



Belfast City Council

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| Report to: | Strategic Policy and Resources Committee |
| Subject: | Budget Monitoring Report |
| Date: | 11 th December, 2009 |
| Reporting Officer: | Julie Thompson, Director of Finance and Resources |
| Contact Officer: | Paul Starkey, Management Accounting Manager |

Relevant Background Information

The Strategic Policy and Resources Committee has requested that it receive regular updates on budgetary performance throughout the year and the most recent report on the 2009/10 position was presented on 23 October 2009. This report updates Members on the current year's position at period 7, the forecast outturn for the financial year and highlights budget risk areas.

Key Issues

Revenue Budget Position to October 2009

BCC has a net departmental budget of £70.2m for the period to October. The outturn for the year to date is £67.9m giving an under-spend of £2.3m. The reasons for this under-spend are explained below.

Forecast Revenue Outturn 2009/10

The forecast outturn for 2009/10 is an under-spend of £3.9m. There have been several factors which have contributed to this forecast:

1. Increased rate income has been forecast by Land and Property Services of some £834k - this is an area which Belfast City Council officers have been focusing on in recent years, particularly in relation to vacant properties.
2. The pay rise for 2009/10 was settled at a lower amount than previously budgeted (original budget was for 2.5% compared to base settlement of 1%)
3. There have been a number of adjustments within Departmental Budgets to reflect the up to date financial position
4. A comprehensive review of capital financing has been carried out in preparation for the 2010/11 rates setting process

This forecast includes the voluntary redundancy exercise for ISB (which has a net impact of some £700k in 2009/10 after in year savings) but excludes the remainder of the potential voluntary redundancy costs which are the subject of a separate SP&R report and are discussed further below.

Budgetary Risks / Pressures

The register of all the budget risk areas, their financial implications and the action required to manage the risks is updated monthly.

A number of the key risks that have been included in the overall financial forecast above and are putting pressure on the current year's budget are:

1. 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 in terms of interest on Council reserves.
2. Building Control show a loss of income due to the downturn in the housing market. This has resulted in a loss of external income of £234,670 for the year to date.
3. ISB has experienced a loss of external income of £145,500 at Period 7.

Impact on Reserves

As reported at the SP&R Committee of 20 November, the planned reserves at the end of 2009/10 were some £2.7m (after planned contributions from reserves to the 2009/10 rate of £2.4m). If the forecast under-spend of £3.9m above is achieved, this would lead to reserves at 31 March 2010 of £6.6m.

However, a paper on the voluntary redundancy exercise is being separately presented to the SP&R Committee today. If Members agree to implement this VR exercise, then the inclusion of the £2.3m of estimated costs in 2009/10 would reduce the year end reserves to some £4.3m. Given the ongoing savings generated by VR, this is viewed as acceptable at this stage.

We will continue to refine the 2009/10 financial position and regularly update Members. However, the Council's reserves will need to be replenished which will have an impact on the setting of the District Rate for 2010/11 and future years. This is discussed within the separate paper on the Financial Estimates for 2010/11 presented to the SP&R Committee today.

Capital Programme 2009/10

The draft Capital Programme for 2009/10 and future years outlines a programme of expenditure of £10.2m for 2009/10 to be financed by loans plus £2.1m to be financed by revenue contributions, giving a total budgeted expenditure for the year of £12.3m.

Expenditure for the period to October amounts to £11m. The most significant areas of expenditure are Ulster Hall Major Works of £1.6m and City Hall Major Works of £2.8m.

Forecast Capital Outturn 2009/10

The forecast capital financing requirement for the year can be met by the existing budget. The total actual capital expenditure for 2009/10 is forecast to be some £18.5m. This is £6.2m over the approved budget and relates mainly to an under-spend in 2008/09 of £5.1m which has rolled forward to 2009/10. There have also been a number of new schemes added to the capital programme since the original capital programme was planned. Due to the timing of taking out of loans, this additional expenditure can be financed within the capital financing budget.

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| Resource Implications |
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| As outlined above |
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| Recommendations |
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| Members are asked to note the current revenue and capital financial positions to date and the forecast outturns. In addition, Members are asked to note the implications for reserves and the potential to fund the costs from the voluntary redundancy exercise, should this be agreed through the separate SP&R report presented today. |
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| Decision Tracking |
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| Regular updates on the financial position in 2009/10 will continue to be provided to the Strategic Policy and Resources Committee. |
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| Key to Abbreviations |
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| Documents Attached |
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