

## Appendix 9 – Financial Position of the Council

<b>Reporting Officer</b>	<b>Ronan Cregan, Deputy Chief Executive and Director of Finance and Resources</b>
<b>Contact Officer</b>	<b>Mark McBride, Head of Finance and Performance</b>
<b>3.0</b>	<b>Main report</b>
<b>3.1</b>	<b>Description of risk</b>
3.1.1	<p>The Financial Position risk, as captured in the Council's Corporate risk register is phrased as follows:</p> <p>'Failure to secure the financial position of the council in a sustainable way.'</p>
<b>3.2</b>	<b>Risk Owner</b>
3.2.1	Accountability for the management of this corporate risk has been assigned to Ronan Cregan, Director of Finance and Resources and Deputy Chief Executive.
<b>3.3</b>	<b>Risk assessment</b>
3.3.1	<p>Following detailed review of the corporate risks, this risk was assessed in terms of 'impact' and 'likelihood' (using the Council's risk scoring system, see Appendix 1) as follows:</p> <p>Impact – 5 (Major) Likelihood – 3 (Possible)</p> <p>This represents no change to the previous assessment of likelihood and risk. The key reason for the risk assessment is the fact that the District Rate provides 75% of the Council's income and many of the determinants of the level of rates income are outside the control of the Council.</p>
<b>3.4</b>	<b>Current measures in place to manage the risk</b>
3.4.1	The Council's Medium Term Financial Strategy assesses the external pressures likely to affect the Council and includes resources to support City Centre Regeneration linked to the growth of the City Centre rate base and an Efficiency Programme to minimise the impact of uncontrollable revenue cost increases on the level of District rate.
3.4.2	<p>Although the Council has well established financial procedures and financial systems, additional detailed action plans have been put in place and these are monitored through the departmental performance process. These plans include:</p> <ul style="list-style-type: none"> <li>• The Financial Improvement Programme</li> <li>• The Capital Finance Improvement Programme</li> </ul>

	<ul style="list-style-type: none"> <li>• The Efficiency Programme</li> <li>• The City Investment Fund</li> <li>• Management of the key financial risks (EPP, Waste, GLL, BW/UH, Belfast Agenda, City and Neighbourhoods.)</li> </ul>
3.4.3	The Council is working with Future Cities Catapult to develop a rates maximisation tool and a rates forecaster to support maximisation of the collectible rate and better information to forecast potential rates income over the short to medium term. The latter will also support better assessment of the impact of regeneration of the city centre on the rates base.
3.3.4	Council officers are also working with DFP officials to find ways to maximise the potential of finance for regeneration projects in the city centre.
<b>3.5</b>	<b>Performance</b>
3.5.1	<u>Financial Improvement Programme:</u> This programme has 22 specific improvement actions relating to Treasury Management, Accounts Payable, Accounts Receivable, Payroll and the Local Government Finance Act (NI) 2011. Work is progressing on each of these areas with completion targeted for March 2017.
3.5.2	<u>Capital Finance Improvement Programme:</u> This is a significant programme of work which will improve the processes and management information available for planning and monitoring of the Council's Capital Expenditure programmes and the integration of capital processes within the Property and Projects and Finance and Resources Departments.
3.5.3	A high level implementation plan has been prepared and the project governance structure established. The detailed programme, resources requirements and timelines will be agreed by the Project Oversight Board in January 2017 with the major process work also commencing in January 2017.
3.5.4	<u>The Efficiency Programme:</u> An annual target of £2.0m for efficiencies in each of the years 2017/18, 2018/19 and 2019/20 has been agreed by the Strategic Policy and Resources Committee. The corporate efficiency programme, together with additional departmental savings have generated £2.75m of efficiencies as part of the 2017/18 rate setting process.
3.5.5	<u>The City Investment Fund:</u> A City Centre Investment Fund of £18.77m has been established by the Council to support physical regeneration in the City Centre and improve the City's Rate Base and hence the financial sustainability of the Council as part of the Belfast Agenda.
3.5.6	The high level Investment Principles for the CCIF have been agreed by the Strategic Policy and Resources Committee and one major joint development project has already commenced with the support of the fund.

3.5.7	A dedicated finance manager who will provide specialist investment and technical financial support as part of the City Centre Regeneration Team is currently being recruited on a permanent basis.
3.5.8	<u>Management of the Key Financial Risks:</u> The main action which oversees the management of the key financial risks is the Council's agreed rate setting process.
3.5.9	The Strategic Policy and Resources Committee agreed the key milestones and actions for the 2017/18 rate setting process at its meeting in June 2016. This included the delivery of £2m of cash savings as part of the corporate efficiency programme for 2017/18 and reporting against the milestones to Committee.
3.5.10	Performance against this agreed timetable and is well on course to enable political decisions on the 2017/18 district rate, based on robust revenue estimates, to be made by the statutory deadline of the 15 February 2017. The efficiency programme has delivered efficiencies in excess of the £2m target for 2017/18.
3.5.11	The 2016/17 rates settlement is forecast to require a clawback by LPS due to decline in the rate base, as major existing properties are removed during the period of redevelopment. The timeline for new developments in the City Centre mean that the 2017/18 rate base will also be negatively affected.
<b>3.6</b>	<b>Areas for improvement</b>
3.6.1	The establishment of the City Centre Investment Team is essential to supporting the City Centre Regeneration strand of the Council's Medium Term Financial Strategy. The Finance and Resources Department will support the Director of City Centre Regeneration in establishing financial skills within the team to enable management of the City Centre Investment Fund until this team is fully recruited.