

Title of Report:	Officer Presenting: Lead Finance Officer
Quarter 3 Financial Outturn update 2019/20	Author: Lead Finance Officer

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 31st December 2019.

2 Background

- 2.1 Members will recall the rates estimates process for Council for the year ended 31st March 2020. This approved an overall expenditure budget of £61,864,718 to be funded as follows:-

	£
Rates income (including de-rating grant)	57,668,705
Rates Support Grant	3,233,276
Transferred Functions Grant	362,737
Reserves (Forecast loss)	600,000
Total expenditure budget	61,864,718

- 2.2 It is important that Members are provided with regular financial updates in relation to performance against budget, in particular to identify any financial issues or pressures, 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 £214k (0.45%) at the end of Quarter 3. This position is summarised in the table below:-

Area	Budget £000	Actual £000	Surplus £000
Cross Cutting Corporate Services	5,722	5,612	109
Health & Community	7,992	7,927	65
Business & Culture	6,449	6,432	17
Environment & Regeneration	19,466	19,457	9
Capital and loan charges	6,402	6,402	0
Other costs/ income	414	400	14
City of Derry Airport	2,498	2,498	0
Transfer to/ from reserves	(1,184)	(1,184)	0
Funded by:-			0
Rates support grant	(2,425)	(2,425)	0
Rates income	(41,622)	(41,622)	0
Derating Grant	(1,630)	(1,630)	0
Transferring Functions Grant	(272)	(272)	0
Reserves	(450)	(450)	0
Total	1,360	1,146	214

3.1 This is a positive position and represents prudent financial management. It remains however much too early to assume that these savings will continue or indeed be reversed due to other financial pressures between now and year- end. Whilst savings have been reported due to close budgetary control, the trend has slowed due to increasing demand on Council services and emerging cost pressures.

3.2 The key points to note are as follows:-

- Planning and building control income figures continue to rise and are ahead of budget by £248k at the end of Quarter 3. This is a positive sign of continued development in the Council area.
- Linked to the continued increase in planning and building control income figures, quarter 3 rates income forecast figures provided by Land & Property Services are positive. This is due to continued significant growth in domestic properties with 775 new properties coming online during the last year providing Council with a 1.3% increase in its' domestic ratebase. Non-domestic growth has however been limited with any new properties being offset by ongoing appeals against the 2015 non-domestic revaluation. No favourable variance has therefore been reported in this regard and no assumptions can be made until year-end due to the sensitivity of these figures, particularly in light of the ongoing non-domestic revaluation appeal potential and the new Reval 2020 process. This remains a significant financial risk for Council against which a £1.7m reserve has previously been created and remains as a contingency until these appeals are concluded.

- Capital and loan charges- Council generally has significant in-year savings due to loan charge funding being earmarked for major capital projects (including City Deal) which have not yet completed and for which MRP charges will not crystallise until the year following completion of the project. In the first instance, these savings have been earmarked to fund new emerging financial pressures (severance costs, repairs and renewals, potential judicial review costs associated with issue of mineral prospecting licenses by the Department, and City of Derry Airport). Remaining savings have been considered separately for re-investment in the capital projects approval report following consideration by the Capital and Corporate projects Group in October.

3.3 Members will recall from June Committee reports that 2019/20 commenced with a number of disappointing financial pressures which Council was not made aware of until after its rates setting process, as follows:-

- 6% cut to Rates Support Grant as opposed to the 4% assumed for the purposes of setting the District Rate- £65,074 financial impact for 2019/20.
- Additional employer's pension contributions required in relation to transferred Planning staff- circa £132,000 financial impact for 2019/20.

3.4 In combination, these total £197k which presents a significant financial pressure for this financial year (2019/20). Fortunately, money was able to be set aside in reserves as part of the 2018/19 outturn report to cover these during 2019/20, however, these along with projected further cuts and pressures have been considered as part of the current ongoing rates considerations for 2020/21. Other pressures highlighted in this report which have also been considered as part of the current rates process include the significant increase in fuel costs over recent months affecting both fleet costs in Environment and premises costs in Leisure, increased maintenance and health and safety costs across all facilities, and sickness costs in street cleansing and refuse collection which are not budgeted for.

4 Financial, Equality, Legal, HR, Improvement, Rural Needs and other Implications

4.1 As noted above, Council is reporting a surplus of £214k for the first 9 months. This is a positive position. Whilst it is hoped that further savings will materialise between now and year-end, this cannot be assumed at this stage.

5 Recommendations

5.1 Members are asked to approve the 9 month financial position and note the surplus of £214k generated for the first 9 months of the 2019/20 financial year.

Background papers

Appendix 1 DCSDC Nine month financial outturn 2019/20