

**FINANCE COMMITTEE MEETING HELD THURSDAY 8 SEPTEMBER 2022
RECONVENED TUESDAY 27 SEPTEMBER 2022 AT 6PM**

	Item	Summary of Key Recommendations
	Finance Committee Meeting held Thursday 8 th September 2022	<i>Business Adjourned</i>

**Reconvened Finance Committee meeting held Tuesday 27 September 2022
at 6PM**

	Item	Summary of Key Recommendations
1.	Apologies	<i>Nil</i>
2.	Declarations of Interest	<i>Nil</i>
3.	Minutes of Finance Committee meeting held Thursday 9 th June 2022	<i>Signed as a correct record</i>
	'In Committee' Items 4-11 inclusive	
4.	P4 Management Accounts	<i>Information</i> <i>Raise Northern Ireland Public Sector Ombudsman's costs with the Partnership Panel</i>
5.	P4 Debt Management Report	<i>Information</i>
6.	P4 Prompt Payment Statistics	<i>Information</i>
7.	Independent Finance Member	<i>to recommend to Council Option 1: 'Seek no further support' due cost saving measures and oversight already in place and progress made as outlined in</i>

		section 3 of this report.
8.	Q1 Forecast	Information
9.	Q1 Affordability – 5 Year Capital Expenditure Forecast	Information
10.	Finance System Implementation Update	Information
11.	Any Other Relevant Business (notified in accordance with Standing Order 12 (o))	Nil

**MINUTES OF THE PROCEEDINGS OF THE MEETING OF THE
FINANCE COMMITTEE HELD
IN THE COUNCIL CHAMBER, CIVIC HEADQUARTERS AND VIA VIDEO
CONFERENCE ON THURSDAY 8 SEPTEMBER 2022 AT 7PM**

In the Chair: Alderman McLean (C)

Members Present: Alderman Duddy (C), A McQuillan (C);
Councillors Beattie (R), Bateson (R), Holmes (R),
C McQuillan (R), Nicholl (R), Peacock (R), Scott (C)

**Non-Committee
Members Present:** Alderman S McKillop (R)

Officers Present: M Smyth, Director of Finance (Interim) (C)
D Wright, Chief Finance Officer (C)
I Owens, Committee & Member Services Officer (C)

In attendance: A Lennox, ICT Mobile Operations Officer (C)

The Director of Finance (Interim) undertook a roll call.

The Chair advised Committee that given the sad news of the passing of Her Majesty The Queen Elizabeth II, that he wished to observe a Minute's Silence and recommend to adjourn the meeting as a mark of respect.

The Chair invited all those in the Chamber and at home, who wished to be upstanding to observe a Minute's Silence as a mark of respect.

The Chair advised that a Proposal was required to adjourn the meeting.

Proposed by Councillor Scott
Seconded by Alderman A McQuillan and

AGREED – to recommend that the Finance Committee meeting business be adjourned, to a date which will be scheduled.

This being all the business the Chair thanked everyone for their attendance and the meeting adjourned at 7.10 pm.

**MINUTES OF THE PROCEEDINGS OF THE MEETING OF THE
FINANCE COMMITTEE HELD
IN THE COUNCIL CHAMBER, CIVIC HEADQUARTERS AND VIA VIDEO
CONFERENCE RECONVENED TUESDAY 27 SEPTEMBER 2022 AT 6PM**

In the Chair: Alderman McLean (R)

Members Present: Alderman Duddy (C), Hillis (C), A McQuillan (C)
Councillors Bateson (R), Beattie (R), Callaghan (C),
Callan (R), Holmes (R/C), McCaw (R), C McQuillan (R),
Nicholl (R), Peacock (C), Scott (R)

**Non-Committee
Members Present:** Councillor McMullan (R)

Officers Present: M Smyth, Director of Finance (Interim) (C)
D Wright, Chief Finance Officer (C)
J Keen, Committee & Member Services Officer (C)

In attendance: A Lennox, ICT Mobile Operations Officer (C)

The Director of Finance (Interim) undertook a roll call.

The Chair advised Committee of its obligations and protocol whilst the meeting was being audio recorded; and with the remote meetings protocol.

1. APOLOGIES

There were no apologies recorded.

2. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

**3. MINUTES OF FINANCE COMMITTEE MEETING HELD THURSDAY 9 JUNE
2022**

Summary previously circulated.

Alderman A McQuillan stated at the last meeting he had requested a report on the spend of previous Mayor's expenses; he noted this it was not in the Minutes and a report had not been presented at the meeting.

The Director of Finance (Interim) confirmed the report would be brought to the next Finance Committee.

MOTION TO PROCEED 'IN COMMITTEE'

Proposed by Alderman A McQuillan
Seconded by Councillor Callan

AGREED – that Committee move ‘*In Committee*’

The information contained in the following items is restricted in accordance with Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014.

4. P4 MANAGEMENT ACCOUNTS

The Director of Finance (Interim) provided a verbal update:

- At the end of P4, Council is reporting an adverse loss of £326k.
- The staffing position has now changed, if today’s knowledge is used as assumptions based on Members current offer, the latest position moves the bottom line from £326k adverse to £234k surplus;
- Many other costs are rising; insurance is £200k adverse, rates £22k adverse, building material costs £180k adverse, electricity £343k adverse and increased ombudsman costs.
- At P4, gas costs are £230k and £30k surplus to budget, that may be explained by the drop in wholesale gas costs indicated in the Bank of England graphs in our forecasts.
- The P4 cash position remains strong at £21M, but this will reduce by circa £4M on the next loan repayment in August.
- Useable reserves are in a good position at £22M. Council’s current ratio remains above 1 (when MRP and interest repayments considered as short term debt). Anything below 1 may be an indicator of liquidity issues.
- The in-year Capital Expenditure is £1.2M and while this is an indicator of the overall Capital Expenditure, there may be associated grants that will lower this amount.
- Our Capital Financing Requirement, that is to be kept below £80M, is calculated at £71M.
- Leisure and Development are reporting strong income to budget in Holiday and Leisure Parks and Leisure Centre Income - £259k.
- Car Park income is picking up again and a £136k favourable position.
- Posts remained unfilled as a cautious approach to inflationary pressures.

*** Councillor Beattie joined the meeting remotely at 6:09pm.**

In response to questions, the Chief Finance Officer provided clarity regarding the Ombudsman’s fees paid by Council. NIPSO has submitted an increased budget in recent years and this is deducted from Council’s Transferred Functions Grant meaning Council receive a reduced grant. The Chief Finance Officer confirmed that Finance Officers have challenged the increase in fees.

In response to questions if future energy costs can be added to the accounts the Director of Finance confirmed energy costs were actual figures; these are not approved until they are received (or accrued).

Alderman Duddy stated the Northern Ireland Public Sector Ombudsman costs should be raised with the Partnership Panel.

5. P4 DEBT MANAGEMENT PROGRAMME

Report, previously circulated, was presented by the Director of Finance (Interim).

Purpose of Report

This report informs members of the current position surrounding debt owed to the Council by its customers.

Background

Council implemented a revised Debt Management Policy in February 2017.

Due to the timing of this committee meeting the data being presented is July as August information was not available at the time of writing.

Detail – Aged Debt Analysis

Table previously circulated as at 31 July 2021 and 31 July 2022.

Table previously circulated showing movement and comparison between last year and this year (31 July 2021 and 31 July 2022)

The 90 days and over figure includes debts relating to Business Improvement District (BID) invoices (£20,416), the BID debt belonging to a third party. In addition it includes amounts for caravan site fees (£353,022.39) and rents (£18,750) which are being paid by direct debit. Adjusting for these figures the debt which Council staff are actioning in accordance with the debt management policy amounts to £242,060, as reported previously it should be noted that £135,291.37 relates to the waste disposal customer who has gone into administration.

The tables, previously circulated, detail the status of any debt which was over 90 days in excess of £10 at the previous report but which has now been cleared.

Over 90 Days analysis

The tables, previously circulated, detail the status of any debt which was over 90 days in excess of £10 currently (excluding BID and direct debit accounts):

Options

Debt write-off under £1,000

In accordance with our debt management policy I am required to report to Council any debts under £1,000 which the Chief Finance Officer has the authority to write-off. There are no such debts this month.

Debt Write-off over £1,000

In accordance with our debt management policy, Council approval is sought in order to write off any debts in excess of £1,000. Whilst there is no write-off

required at this point Council is reminded that a significant debtor has gone into administration. Further detail was provided within the confidential report.

In response to questions regarding an update on the situation with the debtor who had gone into administration the Director of Finance advised there was no further update at present and provided an estimated timeframe of when to expect payment.

In response to questions regarding debt in relation to caravan site fees, the Director of Finance provided detail of how these fees were collected.

In response to questions regarding a specific debt the Chief Finance Officer provided further detail and confirmed that the debt had now been paid.

* **Councillor Bateson joined the meeting remotely at 6:18pm.**

6. P4 PROMPT PAYMENT STATISTICS

Report, previously circulated, was presented by the Director of Finance.

Background

Department for communities (DfC) requires Council to record and publish statistics regarding the payment of supplier invoices with specific reference to two distinct measures namely invoices paid within 10 working days and invoices paid within 30 calendar days.

Detail

These figures are published on a quarterly basis by DfC with Councils required to do likewise. The purpose of the statistics is to encourage Councils to support businesses especially those local and/or small businesses for whom cash flow is of vital importance to their continued survival. In addition as part of Council's performance improvement plan for this year the payment of our suppliers has been identified as one of the performance improvement objectives with a target of 90% of suppliers being paid within 30 calendar days. Due to the timing of this committee meeting the latest available data is for July, normally it would be the previous month but at the time of writing August data was not available, the previous report presented to committee was at the June committee therefore comparatives are the last reported data which was for May 2022. The tables below detail Council's performance since April 2019 the latest data being for quarters 1 and 2 of 22/23 year being up to and including end of July 2022. The excellent start in terms of performance for 2022/23 has seen a drop in performance, most likely due to the July holidays, with 49.05% (65.22% for May) of invoices were paid within 10 working days and 80.46% (86.26% for May) of invoices were paid within 30 calendar days.

Improvement Actions

Whilst the recent figures have declined from previous months, they are still good but Council cannot afford to rest on its laurels. There is still room for improvement as other Councils have performance that is higher than Causeway Coast and Glens Borough Council therefore, we must now strive to firstly

recover the earlier reported levels of performance and with the implementation of a new finance system seek to identify efficiencies in our processes especially where the new technology can offer electronic solutions to manual tasks. It should be noted that the process of implementing the new finance system is ongoing and Council should be able to expect future improvements once the implementation is complete.

Prompt Payment Statistics 2019/2020					
	Q1	Q2	Q3	Q4	Total
Total No of Invoices	5453	7504	7102	7923	27982
Total amount paid	£ 11,235,850	£ 14,304,005	£ 11,816,835	£ 15,184,690	£ 52,541,380
Number of invoices paid within 10 days	1767	2648	3078	3818	11311
% of invoices paid within 10 days	32.40%	35.29%	43.34%	48.19%	40.42%
Number of invoices paid within 30 days	4177	5924	5723	6404	22228
% of invoices paid within 30 days	76.60%	78.94%	80.58%	80.83%	79.44%
Number of invoices paid outside 30 days	1276	1580	1379	1519	5754
% of invoices paid outside 30 days	23.40%	21.06%	19.42%	19.17%	20.56%
No. of Disputed Invoices	36	80	107	99	322
% of disputed invoices	0.66%	1.07%	1.51%	1.25%	1.15%
Average Payment Days	23.52	24.26	21.55	21.68	22.7
Prompt Payment Statistics 2020/2021					
	Q1	Q2	Q3	Q4	Total
Total No of Invoices	3424	5544	5802	6296	21066
Total amount paid	£ 5,602,247	£ 10,310,263	£ 10,622,455	£ 17,216,296	£ 43,751,261
Number of invoices paid within 10 days	2414	3804	4308	4087	14613
% of invoices paid within 10 days	70.50%	68.61%	74.25%	64.91%	69.37%
Number of invoices paid within 30 days	2846	4951	5184	5383	18364
% of invoices paid within 30 days	83.12%	89.30%	89.35%	85.50%	87.17%
Number of invoices paid outside 30 days	578	593	618	913	2702
% of invoices paid outside 30 days	16.88%	10.70%	10.65%	14.50%	12.83%
No. of Disputed Invoices	10	82	102	57	251
% of disputed invoices	0.29%	1.48%	1.76%	0.91%	1.19%
Average Payment Days	15.52	13.85	16.26	17.06	15.74
Prompt Payment Statistics 2021/2022					
	Q1	Q2	Q3	Q4	Total
Total No of Invoices	5830	6442	7117	6567	25956
Total amount paid	£ 12,255,753	£ 14,938,664	£ 11,824,362	£ 16,652,683	£ 55,671,462
Number of invoices paid within 10 days	4139	4113	5240	4331	17823
% of invoices paid within 10 days	70.99%	63.85%	73.63%	65.95%	68.67%
Number of invoices paid within 30 days	5447	5886	6613	5893	23839
% of invoices paid within 30 days	93.43%	91.37%	92.92%	89.74%	91.84%
Number of invoices paid outside 30 days	383	556	504	674	2117
% of invoices paid outside 30 days	6.57%	8.63%	7.08%	10.26%	8.16%
No. of Disputed Invoices	32	26	48	28	134
% of disputed invoices	0.55%	0.40%	0.67%	0.43%	0.52%
Average Payment Days	15.80	17.23	15.27	16.81	16.27
Prompt Payment Statistics 2022/2023					
	Q1	Q2	Q3	Q4	Total
Total No of Invoices	6461	1904			8365
Total amount paid	£ 17,214,458	£ 4,008,325			£ 21,222,783
Number of invoices paid within 10 days	4446	934			5380
% of invoices paid within 10 days	68.81%	49.05%	#DIV/0!	#DIV/0!	64.32%
Number of invoices paid within 30 days	5872	1532			7404
% of invoices paid within 30 days	90.88%	80.46%	#DIV/0!	#DIV/0!	88.51%
Number of invoices paid outside 30 days	589	372	0	0	961
% of invoices paid outside 30 days	9.12%	19.54%	#DIV/0!	#DIV/0!	11.49%
No. of Disputed Invoices	33	10			43
% of disputed invoices	0.51%	0.53%	#DIV/0!	#DIV/0!	0.51%
Average Payment Days	16.24	20.19	#DIV/0!	#DIV/0!	17.14
* Incomplete period					

7. INDEPENDENT FINANCE MEMBER

Confidential report, previously circulated, was presented by the Director of Finance.

Purpose of Report

This report is to update Members on the position of the Finance Committee Member that was appointed in March 2022.

Options

Option 1: Seek no further support

Based on the financial support embedded within the finance and audit team, Members agree that no external support is needed.

This will provide cost saving measures.

Option 2: Seek additional alternative support.

Members seek alternative support similar that was previously provided by PWC. This will provide an additional level of oversight for Members.

Recommendation

It is recommended that the Finance Committee recommends to Council "**Option 1: Seek no further support**" due cost saving measures and oversight already in place and progress made as outlined in section 3 of this report.

* **Councillor McCaw joined the meeting remotely at 6:21pm.**

Councillor Peacock expressed disappointment the Committee could not have an Independent Member, acknowledged the financial burden of engaging with PwC and felt it prudent to consider Option 1 as outlined in the report.

Proposed by Councillor Peacock

Seconded by Alderman Duddy and

AGREED – to recommend to Council *Option 1: 'Seek no further support'* due cost saving measures and oversight already in place and progress made as outlined in section 3 of this report.

8. Q1 FORECAST

Confidential report, previously circulated, was presented by the Director of Finance.

Purpose of Report

This report is to give Members a forecast of the financial position in March 2023 without intervention, what the reserve position could be at the end of 2022/23 and 2023/24, and actions Officers propose, subject to Member's approval.

The purpose of this report is to act as an early warning signal and allow Members to direct officers as they see appropriate to influence the P12 outcome, and future reserve position.

This report ignores any subvention that may be provided by Central Government on the basis that there is no current indication of that support.

Executive Summary

This purpose of the Executive Summary is to give Members a high-level insight to the key issues in this report and provide forward-thinking decision-making options.

Embedded inflationary pressures are likely to lead to significant financial pressures if not addressed. Reputable forecasters suggest inflation could be as high as 18% this year, alongside significant staff rises and a carried forward applied balance, this has potential to cause significant financial stress for the Council.

If action is not taken swiftly or there are unreasonable delays in decision making, without government support, the 2022/23 budget deficit is estimated at £6.02M this year with a proposed 18% rates increase in February 2023.

Reserves will further reduce by £3.8M 2023/24 budget deficit, moving Councils "Free Reserves" from £11.7M to £1.9M, with potential reserve issues and cash-flow issues materialising in 2024/25.

Background

Forecasting the future is fraught with danger of getting estimates wrong, especially under volatile geopolitical conditions, but is an essential part of financial planning and good governance, that allows Decision Makers to take appropriate action as they see necessary.

CPI Inflation

The Bank of England has revised its November 2021 forecasts, that influenced Council's rate setting in February, from 5% to 13% in August, stating that these levels will remain elevated before falling back in 2 years' time, to below 2%.

Other forecasts from Citi Bank stating that inflation will peak at 18.6% in January 2023.

In February 2022, Council approved a 3.49% inflationary increase for the year ahead.

Gas Increases

Gas prices have increased from historical lows of circa 50p/therm to highs of over 500p /therm, a 900% increase at its peak. These costs are expected to remain elevated for the next 2 years, particularly this coming winter, until stabilising in 2025 at circa 100p / therm. This indicates that Council can expect

a spike in gas and electric costs over the next 2 years, before settling at an 100p/therm inflationary rate.

In February 2022, Council approved a 100% increase in gas costs, that equated to a 100p/therm and provided a budgetary value of £893k. As at Q1, 2022 actual gas costs are recorded at £168k compared to £64k in the previous quarter, an additional 160% increase. According to the Bank of England forecast, indicated in the above table, these Q1 costs are ahead of the winter spike so the variance is expected to significantly widen and deteriorate.

Looking into detail spot markets and future curves, estimates are that gas costs will be £2.68M this year, an adverse deficit of £1.78M.

Electric Increases

The Bank of England reported that higher gas prices have led to a sharp pick-up of wholesale electricity prices that have trebled (200% increase) compared to the previous year and assumed will be influenced by further spikes in gas prices.

In February 2022 budget setting round, Members approved a 75% electricity increase that resulted in annual budget of £1.47M. As of Q1, Council's electricity actuals were £526k compared to the previous year of £105k.

Looking into detail spot markets and future curves, Council estimate that the actual electric costs will be £2.7M this year, an adverse deficit of £1.23M.

Staff Increases

Staff salaries are budgeted at £34.4M and includes an approved 2% increase (circa 700k) but current inflation has put additional pressure on this allowance.

Recent Union pay negotiations saw other Councils award a pay increase of 2 spinal points over 2 years, a £750 hardship award and implementation of the NJC pay award that currently sits at £1,925 per person.

If the above measures are implemented within CC&G, it is forecasted that increased salary costs for 2022/23 will reach £4.21 a shortfall of £3.51M if we consider we have £0.7M budgeted increase, along with an expected increase of at least £1.89M in 2023/24 for an additional salary point increase, that will factor into the rate setting process for 2023/24.

Other Inflationary Increase

Ignoring staff and energy costs, Council has circa £8.7M budgeted costs that are exposed to inflationary increases, such as vehicle parts and construction materials.

If inflation peaks at 18.6%, as predicted by Citi, it is assumed that the unbudgeted inflation amounts on these costs is averaged at 5.81%, throughout the year and equates to an additional £0.51M pressure on the 2022/23 budget.

Applied Balance

The 2022/23 budget was approved with a £1.3M inflationary “Applied Balance” that will result in a continuous drain on reserves until action is taken to compensate this deficit through increased revenue / decreased costs, or in future rate settings. A £1.3M balance is therefore included in these forecasts.

Financials

Budget Deficit and Reserve Impact

If forecasted assumptions prove correct and operations continue as planned per budget the forecast 2022/23 deficit is expected to be £6.02M and tabled below and compared with best, expected, worst case scenario in the following table, previously circulated.

Useable reserves at the end of 2021/22 were £22.1M and include ring-fenced reserves that amount to £10.4M. Ignoring ring-fenced reserves our “Free Reserves” are £11.7M. The impact of the 2022/23 and 2023/24 budget deficit on these Free Reserves are tabled as best, expected, worst case scenario in the following table, previously circulated.

The 2023/24 budget deficit relates to energy and applied balance costs as it is assumed that inflationary increases in that year will be met through rate increases, cost reduction or income generation.

Inflationary Pressure on 2023/2024 Rates Setting

The Bank of England forecast that inflation will reduce to above zero in over 2 years, as tabled in section 4.6. The Bank forecasts also indicate that the current gas levels are spiked and will return to 100p/therm in 2 years’ time, as tabled in section 3.5 of this report, in line with our current budget allowance. It is assumed electric will follow in the same path as gas.

Based on the Bank’s forecast it is assumed that the current spikes in energy will not have an inflationary impact on the medium term and any short-term impact can either be mitigated through reserves, temporary cost savings or income generation, or rate increases.

Inflationary costs that will embed in 2023/24 rate settings therefore include:

- Salary increases for 22/23 (£4.21M) / 23/24 £1.89M) = £6.1M.
- Applied Balance £1.3M
- Inflation 9.5% will remain high next year - table 1, previously circulated

It is assumed that any increase in prices will remain sticky and will not fall back, therefore inflationary increases will become permanent.

If forecasts and assumptions prove correct, our 2023/24 rates increase is expected to be 18.2% to maintain services as they are.

Current Cost Saving Measures in Pipeline

Officers have looked at costs savings measures to reduce the £1.3M Applied Balance in the current year. A number of options are being considered, based

on Member's approval, and will be put forward at respective committees in the following months.

Finance is aware of circa £984k in year cost savings and £1.758M annual savings next year are to be tabled for approval at respective committees and Council.

If costs savings outlined in 5.2 are agreed and materialise, the best, expected and worst closing reserve position are tabled as, previously circulated.

Embedded Pressures that need addressed

Councils' financial pressures are significantly embedded inflationary pressures that if not address, will continually be a drain yearly on reserves.

Ignoring general inflation on goods and services, £6.1M staffing increases and £1.3M carried forward Applied Balance, relates to £7.3M pressure alone at the rate setting for 2022/23 (14% on the rates).

General inflationary costs on other items will add additional pressures.

If Council do not address these inflationary pressure issues through cost savings or income generation, rate increases or central government funding, it is estimated our reserves be a concern within 2 years.

Recommendation

Members are asked to note the financial challenges and risks ahead and note the Trade Union Local Pay and Condition Demands to review salary increases, is tabled for Council Meeting on September 6th, 2022.

In response to questions the Director of Finance confirmed the steps being taken to reduce energy costs within Council buildings, such as looking at reducing temperatures and in response to Councillor Peacock's suggestion to look at renewables further advised of the steps already being looked at to use renewable energy and that solar panels already existed on some council buildings. In response to Councillor Peacock's request the Director of Finance confirmed that a cost benefit analysis can be brought back to Finance Committee regarding using renewable energy sources.

In response to questions regarding information contained within the report the Director of Finance provided further details. The Director of Finance advised that 75% of budgeted gas costs relates to the 3 key leisure centres, and that he is aware that measures are being looked at to assess these costs.

In response to questions the Chief Finance Officer confirmed which Council buildings use gas. The Chief Finance Officer provided further information on how financial reserves are used, how some fees (such as dog licenses) are set

and on how income can be generated providing an example of how another Government organisation had done this.

- * **Councillor Holmes attended the meeting in The Chamber at 6:54pm, having been in attendance remotely.**

Discussion occurred regarding the Council's finances in relation to where savings could be made, how revenue can be generated and planning for the rate setting process can start now. Discussion also included cost cutting measures being brought through the respective Committees. Further discussion occurred regarding using financial reserves and setting limits on what reserves can be used. The Director of Finance confirmed that a report can be brought back to the Finance Committee with a recommendation of a minimum buffer of reserves which would be in addition to the recommended reserves from the Department for Communities.

Proposed by Councillor Peacock
Seconded by Alderman Duddy and

AGREED - to recommend to Council that other services areas undertake a review of their charging structures; that this is considered and taken forward through the relevant Committees.

The Director of Finance advised that this would be brought through the Senior Leadership Team.

Alderman Duddy stated the Finance Committee can make recommendations; that the Committee is charged with finance and seconded the proposal.

9. Q1 AFFORDABILITY – 5 YEAR CAPITAL EXPENDITURE FORECAST

Confidential report, previously circulated, was presented by the Director of Finance.

Purpose of Report

This report is to give Members estimates of forecasted Capital Expenditure over the next 5 years, aligned to Council's self-imposed £80M debt ceiling.

Executive Summary

This purpose of the Executive Summary is to give Members a high-level oversight to the key issues in this report and provide forward-thinking decision-making opportunities.

Council has a debt ceiling of £80M and 70 projects in the pipeline over the next 5 years. Ensuring our debt is kept "affordable" and below the £80M threshold is good financial governance.

Affordability is at risk in the year 2024/25 and the long-term forecast indicates that there is risk levels may be exceeded, but with careful planning closer to the times, projects may be delayed or re-profiled to keep below the £80M debt limit.

Further risks within the estimates are associated with best professional judgement used for costs and profiling that could prove incorrect, or inflationary increases that have not been considered.

Background

Council has circa £220M assets on its Balance Sheet and continues to add to those assets through Capital Expenditure approved by Members and reduced through depreciation, assets sales or impairment.

Capital Expenditure relates to assets that have a greater life cost over one year and therefore is not reflected in the monthly Management Accounts reporting.

Costs that charged to Capital Expenditure sit on the Balance Sheet and only are charged to the annual Income and Expenditure Statement through depreciation at the Year End Financial Accounts.

Council has a self-imposed a debt ceiling of £80M on Council. The Capital Finance Requirement (CFR) is an accounting mechanism that is used to reflect council's debt levels against the £80M debt ceiling, and includes debt that has been borrowed from external debt providers and internally from council reserves.

The Minimum Revenue Position (MRP) is a mechanism that calculates the cost of Council's Capital Expenditure to the rate payer, and this is used to calculate the rates burden. As capital expenditure increases over the long term, so too will the charge to MRP and the ratepayer cost. Excluding interest payments, MRP is budgeted at £6.8M in 2022/23. Annual MRP provisions is used to reduce our CFR balance.

At the end of the 2021/22 financial year, council recorded its CFR at £71.9M, with headroom of £8.1M to the £80M debt ceiling.

Capital Expenditure Stages

On an annual basis, council sets aside capital expenditure for routine essential expenditure for assets such as fleet (bin lorries, vans, IT equipment). Additional capital expenditure comes through Leisure and Development and Environmental Services projects.

In assigning Leisure and Development and Environmental Services within the financial plan, Council follows HM Treasury Gateway Review Stages 1 – 4

At stage 1 – 2, Council have not entered into contractual agreements but may have incurred costs to the Balance Sheet that relate to pre-contract engagements such as Feasibility studies and Business Cases, as approved by Members. At stage 1-2, Members could choose delay or cancel a project on affordability grounds.

At stage 3, with Members' approval, officers enter into binding contractual relationships and work construction begins, making it more difficult and more costly if project changes are needed.

In addition to Stages 1 – 4, Finance includes a stage 0 in its forecasting, that relates to a project that is in the early state pipeline that is likely to get Council approval. At this early stage, no costs are expected to be charged to the Balance Sheet. Finance include this stage to support Members forward thinking and decision making. The decisions and costs to proceed from Level 0 are at Members discretion with consideration to council needs and affordability limits relating to the £80M debt ceiling.

Financials

Ignoring recurring Capital Expenditure around fleet, ICT and infrastructure maintenance, council has 70 projects in the pipeline at various stages of approval. The 70 projects are listed in Appendix 1, previously circulated.

The following table provides estimate CFR to our debt ceiling on all our various staged projects that are in the pipeline over the next 5 years.

Table 1: five year affordability forecast, previously circulated

Affordability is marginally breached in the year 2024/25 but with careful profiling and planning in the 2024/25-year, affordability should be manageable and kept below the £80M limit.

There are risks associated within these estimates where best professional judgement has been used for future costs, profiling or inflationary increases that may not been considered.

Asset Realisation

The Financial Analysis includes and is dependent of the sale of Council assets through Asset Realisation. Over the next 5 years the total values that Council expects to receive is through the sale of its assets is £7.4M and profiled within table 2: asset realisation profile.

Table 2: asset realisation profile, previously circulated

Recommendation

Members are asked to note:

- that “affordability” is at risk of exceeding limits in 2024/25 but with careful detailed 12 month planning on a rolling 3 month basis, affordability levels can be managed through profiling and if necessary, decision making to delay or cancel projects.
- Affordability is dependent on the sale of council assets at the agreed profile and agreed price.

- over the next 5 years there is risks that prices may increase through more detailed evaluations (as projects advance through each stage), inflationary prices are updated, or projects change.

Appendix 1- Project Pipeline, previously circulated.

Alderman Duddy commented on capital projects and funding of same, highlighting the need to focus on projects already in place and consider cost cutting in this area of Council.

10. FINANCE SYSTEM IMPLEMENTATION UPDATE

Confidential report, previously circulated, was presented by the Director of Finance.

Purpose of Report

This report is to update Members on the position of the new finance system implementation with Technology One.

Background

On June 10 2021, officers presented a Business Case to Committee to replace the legacy finance system within council, that was coming to the end of life and developers support.

Council approved the change and implementation of a new finance system.

A procurement exercise took place and Technology One was chosen as the new provider. Technology one is replacing TOTAL for other councils within Northern Ireland. A Go-Live date was set for October 1, 2022.

Over the past several months, the finance team had weekly project team updates, met other councils who have implemented the system, went through design and configuration sessions, and now currently coming to the end of their own training sessions.

User Acceptance Testing has started and will intensify over the coming weeks, ahead of Go-Live. J2BTC, an external consulting firm headed up by ex-TOTAL employees who are familiar extracting TOTAL data and are engaged with other councils, have written programming scripts to extract data ready for upload into Tech 1. It is expected at this stage that council staff will upload this data into TECH 1.

In-House communications have started with a system update in the weekly staff newsletter. Finance is liaising with both the PR team in terms of communications and the ODHR team regarding training.

Delay: A unexpected delay has occurred at a late stage at system configuration that has set the timetable back 2 weeks. System configuration relates to how the finance team expect the new system to look like and perform and is specifically tailored for CC&G Finance Team needs. When extra configuration

happens, this takes extra programming time. Final configuration normally completes just before data migration and user acceptance testing on the new system, but unfortunately these late changes were not built into the project timeline (MS Project Gantt Chart). The project team tried to pull this delay back but being at a crucial time when other priorities need attention, such external audit demands, it has not been possible to do so. The impact of a 2-week delay puts implementation back a month as Go-Live occurs on a month end basis. The new Go-Live date will change from Oct 1, 2022 to Nov 1, 2022. There is no additional cost in the delay.

Financial

Members approved a budget of £545k and at this time the project is expected to complete under budget.

Recommendation

Members are asked to note progress made in the new system implementation and the forecasted budget underspend.

The Chief Finance Officer advised that the Payroll element to be added to the new Finance system may be delayed until the New Year due to the recent announcement from the Government regarding the changes to National Insurance rates and payment dates over Christmas and the New Year.

11. ANY OTHER RELEVANT BUSINESS (NOTIFIED IN ACCORDANCE WITH STANDING ORDER 12 (O))

The Director of Finance informed Committee this was his last meeting and stated that he had enjoyed his time in Council.

The Chair, Alderman McLean, on behalf of the Committee, thanked the Director of Finance (Interim) for the work he had completed during his time in Council.

Alderman Hillis, on behalf of UUP, thanked the Director of Finance for his work in Council and are sorry to see him go.

Alderman Duddy, on behalf of DUP, wished the Director of Finance every success in the future and thanked him for his work in Council.

Councillor Peacock, on behalf of Sinn Fein, thanked the Director of Finance for the work he had done in Council and wished him every success.

This being all the business The Chair thanked Elected Members for their attendance and the meeting closed at 7.40pm.

Chair