Budget and Transformation Panel

Minutes of Meeting No. 6

4 December 2009

Present:

Cllr T Hartley	Sinn Fein (Chair)
Cllr D Browne	UUP
Cllr M Browne	Sinn Fein
Cllr P Convery	SDLP
Cllr M Jones	Alliance
P McNaney	Chief Executive
J Thompson	Director of Finance & Resources
G Millar	Director of Property and Projects
J Minne	Head of Human Resources
R Cregan	Improvement Manager

Apologies:

Cllr R Newton	DUP

1. 2009/10 Financial Position and Reserves

The Director of Finance and Resources updated Members on the forecast revenue outturn for 2009/10 and the impact on reserves as follows:

- The forecast outturn for 2009/10 is an under-spend of £3.9m. There have been several factors which have contributed to this forecast including increased rate income, a lower pay rise than originally assumed and a comprehensive review of the costs of financing the capital programme in 2009/10.
- If the forecast under-spend of £3.9m above is achieved, this would lead to

reserves at 31 March 2010 of £6.6m. However, if Members agree to implement the VR exercise, then the inclusion of the £2.3m of estimated costs in 2009/10 would reduce the year end reserves to some £4.3m. The VR exercise was discussed separately later in the meeting.

2. Estimates and District Rate 2010/11

The Director of Finance and Resources took Members through the presentation which is being used to brief Party Groups on the Estimates and District Rate 2010/11. She summarised the current position to be a 7.81% increase in the rate will would allow Members to:

- Meet the cost requirements of delivering planned services to the population of Belfast;
- Improve the reserves position by a further £2.5m;and
- Deliver the rate financing requirements of the city investment strategy and the **current** capital programme.

The key elements of the 7.81% were discussed with Members in terms of:

- **Department Estimates -** All departments have prepared estimates for 2010/11. As a consequence net expenditure is budgeted to rise by £2.9m which equates to a 2.17% increase on the rate.

- **City Investment Strategy -** In December 2007, it was agreed by the Strategic Policy and Resources Committee that the City Investment Strategy would be funded through the investment of £1m, £2m and £3m over a three year period. 2010/11 is the third year of this arrangement and therefore an additional £1m of funding to cover the city investment strategy will be required.

- **Capital Programme** - the organisation must borrow up to £58m to finance current committed schemes in the capital programme. All the money does not need to borrowed at one time but it does mean there will have to be a stepped increase in the rate over the next four years in order to meet this financial commitment. For 2010/11, capital financing will need to be increased by £1.77m which is the equivalent of a 1.32% increase in the rate.

- **Reserves -** there is a need to build reserves up to an acceptable level for an organisation of this size. This needs to be set in the context of future external financial pressures such as RPA and the implications of the regional rate for 2011/12. In addition, the implementation of the Local Government Finance Bill could mean a more prescriptive approach to the level of reserves and therefore BCC needs to have a sound reserves position as it moves forward.

  Best practice guidance from CIPFA and advice from the local government auditor would indicate that reserves should be in the range of £8m to £10m. We would therefore recommend to Members that, as a minimum, a contribution should be made to reserves from the rate over the next three years as follows:

  - 2010/11 £2.5m
  - 2011/12 £1.5m
  - 2012/13 £1.0m

- **Thematic Budget -** this budget heading was first established by Members in 2009/10 in recognition that the cross-cutting work which the Council is trying to encourage could not be solely delivered within functional budgets. It was agreed that the budget of £500,000 should be used to kick start projects and build the infrastructure required to deliver thematic working. Members will need to decide on the size of this budget for 2010/11 and how it will be allocated.

- **Estimated Penny Product -** a first draft EPP has been received from LPS and this shows a 1.2% increase from last year. This is better than expected given the current economic climate and it would appear that the work Council officers are doing in conjunction with LPS to try to maximise the collectable rate is starting to bear fruit.

3. Voluntary Redundancy Exercise

The Chief Executive updated Members on progress - 55 applications have been assessed against the agreed criteria and there is a potential for 25 employees to be released on the grounds of VR. The Director of Finance and Resources informed Members that the one-off cost of releasing the 25 staff would be £2.3m with £1m being saved each and every year. However, in order for the savings to be realised for 2010/11 a number of structural reviews would need to be urgently carried out.

4. Savings

The Director of Finance and Resources also informed Members that the issue of additional efficiency savings needs to be factored into the setting of the rate for 2010/11. The voluntary redundancy exercise, if agreed by Members, will generate £1m of savings in 2010/11 and there is also the potential to deliver a further £1m from a number of efficiency projects, such as the review of the centre, better procurement, improved use of technology and the mini budget review. These are not included in the 7.81% rate increase as described above.

After discussion, Members suggested that officers should bring a report back to the Strategic Policy and Resources Committee meeting on 8 January identifying, in further detail, the areas where £1m of savings could be achieved in 2010/11 and the implications of the savings proposals.

5. Options for Use of Savings

The Director explained that the rates position for 2010/11 is different from other years because a significant proportion of the rates increase for 2010/11 is proposed to be used for replenishing reserves and financing current capital expenditure. This means that there is little headroom for Members to do new things such as expanding the current capital programme. Members agreed that they will have to carefully consider alternative uses for the potential £2m efficiency savings. For example:

- applying £1m of the savings to finance additional capital borrowing would result in a further £10m being available to apply to new capital schemes;

- given the uncertainty over RPA financing Members could decide to accelerate the replenishment of reserves by applying a proportion of the savings to this area.

6. Date of Next Meeting

21st December 2009 @ 10.00am

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