



Strategic Policy and Resources Committee

Quarterly Finance Report

Report Period: Quarter 3 2010/11

Dashboard: Quarter 3, 2010/11

Strategic Element: Financial Planning	Variance £,000 (under)/ Over Q2	Indicator % Q2	Variance £,000 (under)/ Over Q3	Indicator % Q3			Page no
Year to date variance							3
BCC	(1,423)	(2.5%)	(728)	(0.8%)			
• Strategic Policy & Resource	(2,112)	(13.0%)	(2,012)	(8.4%)			
• Health & Environ. Committee	(890)	(4.0%)	(785)	(2.6%)			
• Parks & Leisure Committee	213	2.3%	(150)	(0.9%)			
• Development Committee	(222)	(2.2%)	(560)	(3.6%)			
Forecasted variance							4
BCC	(2,138)	(1.9)	(629)	(0.5%)			
• Strategic Policy & Resources	(2,049)	(6.5)	(1,644)	(5.2%)			
• Health & Environ. Committee	(648)	(1.6)	(690)	(1.8%)			
• Parks & Leisure Committee	193	0.9	92	(0.4%)			
• Development Committee	(490)	(2.4)	(980)	(4.8%)			
Capital Programme							5
Forecasted Capital variance	1,168	17%	79	1.2%			
Reserves							6
Reserves variance	(2,138)	48%	(629)	14.0%			
Strategic Element: Better Services	Days Qtr 2		Days Qtr 3				
% of creditors paid in 30 days (average)	71		72				7
% Debt recovered in 30 days (average)	45		43				9
% Debt under 90 days old	41		45				10

Notes:

1. Negative variances represent an under spend

2. Movement on last quarter: Better Worse Unchanged

3. Tolerance R/A/G guide for % variances:



Executive Summary

Year to Date % variance

The Council revenue position was an under-spend of £0.7m (0.8%) at the end of quarter 3, down by £0.7m from quarter 2.

As in quarter 2, the key elements of the year to date under-spend 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 causing slippage in the delivery of some programmes.

The year to date position also reflects:

- the utilisation of £0.7m of the 2010/11 under-spend, £0.5m less than was agreed at Strategic Policy and Resources Committee on 19th November 2010, due to fewer voluntary redundancies than had been anticipated; and
- increased savings in committees compared to the previous quarter.

This year to date position reflects the recent notification from LPS of an estimated claw back amounting to £3.5m for 2010/11 (compared to £600k at quarter 2). LPS are trying to take actions to reduce this estimated clawback, (potentially by up to £0.5m) but there are many factors which could impact on the final position which will be declared in September.

At the Budget and Transformation Panel meeting on 8 February 2011, Members recommended that the claw back should be covered from this year's under spend, assuming there were sufficient resources available. This recommendation was made on the basis that deferring payment in the context of a volatile rate base may compound the council's financial position in future years.

Members should note that the key drivers of the under spend have been addressed as part of the rate setting process for 2011/12. For example, the estimates for 2011/12 only cater for a pay rise for those staff who earn less than £21,000 per annum.

Forecast % variance

The Council is forecasting an under spend of £0.6m (0.5%) at the year end, down £1.5m from the £2.1m reported at quarter 2. The forecast reflects the factors set out in the year to date variance above, most notably, the £3.5m reduction in estimated rates income which Members are aware is also a significant issue for the rates for 2011/12.

Capital Programme

At quarter 2 we had reported that expenditure was likely to exceed plan as a result of two projects completing earlier than we had expected, although on time and within budget. Since then we have revised our forecast to take account of four other projects which we now expect to be delayed, and we now forecast expenditure to be back in line with plan.

All other projects under way remain within their approved estimates with all necessary funding in place through provision in the rates or other means.

Reserves

Our forecast for reserves at the year-end is £9.7m, taking account of both in-year savings and the £3.5m reduction in estimated rates income. In addition, there are also £231k of specified reserves which will be utilised in 2011/12.

Better Services: Creditors and Debtors

The average number of creditors paid within 30 days is 72%, improved slightly from quarter 2 (71%). We are continuing to take action to bring the actual performance closer to the target of 75%.

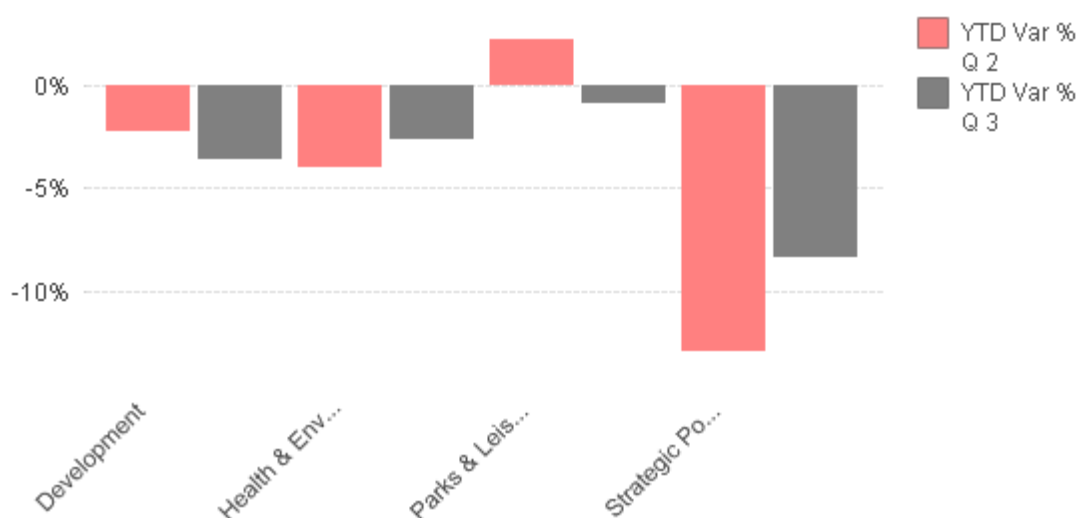
The overall Council debt has risen to £4.1m (quarter 2: £3.6m), the percentage of debtors collected within 30 days has fallen slightly to 43% (quarter 2: 45%) and the percentage of debt under 90 days old has increased slightly to 45% (quarter 2: 41%).

Whilst there has been some improvement during the year, further work is required to reduce the overall level of debt. We have redirected resources to assist in contacting customers who have failed to pay invoices and to identify the underlying reasons why they have not paid.

Work is also ongoing in relation to implementing the recommendations made in the report to committee on 22 October 2010, and in particular from mid-January we have introduced additional measures to pro-actively chase debt.

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

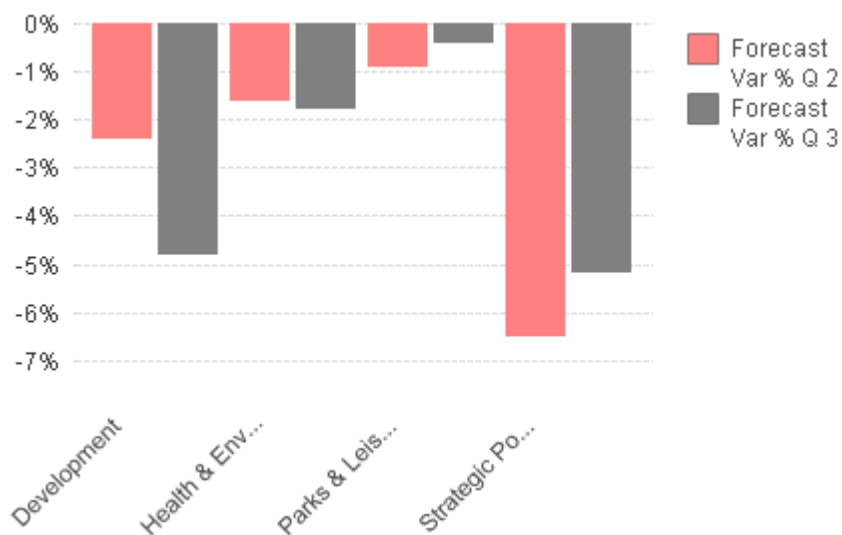
The Council has an under-spend of £728k (0.8%) at the end of quarter 3, down by £695k from quarter 2. The main reasons for the variance are:

- 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 £909k under spend at the end of quarter 3 (SP&R)
- Electricity generation income from the North Foreshore is higher than anticipated leading to additional income of £267k (SP&R)
- Pensions are under-spent by £413k, though expect to be fully utilised by the year end (SP&R)
- Pay is under spent by £935k given there has been no pay rise in 2010/11.
- Departmental under-spends are mainly as a result of delays in filling posts and consequent delays in projects and programmes, as well as increased savings.
- Although Parks and Leisure has over-spent on its employee costs budget by 3%, and has experienced increases in utility costs and reductions in income, these have been offset somewhat by a delay in its playground refurbishment programme (£250k).

The most significant factor arising since quarter 2 is the recent revision by the L&PS to their forecast for the rates income which is now reduced by £3.5m, some £2.9m worse than they had forecast in December 2010.

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 £629k (0.5%) at the year end.

The main reasons for this forecast under-spend are :

- Electricity generation is forecasting to raise additional income of £350k 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.
- Additional savings in departmental budgets.

Although SP&R had agreed to spend an additional £1.2m on voluntary redundancy and other initiatives, this expenditure is now forecast to be £700k because fewer staff have volunteered for redundancy.

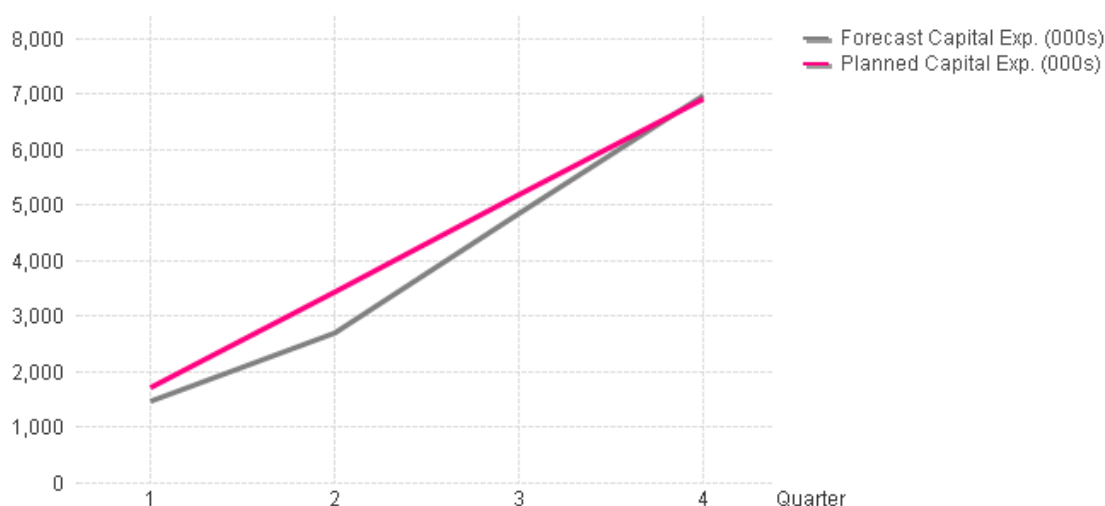
The most significant factor arising since quarter 2 is the recent revision by the L&PS to their forecast for the rates income which is now reduced by £3.5m, some £2.9m worse than they had forecast in December 2010.

Members should note that the budgetary challenge strand of the efficiency programme for 2011/12 delivered almost £800k of cash savings. The work in this area will assist in addressing many of the areas where under spends have occurred this year.

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

At quarter 2 we had forecast that capital expenditure would exceed the plan by some £1.1m, as a result of 2 projects completing earlier than expected, although on time and within budget. Since then we have revised our forecast for the following reasons:

1. We have not been able to initiate the following projects because of planning and environmental issues:

Replacement Fuel Station Duncrue	£300k
Roselawn Extension	£320k
Mercury Abatement City of Belfast Crematorium	£200k

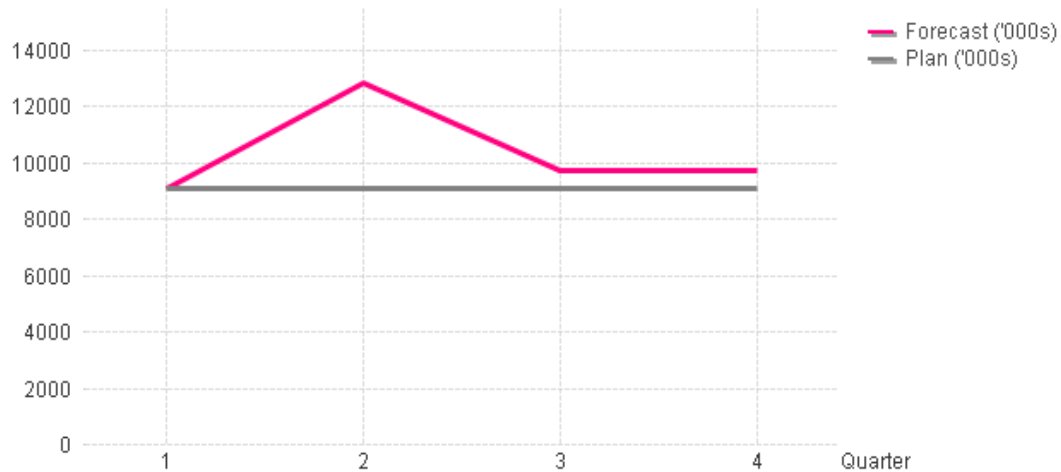
2. We are also reviewing the Waste Heat Utilisation scheme in Duncrue because the tender price is considerably in excess of the council approved estimate (£260k).

As a consequence of these in-year adjustments, our forecast for capital expenditure for the year 2010/11 is now in line with our original estimate.

All other projects under way remain within their approved estimates with all necessary funding in place through provision in the rates or other means.

Reserves Balance

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



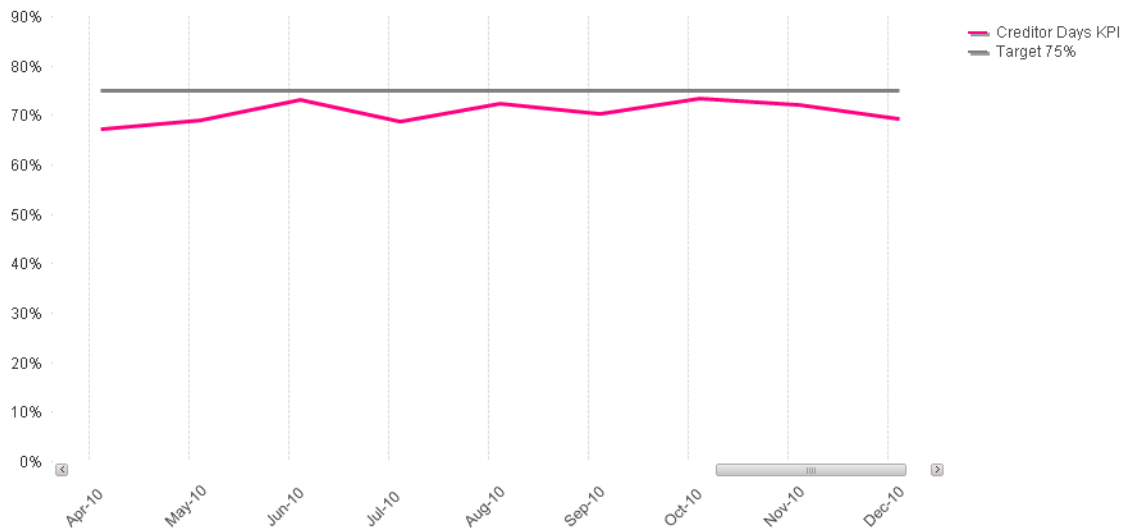
Commentary and action required

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 under spend of £0.60m would lead to reserves of some £9.7m by 31 March 2011. In addition, there are also £231k of specified reserves which will be utilised in 2011/12.

In line with good practice, the council will continually monitor its level of reserves in the context of the key financial risks facing the organisation, for example, the uncertainty around the future rates base.

% 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

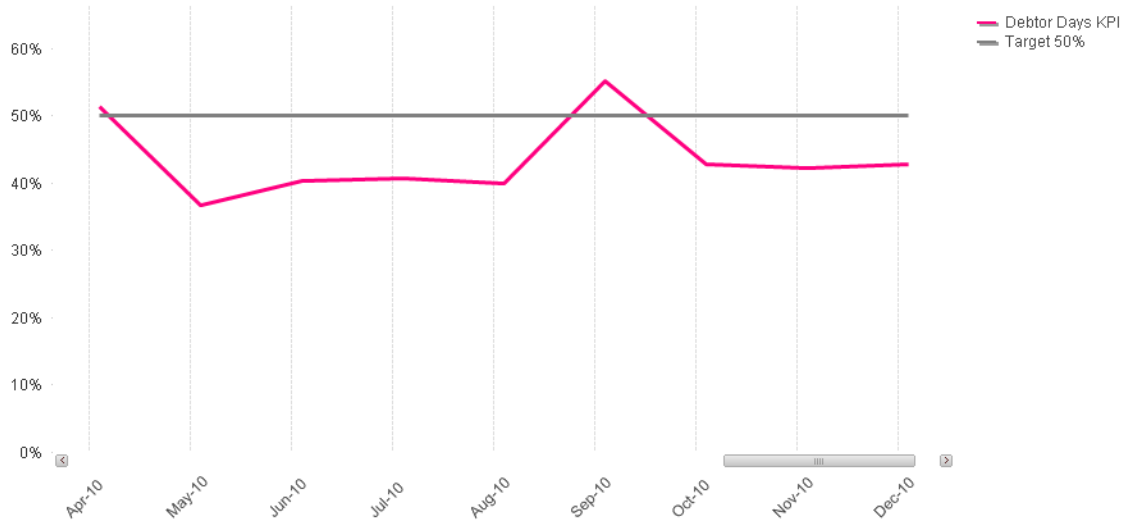
Based on the figures for quarter 1, quarter 2 and quarter 3 the average percentage of invoices paid within 30 days has risen slightly from 71% to 72%.

To maintain and improve the situation further, we are contacting suppliers on a case by case basis to let them know that we will return their invoice to them if the invoice does not contain enough information to enable us to process it. This will encourage suppliers to provide all necessary information in future months.

We are also contacting suppliers that we currently pay by cheque to encourage payment through the BACS system.

% of Debtors collected within 30 days

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



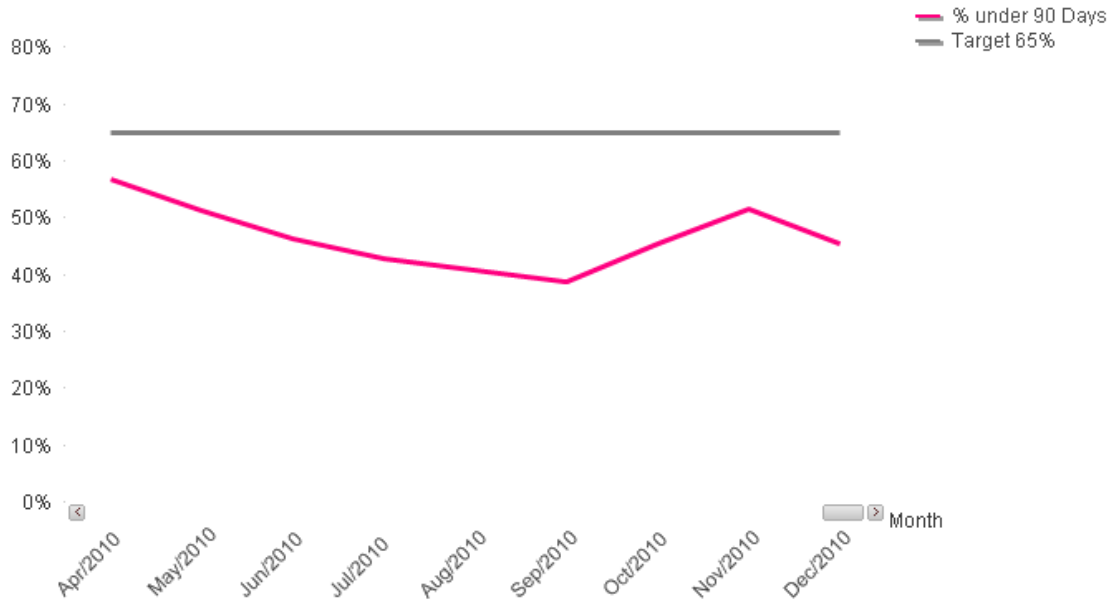
Commentary and action required

Based on the figures for quarter 1, quarter 2 and quarter 3 the average percentage of debt collected within 30 days has remained static at 43%.

We have redirected existing resources to assist in the improvement of debt collection levels. We have also adjusted the timetable for sending reminder letters and we are now instigating actions to pro-actively chase debt at an earlier stage.

% 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

Although the proportion of debt under 90 days old at 45% has increased from 41% at quarter 2, this is still less than the 47% at quarter 1.

Whilst there has been some improvement during the year, further work is required to reduce the overall level of debt.

We have redirected resources to assist in contacting customers who have failed to pay invoices in order to identify the underlying reasons why they have not paid.

We have also adjusted the timetable for sending reminder letters and we are now instigating actions to pro-actively chase debt at an earlier stage.

Work is ongoing in relation to implementing the recommendations made in the report to committee on 22 October 2010.

Appendix A – Supplementary Information

Belfast City Council – Movement on Reserves

	Variance YTD £'000	% Variance	Plan 10/11 £'000	Forecast for Y/E at P9 £'000	Forecast Variance £'000	% Variance
Total Departmental	(4,442)	(5.2%)	114,946	110,603	(4,343)	(3.8%)
City Investment Fund			3,000	3,000		0.0%
Capital Financing			7,019	7,019		0.0%
Rates & General Grant	214					
General Grant			(4,372)	(4,158)	214	(4.9%)
Rates Income			(125,078)	(125,078)		0.0%
APP	3,500			3,500	3,500	
Movement on Reserves	(728)	(0.8%)	(4,485)	(5,114)	(629)	14.0%

Analysis of Reserves Balance	£ 000's
Opening Balance @ 01.04.2010	4,602
Add Forecast Movement for 10/11	5,114
Specified Reserves	231
Forecast Reserves @ 31.03.11	9,947

Belfast City Council - Departmental Analysis & Forecast

	Plan YTD £'000	Actual YTD £'000	Variance YTD £'000	% Variance	Plan 10/11 £'000	Forecast for Y/E at P9 £'000	Forecast Variance £'000	% Variance
Strategic Policy & Resources	23,962	21,950	(2,012)	(8.4%)	31,731	30,087	(1,644)	(5.2%)
Health & Environmental	30,164	29,378	(785)	(2.6%)	39,332	38,642	(690)	(1.8%)
Parks & Leisure	16,330	16,180	(150)	(0.9%)	22,291	22,382	92	0.4%
Development	15,563	15,003	(560)	(3.6%)	20,351	19,371	(980)	(4.8%)
Employee Pay Rise (1.5%)			(935)		1,241	120	(1,121)	(90.3%)
Total Departmental	86,019	82,511	(4,442)	(5.2%)	114,946	110,603	(4,343)	(3.8%)

Note: Negative variances represent an under spend

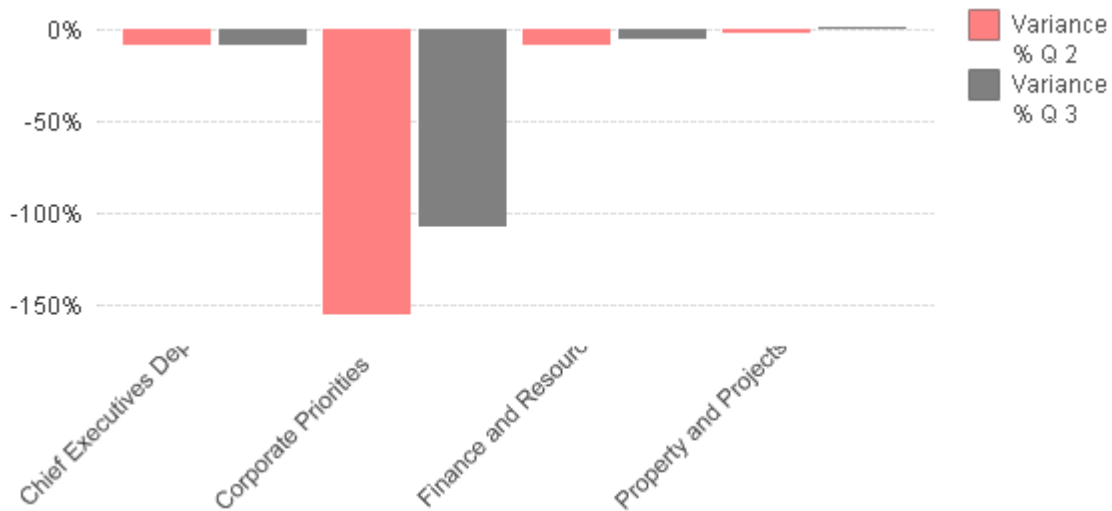
**Appendix B – Strategic Policy and Resources
Committee detail**

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 £2.0m at the end of quarter 3.

The variance against plan for corporate priorities has an under-spend of £1,134k at the end of quarter 3. The corporate priorities budget is used to deliver corporate work which benefits the whole organisation and would not normally be funded through functional budgets. The main reasons for 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 £909k under-spend.
2. Electricity generation income from the north foreshore is higher than anticipated, leading to an over-recovery of £267k.

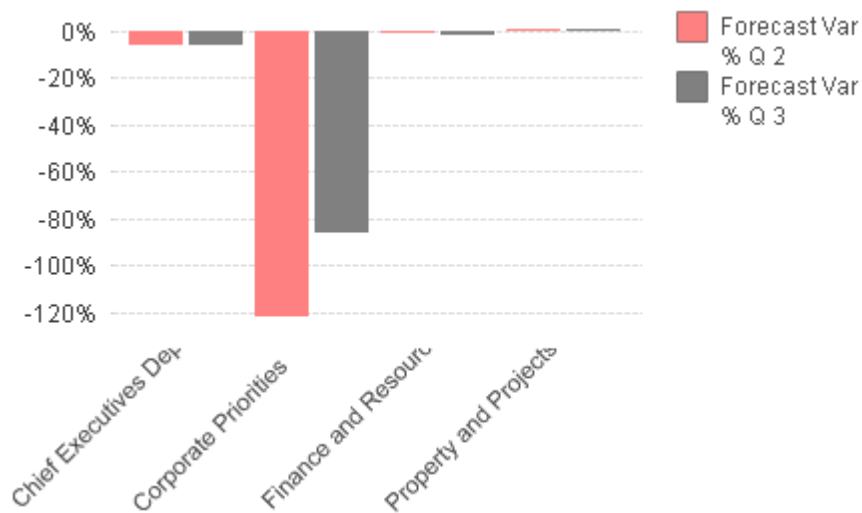
Pensions currently have an underspend of £413k but this budget will be fully utilised by the year end.

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 3 to have an under-spend of £1.6m.

Some £1.35m of this forecast is driven by corporate priorities, including:

1. Electricity generation is forecasting additional income of £350k
2. Food and fuel contingencies are forecast to be under-spent by £1m

Members should note that the food and fuel contingencies have been removed and the estimated electricity income has been reviewed for 2011/12 estimates.

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

	Plan YTD £'000	Actual YTD £'000	Variance YTD £'000	% Variance	Plan 10/11 £'000	Forecast for Y/E at P9 £'000	Forecast Variance £'000	% Variance
Strategic Policy & Resources Total	23,962	21,950	(2,012)	(8.4%)	31,731	30,087	(1,644)	(5.2%)
Chief Executives Department	4,517	4,116	(402)	(8.9%)	5,727	5,367	(360)	(6.3%)
Legal Services	590	544	(46)	(7.8%)	787			
Corporate Communications	785	736	(49)	(6.2%)	1,061			
Business Support	187	265	77	41.2%	249			
Good Relations	567	532	(35)	(6.2%)	448			
Democratic Services	2,027	1,770	(257)	(12.7%)	2,700			
Strategic Policy	361	269	(93)	(25.6%)	482			
Finance and Resources (exc corp Priorities)	9,346	8,841	(505)	(5.4%)	12,385	12,208	(177)	(1.4%)
Human Resources	1,284	1,271	(14)	(1.1%)	1,696			
Finance and Performance	2,134	1,797	(338)	(15.8%)	2,834			
ISB	3,156	3,512	355	11.3%	4,167			
Audit Governance & Risk Services	646	631	(15)	(2.3%)	861			
Project Corporate Systems	258	211	(47)	(18.2%)	344			
Pensions	1,425	1,012	(413)	(29.0%)	1,900			
Directorate	323	259	(64)	(19.8%)	424			
Occupational Health (Was Health & Safety)	119	149	30	24.8%	159			
Property and Projects	9,047	9,076	29	0.3%	12,258	12,328	70	0.6%
Facilities Management	10,960	11,137	177	1.6%	14,741			
CIT Management	501	524	22	4.5%	649			
Projects, Procurement and Estates	(2,414)	(2,585)	(171)	7.1%	(3,131)			
Corporate Priorities	1,052	(82)	(1,134)	(107.8%)	1,361	185	(1,176)	(86.4%)