premises costs £130k;
- An overspend of £50k in **Leisure Services** due to the loss of external income (£176k), increases in compensation claims (£66k) and increased auto enrolment costs of £43k. The impact of these cost pressures has been mitigated by decreased utility costs (£158k), and reduced supplies and services costs (£71k) as planned expenditure has been reviewed given the shortfall in income.

Committee Net Revenue Expenditure: Forecast for Year End



The Quarter 2 forecast for Departmental net revenue expenditure is an underspend of £1.42m or 1.2% of the Council's departmental budget.

The Strategic Policy and Resources Committee is forecasting an underspend of £863k. The main drivers to this forecast position include:

- Additional external income of £220k in the **Digital Services Unit** arising from NIHE projects and the managed service for the Super Connected Voucher Scheme;
- Underspends of £672k in the **Corporate Priorities** budget (arising from delays in the implementation of changes to the NILGOS scheme £512k and slippage in the Invest to Save programme of work £205k);
- Anticipated in year additional income of £30k from rent reviews and reductions in consultancy costs in the Fleet and Procurement will ensure that the **Property and Projects Department** is within budget at the year end.

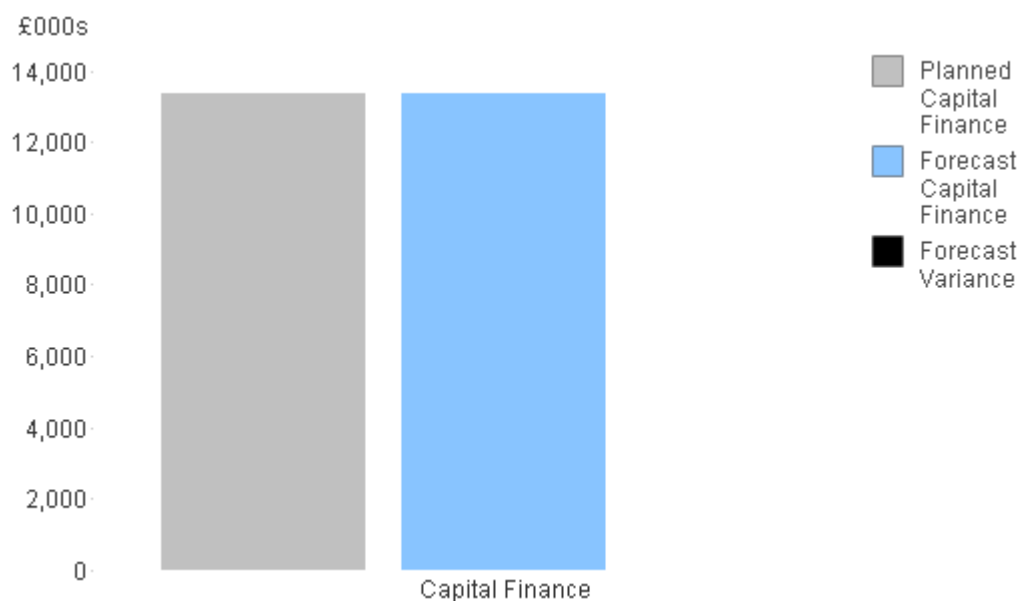
The **Health and Environmental Services Department** is forecasting an underspend of £555k. The key drivers to this forecast position include:

- Additional income in **Building Control** £605k;
- Unfilled posts and additional income in **Cleansing** resulting in an underspend of £204k;
- Unforeseen changes in the assumptions made at the time of preparing the 2014/15 revenue estimates (e.g. increased contract prices) and additional expenditure on security at public conveniences in the city centre will result in a forecasted overspend of £202k by the **Waste Management Service**;
- **Good Relations** is forecast to be £25k above budget, due to expenditure on 'Cities in Transition' which was approved by the Strategic Policy and Resources Committee.

The **Parks and Leisure and Development Departments** are forecasting balanced budgets.

Central Finance: Capital Finance Forecast for Year End

The Capital Finances are the monies required to support the capital expenditure in the current year and previous years.



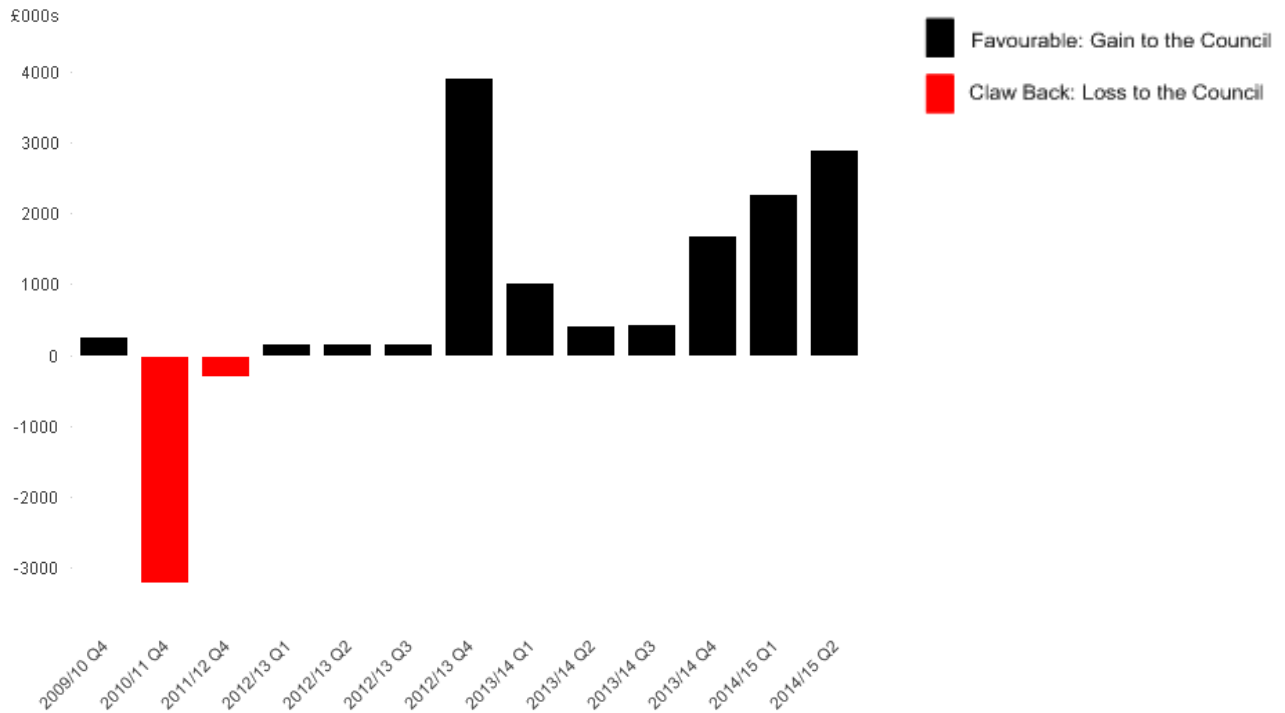
The Capital Financing Budget for 2014/15 has been set at £13.37m to meet the financing cost of the Council's Capital Programme.

The forecast for this budget, as reported previously, is to breakeven, with the monies being used to finance five main areas of expenditure, namely:-

- Recurring financing costs of existing loans
- Financing costs of committed schemes
- Financing costs of uncommitted schemes
- Feasibility work
- Non recurring schemes

District Rate Forecast Variance for Year End

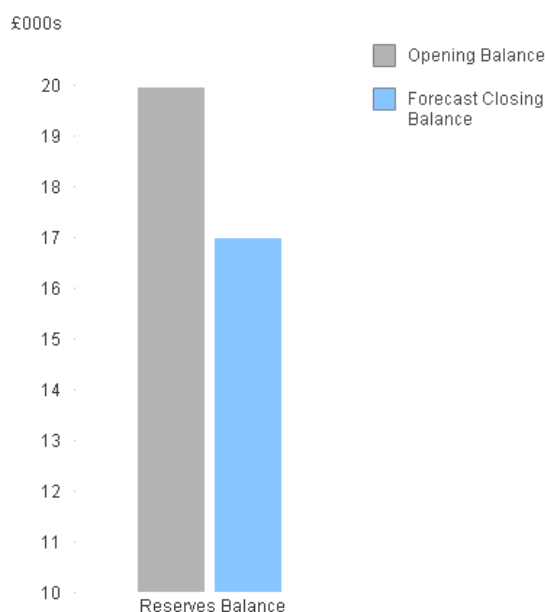
The chart below shows the rate income as received from Land and Property Services (LPS) in previous years and also the forecast for the current year; this forecast is updated each quarter in the current year.



The District Rate year end outturn, as forecast by LPS at Quarter 2, is a favourable outturn of £2.9m.

Members will be aware that officers work closely with LPS to monitor performance. Officers will be meeting with LPS to review income and losses. In particular, significant drivers to the year end forecast such as outstanding appeals and non-domestic vacant rating will be scrutinised.

Movement on Reserves



The Council's total reserves balance at 31/03/2014 was £19.9m This balance also included specified balances of £7.3m.

Anticipated drawdowns of £4.1m against the programmes of work for which the reserves were set aside to fund will result in a forecast closing balance of £3.2m at the year end.

Specified Reserves balances at the end of Quarter 2 are

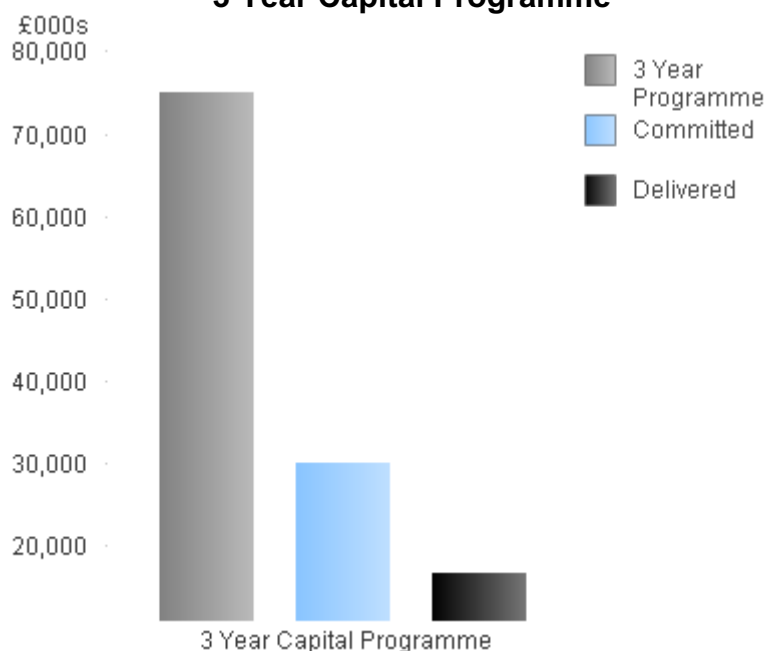
| | |
|-------------------------|-------------------|
| Boxing Strategy | £495,501 |
| Tall Ships 2015 /16 | £1,220,000 |
| Area Pilots | £325,299 |
| Pipe Band Championships | £190,248 |
| Recycling/Health | £71,128 |
| Renewing the Routes | £645,000 |
| Advice Centre | £139,242 |
| LGR Fund | £1,656,271 |
| Leisure Fund | £717,679 |
| LTP - Pensions | <u>£440,728</u> |
| Total | £5,901,096 |

A Departmental net revenue underspend of £1.4m is forecast for the year end.

At Quarter 2 LPS are forecasting a favourable rate settlement of £2.9m.

The application of the above balances will result in a forecast general reserves balance of £17m at the year end.

3 Year Capital Programme



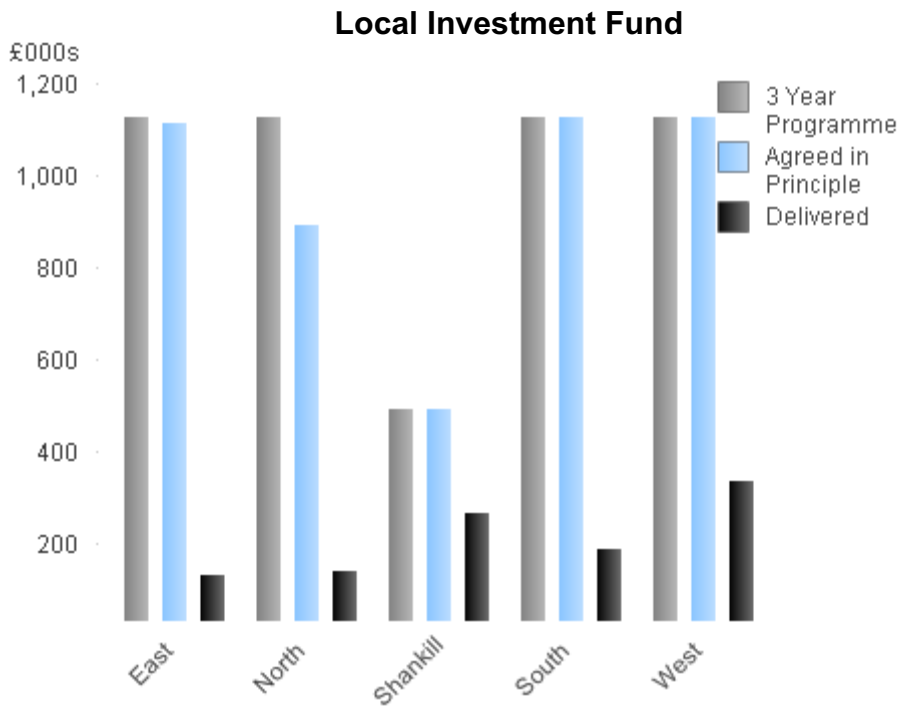
The Council's Investment Programme 2012-2015 outlines plans for net capital investment in Council owned assets of £75m. This level of investment is supported with a capital financing budget of £10.14m.

The revised Capital Programme as at 30 September 2014 outlines a commitment of £30.10m for the period of the Investment Programme 2012-2015.

As per Committee approval on 22 August 2014 the following project has moved to Stage 3 Committed:

- Council Accommodation

A full update on the Investment Programme is also on the agenda for the SP&R Committee on 21 November which should be read in conjunction with this report.

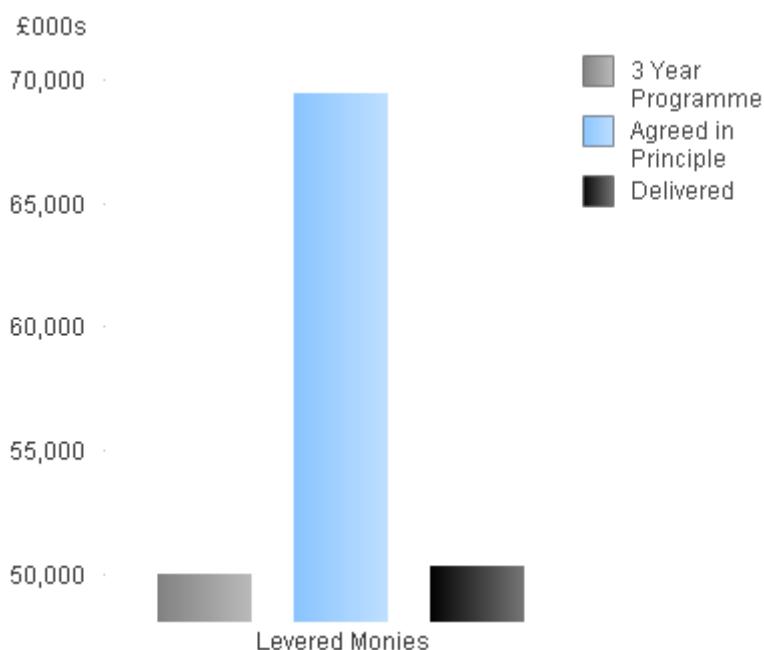


An integral part of the Investment Programme was the establishment of a £5m Local Investment Fund (LIF) which was designed to support the delivery of key local regeneration projects in neighbourhoods and as a means for Members to connect with local communities in their area. This is in preparation for their formal role in community planning under the Reform of Local Government.

As at 30 September 2014, 54 projects worth £4.06m have been through the Council's rigorous due-diligence process. Funding worth £1.05m has been paid out to 24 groups across the Council area, including Carrick Hill Residents' Association and Donegall Pass Community Forum.

Due-diligence work is continuing on the other projects which have been approved in principle and officers are working closely with the groups to ensure all necessary information is being forwarded to the Council.

Levered Monies



The Council's Investment Programme 2012-2015 set a target of £50m external funding (levered monies) to support the Council's 3-year Capital Programme and the Belfast Investment Programme.

The 2014/15 Capital Programme includes external funding of £69.41m of which £50.29m has been secured by contractual commitments. A list of all schemes where funding has been agreed in principle and/or has been secured is outlined below:

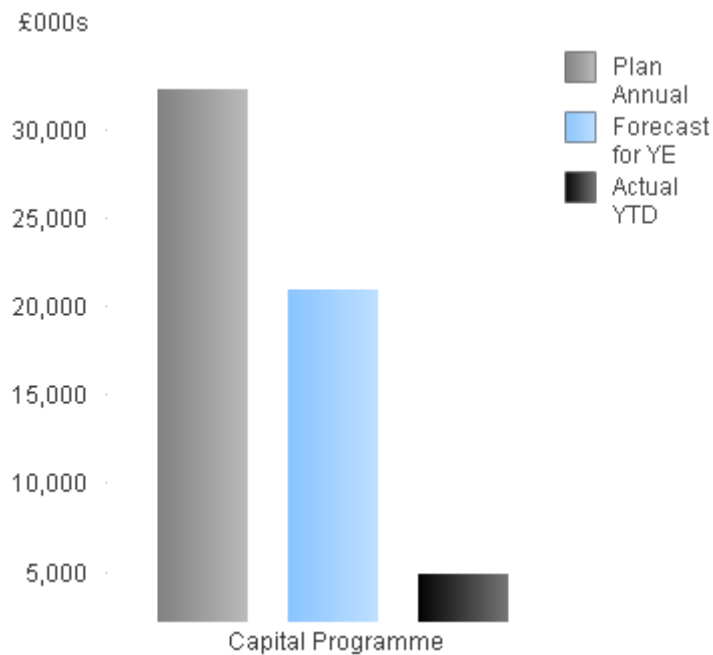
| Scheme / Project | Agreed in Principle (£) | Letter of Offer Amount (£) | Comment |
|---|--------------------------------|-----------------------------------|--|
| Woodvale Park Regeneration | 727,135 | 727,135 | Letter of Offer received from DSD |
| Dunville Park Regeneration | 864,810 | 864,810 | Letter of Offer received from DSD |
| Ardoyne Pitch and Mitch | 189,000 | 189,000 | Letter of Offer received from DSD |
| Marrowbone Pitch | 402,371 | 402,371 | Letter of Offer received from Sport NI and DSD |
| Hammer Pitch | 245,000 | 245,000 | Legal agreement with Sport NI and Shankill United FC |
| Mountain Bike Trail - Barnett's Demesne | 350,000 | 350,000 | Letter of Offer received from Sport NI and DARD |
| Super-Connected Belfast | 13,700,000 | 13,700,000 | Letter of Offer received from DCMS |
| Outdoor gym equipment | 80,000 | 80,000 | Letter of Offer received from PHA |
| Belfast Welcome Centre - Relocation | 747,000 | 747,000 | Letter of Offer received from NITB |

| <i>Scheme / Project</i> | <i>Agreed in Principle (£)</i> | <i>Letter of Offer Amount (£)</i> | <i>Comment</i> |
|--|---------------------------------------|--|--------------------------------------|
| Pitches Strategy | 1,000,000 | 1,000,000 | Letter of Offer received from GAA |
| Ballysillan Play Park (BRO) | 236,066 | 236,066 | Letter of Offer received from DSD |
| Public Bike Share Scheme | 1,140,003 | 1,140,003 | Additional funding received from DRD |
| Belfast Zoo - Adventurers Learning Centre | 215,000 | 215,000 | Letter of Offer received from NITB |
| Tropical Ravine Refurbishment | 2,232,000 | 2,232,000 | Letter of Offer received from HLF |
| Girdwood Hub | 9,597,249 | 9,597,249 | Letter of Offer received from SEUPB |
| Belfast Waterfront Exhibition and Conference Centre | 18,564,400 | 18,564,400 | Letter of Offer received from NITB |
| North Foreshore - Green Economy Business Park Infrastructure | 6,000,000 | 0 | Schemes at risk |
| Innovation Centre | 6,825,000 | 0 | Schemes at risk |
| Creative Hub | 3,700,000 | 0 | Schemes at risk |
| Olympia Regeneration | 2,600,000 | 0 | Schemes at risk |
| Total | 69,415,034 | 50,290,034 | |

Note:

£25.74m funding has been agreed in principle for the Connswater Community Greenway project. This has been delivered through Letters of Offer received from the BIG Lottery Fund and DSD.

Capital Programme



The Strategic Policy & Resources Committee, 21 February 2014, agreed a programme of net expenditure for 2014/15 of £32.23m. This includes expenditure on committed projects, £28.49m and uncommitted projects, £3.74m.

In the six months to 30 September 2014 the Council has incurred net expenditure of £4.85m. Forecast outturn for the year is £20.97m, which is £11.26m less than previously anticipated.

Expenditure for the year to date and forecast outturn on Stage 3: Legacy projects, Stage 3: Committed projects and Stage 2 is outlined below:

Stage 3: Legacy Projects

The Council has incurred £248k expenditure on projects which were at finalisation stage before the commencement of the Investment Programme. The main areas of expenditure are:

- Waterfront Hall £149k
- Ulster Hall Refurbishment £87k

Forecast outturn for all legacy projects is £458k for the year ending 31 March 2015.

Stage 3: Committed Projects

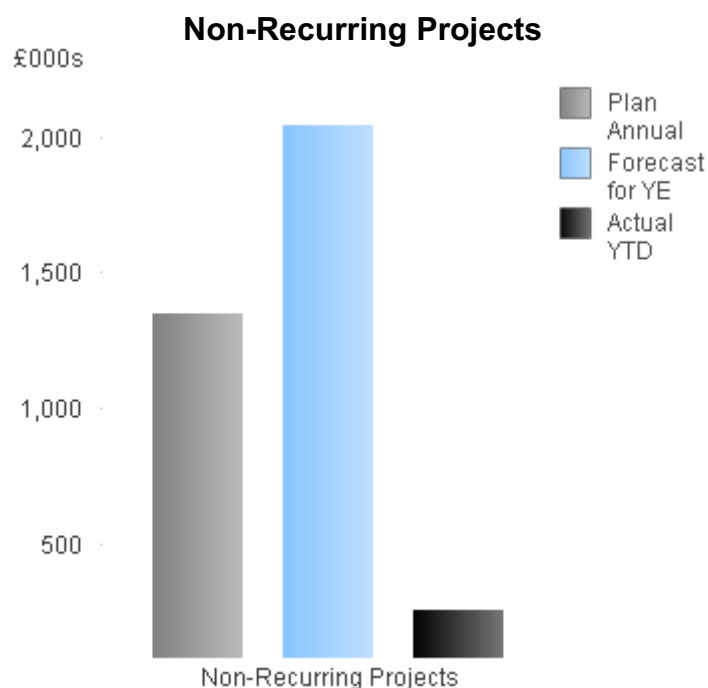
The Council has incurred £4.57m expenditure on the remaining committed projects. The main areas of expenditure are:

- Girdwood Hub £1.88m
- Super – Connected Belfast £409k
- LTP - Olympia Regeneration £345k
- Connswater Community Greenway £300k
- Alleygates - Phase 3 £269k

Forecast expenditure for Stage 3 (excluding legacy) committed projects for the year ending 31 March 2015 is £20.36m. It should be noted that £4.12m of this forecast relates to Tier 0 schemes progressing at risk. These are schemes still awaiting letters of offer from funders, but need to be progressed to tender preparation stage in order to meet tight funding deadlines, or schemes with outstanding issues to be resolved.

Stage 2 Projects

The Council has incurred £34k expenditure on uncommitted projects to 30 September 2014. There is a programme of expenditure of £155k for these projects until 31 March 2015. However, these schemes will only move to tender stage upon approval from the Strategic Policy & Resources Committee and Council.



A planned programme of works amounting to £1.35m had been agreed for 2014/15.

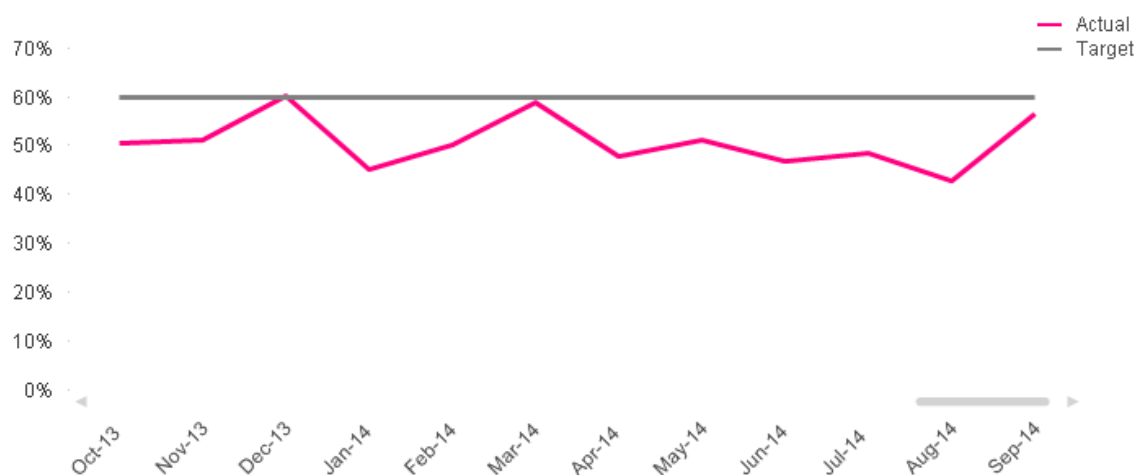
The Council has incurred £257k of expenditure on non-recurring projects as at 30 September 2014. The forecast expenditure for 2014/15 is £2.04m.

The main areas of forecasted expenditure are:

| Location | Work needed | £ |
|-------------------------|--------------------------------------|---------|
| Waterfront | ICT | 450,000 |
| Belfast Zoo | Replacement of HV Installation | 350,000 |
| Various Leisure Centres | Replacement of Boilers | 165,000 |
| Various Playgrounds | Playground Refurbishment | 130,000 |
| Various Pitches | Pitch Drainage | 125,000 |
| Ozone/Tennis Centre | Replacement of Tennis Court Surfaces | 120,000 |
| Ormeau Park | Fence Replacement | 92,000 |

Key Performance Indicators (KPIs): Debtors KPI 1

The Percentage of Debtor invoices collected within 30 days:



The percentage of customer invoices being paid within 30 days at the end of quarter 2 is 56.4%. The quarter 1 figure was 46.7%.

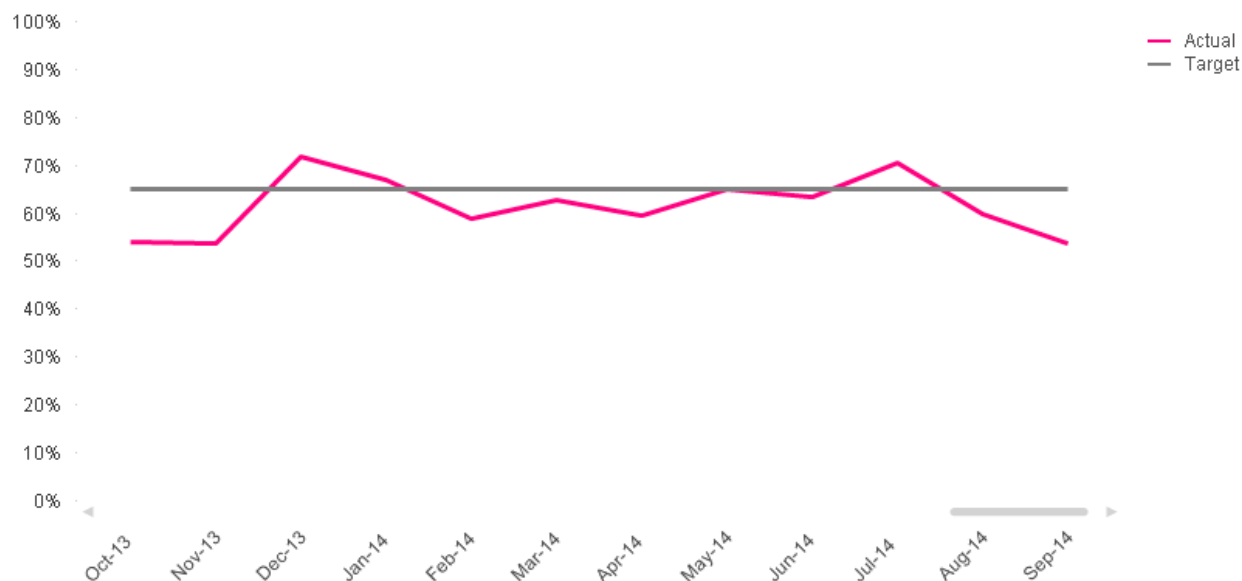
Whilst the Central Transactions Unit has continued to pro-actively pursue customers who exceed their payment terms this has not yet resulted in achieving our target of 60%.

Resources are being reviewed and reallocated to provide a more focused approach.

We will continue to work closely with departments and customers to ensure debt is collected on a timely basis and to provide the information needed to enable customers to pay their invoices first time.

Key Performance Indicators (KPIs): Debtors KPI 2

The Percentage of money (debt) owed to the council which is less than 90 days old:



At the end of quarter 2 the percentage of debt owed to the council which is less than 90 days old was 53.7%. The quarter 2 figure for 2013/14 was 57.3%.

Whilst this is a slight decrease on the same period last year this has been caused by an ongoing contract dispute which has since been resolved and the monies paid to the council.

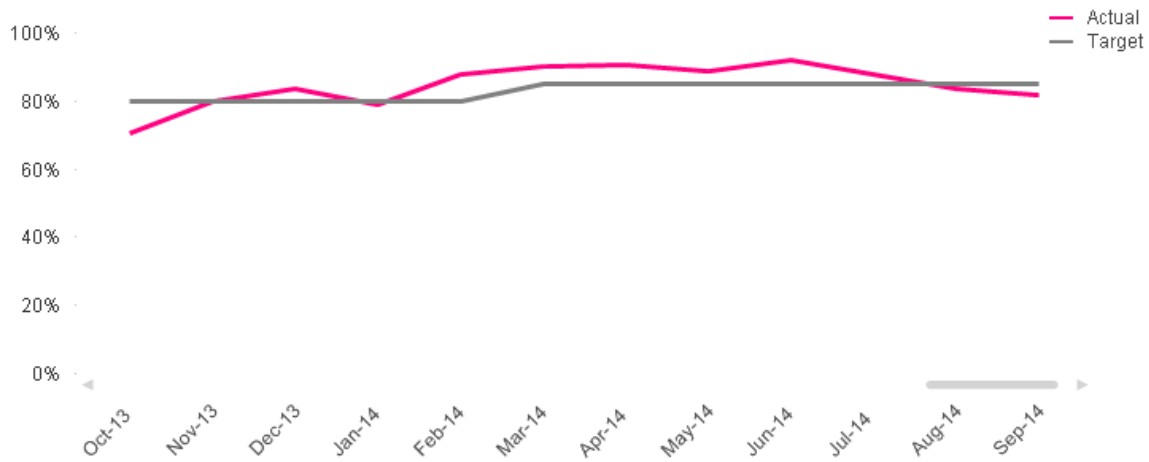
Customer debts will continue to be referred to Legal Services and the Small Claims Court where appropriate to ensure debt is recovered.

With payment plans having been put in place with customers for older debt this inherently means it takes longer for debt over 90 days to reduce. Customer statements are issued on a monthly basis to identify and remind customers of outstanding debt.

The Central Transactions Unit continues to liaise with customers and departments on a monthly basis to reduce the overall amount of debt.

Key Performance Indicators (KPIs): Creditors KPI

The Percentage of Creditors paid within 28 days



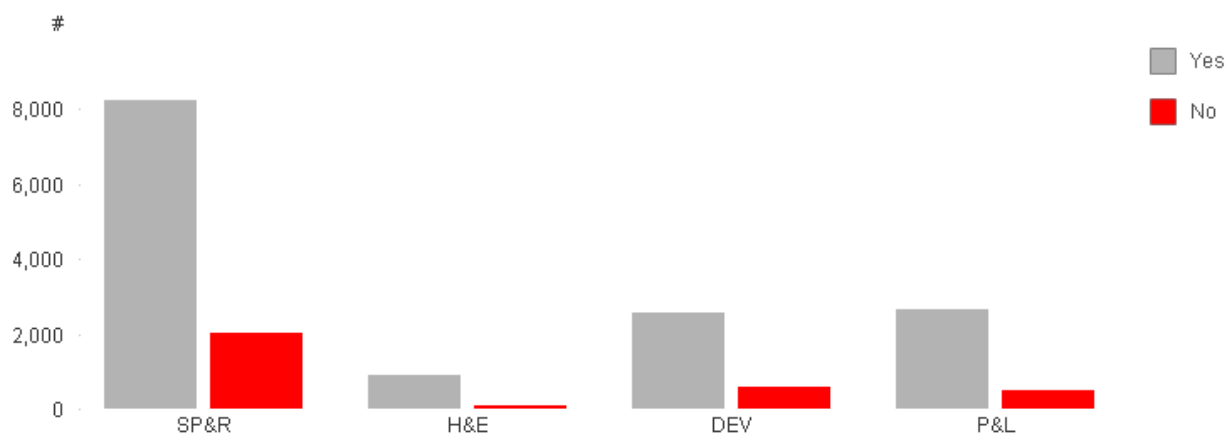
As part of the Investment Programme it was agreed that by the end of 2014/15 that 90% of creditors would be paid within 28 days. In order to achieve this, targets were set for the intervening years, with a target of 75% by 31 March 2013 and 85% by March 2014.

At the end of quarter 2 the average percentage of creditors paid within 28 days was 84.5 against a target for quarter 2 of 85%. An improvement programme has been developed and is currently being implemented, due to go live in December, to ensure the target of 90% is achieved by the end of 2014/15.

Key Performance Indicators (KPIs): Procurement Compliance

Procurement Compliance refers to the purchases that are made in compliance with the standard procure to pay process in BCC. These processes help ensure that our creditors are paid in a timely fashion and our accounts are accurate and up to date. The following indicators are intended to give a flavour of how well we are doing at adhering to the processes.

Indicator 1: Compliant Purchases (Purchase order created on system before ordering goods)



The impact of ordering goods without a purchase order being created on the system are that a) the authorisation for purchasing goods has not gone through the proper channels, b) incomplete records are available and decisions are being made based on information that is not correct and c) suppliers whose invoices do not have purchase orders take longer to pay and this contravenes an objective of the investment programme, negatively affecting supplier relationships with BCC.

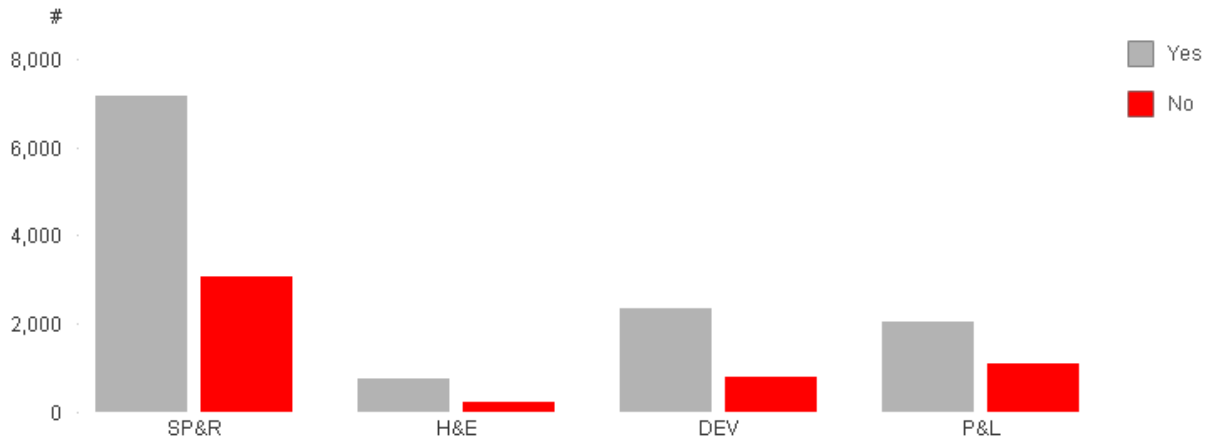
This indicator shows how often goods or services are ordered with a valid purchase order being created prior to the order being placed.

Members have set a target of 90% for the Council. The table below shows how Standing Committees have performed. Overall the level of compliance is 81.7%. All departments are monitoring performance to identify where there is non-compliance. This together with the roll out of SRM (computerised purchase ordering) across departments will ensure continued improvement in this indicator.

| | % Compliant |
|---|-------------|
| Belfast City Council | 81.7 |
| Strategic Policy & Resources Committee | 80.3 |
| Health & Environmental Services Committee | 89.5 |
| Development Committee | 81.6 |
| Parks and Leisure Committee | 83.9 |

Key Performance Indicators (KPIs): Procurement Compliance

Indicator 2: Timeliness of Goods on System (Goods received and marked received on system)



The impact of not marking goods as received onto the system is that a) BCC records of goods on site are not up to date and b) there is a risk that a department might overspend its budget as goods have been received but are not showing against the budget and c) it can take longer to pay the suppliers invoices and this contravenes an objective of the investment programme, negatively affecting supplier relationships with BCC

This indicator shows when goods or services are received into the Council whether they have been marked on the system as received (compliant) or whether the officer has waited for the invoice before marking the goods or service as received (non-compliant).

Members have set a target of 75.0% compliance. The table below shows how Standing Committees have performed. Overall the level of compliance is 70.2%. Directors are monitoring performance with monthly reports discussed at Departmental Management Teams and specific actions are being taken to address the operational difficulties of ensuring goods or services are confirmed as received. This together with the roll out of SRM across Departments should ensure significant improvement in this indicator.

| | % Compliant |
|---|--------------------|
| Belfast City Council | 70.2 |
| Strategic Policy & Resources Committee | 70.0 |
| Health & Environmental Services Committee | 75.3 |
| Development Committee | 74.3 |
| Parks and Leisure Committee | 65.2 |

Appendix A: Supplementary Information

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Belfast City Council – Committee Summary

| Committee | Plan YTD £000s | Actuals YTD £000s | Variance YTD £000s | % Variance | Annual Plan 2014/2015 £000s | Forecast for Y/E at P6 £000s | Forecast Variance £000s | % Variance |
|---|-------------------|----------------------|-----------------------|---------------|-----------------------------------|------------------------------------|-------------------------------|---------------|
| Strategic Policy & Resources Committee | 16,797 | 16,136 | (661) | (3.9)% | 34,236 | 33,372 | (863) | (2.5)% |
| Health Environmental Services Committee | 20,822 | 20,375 | (447) | (2.1)% | 41,072 | 40,517 | (555) | (1.4)% |
| Development Committee | 10,687 | 10,592 | (95) | (0.9)% | 19,077 | 19,077 | 0 | 0.0% |
| Parks & Leisure Committee | 11,123 | 11,166 | 44 | 0.4% | 23,824 | 23,824 | 0 | 0.0% |
| Total | 59,429 | 58,269 | (1,160) | (2.0)% | 118,209 | 116,790 | (1,419) | (1.2)% |
| Capital Financing | | | | | | | 0 | |
| Specified Reserves movements | | | | | | | -4,109 | |
| Year End Departmental Forecast | | | | | | | 1,418 | |
| Rates Income | | | | | | | 2,888 | |
| Forecast Movement on Reserves for current year | | | | | | | 197 | |

Analysis of Forecast Reserves Balance

| | |
|---|---------------|
| Opening Balance Reserves | 19,943 |
| Movement in Reserves | 197 |
| Total Reserves | 20,140 |
| Specified Reserves Balance | 3,167 |
| Closing Balance General Reserves | 16,973 |