

<b>Title of Report:</b>	<b>Officer Presenting: Lead Finance Officer</b>
<b>Quarter 3 financial outturn and year- end financial plan</b>	<b>Author: Lead Finance Officer</b>

## **1 Purpose of Report/Recommendations**

1.1 The purpose of this report is for Members to consider and approve Council's Quarter 3 financial outturn and position at 31<sup>st</sup> December 2018.

## **2 Background**

2.1 Members will recall the rates estimates process for Council for the year ended 31st March 2019. This approved an overall expenditure budget of £58,540,947 to be funded as follows:-

- District rates (Domestic and Non- Domestic and de-rating grant) 54,564,512
- Rates support grant 3,325,833
- Transferring Functions Grant 350,602
- Council reserves 300,000

2.2 It is important that Members are provided with regular financial updates in relation to performance against budget and this report provides the position after 9 months.

## **3 Key Issues**

3.1 Council's Quarter 3 financial outturn summary is attached in Appendix 1 and shows a surplus position of £754k at Quarter 3. This represents an improvement on the £587k position reported at Quarter 2. Appendix 1 provides a detailed analysis of the variances contributing to the current underspend position. This report also presents an opportunity to consider a range of pressures and priorities in advance of the year-end outturn position which will not be known until June 2019. In this regard, the report includes a number of exceptional items (highlighted in yellow) which have been incorporated into the Quarter 3 outturn position and summarised below:-

Details	£000
<b>Directorate favourable outturn position at Quarter 3 (excluding exceptional items). Members should note that this includes a sum of £40k ringfenced in relation to funding of an advice services resource as identified during the rates estimates process.</b>	<b>660</b>
<b>Exceptional items:-</b>	
Capital and loan charges- Relates to in-year loan charge savings arising from loan charges approved for projects which won't complete until subsequent financial years offset by allocations to a number of projects through this committee in July 2018 and November 2018 following consideration of Capital and Corporate Projects Planning Group.	349
Rates Support Grant backdated payments to Council following Court of Appeal judgement in relation to the allocation formula taken by Mid Ulster Council and additional in-year budgets allocated by DFC following recent year cuts.	1,108
Forecast rates outturn position as advised by Land and Property Services and due to continued ratebase growth. Whilst there remains a significant risk around non-domestic revaluation appeals, Council has set aside a provision of £1.7m to deal with this.	1,120
Severance costs- immediate financing as opposed to over 3 year payback period and salary costs of associated officers up until various departure dates in 2019/20. These have enabled a further £819k of efficiencies to be realized during the recent 2019/20 rates process and contributing to overall efficiencies of £3.108m realised by the new Council since 2015.	(2,353)
Pressures associated with upcoming election costs as identified in separate report and HMRC challenge in relation to VAT status of Planning Property Certificates	(130)
<b>Reported Quarter 3 outturn</b>	<b>754</b>

3.2 Whilst this is a positive picture, it is not yet a final outturn position. In addition, there are a number of further considerations which must be considered in advance of the year-end position as follows:-

- Members will note that a sum of £300k of Council's 2018/19 net expenditure is funded from Council's District Fund reserves. During the recent rates estimates process, Members increased this sum to £600k to minimise rates implications and approved a revised strategy to reduce this back to zero. In line with this strategy, it would be prudent to target a £300k year-end surplus position and maintain Council's current District Fund balance.

- Repairs and renewals- Given the extent of Council's asset portfolio, it is normal practice to set aside money at year-end to address unexpected issues that may arise throughout the subsequent year. It would therefore be prudent to earmark a sum £300k in this regard in line with previous years.
- Pending confirmation of the year-end outturn, this would leave a further sum of circa £150k which could potentially be utilised to address other strategic and community priorities.

3.3 **City Deals and strategic capital projects-** Significant progress has been made in relation to the advancement of Council's ambitious City Deal proposals. Following the announcement by the Chancellor on 29<sup>th</sup> October 2018 that negotiations would begin with Derry/ Londonderry and Strabane for a City Deal, detailed strategic outline cases for all the agreed projects were submitted to Ministry of Housing Communities and Local Government and relevant Northern Ireland Departments in December 2018. Detailed discussions are progressing in relation to feedback received on these and overall funding models. Members will recall that Council has earmarked significant investment as part of the recent 2019/20 rates process bringing total capital funding available by Council towards these strategic projects to circa £20m. This is in addition to the £120m investment programme already approved by Council towards community projects.

3.4 Members will be aware that 2 full time resources and a further part time resource have been engaged through SIB along to assist in the development of Council's community centre projects and also Council's strategic leisure aspirations and major regeneration projects in both Derry and Strabane as part of the wider City Deal proposal. It is important that this resource continues to be available at this very important stage of negotiations. It is therefore proposed that a sum of £200k is set aside to enable these resources to be funded for a further year until 31<sup>st</sup> March 2020 to ensure continued advancement of the community centre projects and also Council's strategic leisure and regeneration proposals as part of City Deal. This cost can be funded from 2019/20 in-year capital savings. From a procurement perspective, payment to SIB will simply cover costs actually incurred on behalf of the Council for this project, resulting in no pecuniary interest or economic benefit derived by SIB and therefore no procurement issue.

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#### **4 Financial, Equality, Legal, HR, Improvement and other Implications**

4.1 As noted above, Council is reporting a surplus of £754k for the first 9 months. This is a positive position. Whilst it is hoped that further savings will materialise in the remaining months of the financial year, this cannot be assumed at this stage.

- 4.2 A number of other priorities have been identified and further consideration will be given as part of the year-end outturn position to be finalised in June 2019.

## **5 Recommendations**

- 5.1 Members are asked to approve the Quarter 3 month financial position and note the surplus of £754k generated for the first 9 months of the 2018/19 financial year, of which £300k is allocated to reserves to maintain Councils current District Fund balance, £300k is allocated to repairs and renewals resulting in a remaining sum of £150k (pending confirmation of year-end outturn) which could potentially be utilised to address other strategic and community projects.
- 5.2 Members are asked to approve a sum of £200k to be set aside from 2019/20 capital savings to continue engagement of SIB resources for a further year until 31<sup>st</sup> March 2020 and ensure continued advancement of the community centre projects and Council's strategic leisure and regeneration proposals as part of City Deal.

## **Background Papers**

### **Appendix 1 Quarter 3 financial outturn 2018/19**