



**Belfast City Council**

<b>Report to:</b>	<b>Strategic Policy and Resources Committee</b>
<b>Subject:</b>	Financial Planning Issues
<b>Date:</b>	<b>15 April 2011</b>
<b>Reporting Officer:</b>	Julie Thompson, Director of Finances & Resources
<b>Contact Officer:</b>	Ronan Cregan, Head of Finance and Performance

**Relevant Background Information**

The purpose of this report is to provide Members with an update on the following financial issues:

- Indicative Rates 2012/13 and 2013/14;
- Efficiency Programme and Target 2012/13 and 2013/14; and,
- Finance Bill Update.

These issues were discussed at the Budget and Transformation Panel on 7 April 2011.

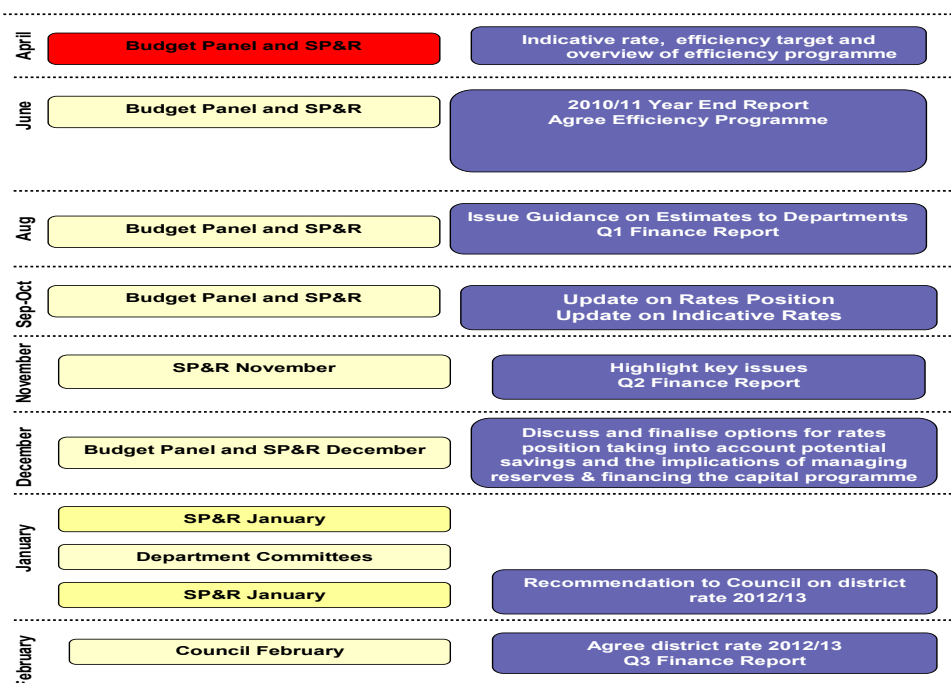
**Key Issues**

**A. INDICATIVE RATE 2012/13 AND 2013/14**

Members will recall that for 2011/12 the rate setting process started in Spring 2010 so that preparatory work could continue over the summer. A similar process has been followed this year on the rates for 2012/13 and 2013/14.

The diagram below shows where this step fits in with the overall process for setting the rate for 2012/13.

**Agreed rate setting process for 2012/13**



The purpose of setting an indicative rate target at this stage in the planning process is to provide a context within which officers can work up more detailed estimates which then allows them to identify in good time, for Members, the key issues which will need to be considered when setting the rate. This is **not a final decision** at this time and will be reviewed following the more detailed rates setting processes in the autumn.

At this stage officers have considered the financial implications for the Council in 2012/13 and 2013/14 at a very high level and **it is recommended, as a planning assumption, that an indicative rate target for both years is set at no more than the level of inflation (based on the Consumer Price Index)**. This is in line with the Executive's approach to setting the regional rate.

Members should note that this recommendation is made on the basis that the rate base will not decline further. **If there are significant changes to the rate base then the indicative rate recommendation will need to be revisited. Members should note that officers are working with LPS on a monthly basis to monitor the rate base.**

The next stage in the process is therefore that officers will continue to work over the summer on building the draft estimates within this indicative target with particular attention being paid to:

- **Department estimates** - the impact of pay awards and changes to superannuation.
- **Efficiency Savings** - delivery of an agreed efficiency programme for 2012/13 (see section B).
- **Capital Programme**- the development of the future capital programme and how it will be financed.
- **Corporate Plan** - to assess the financial implications of the emerging corporate plan for 2012/13.
- **Financial Performance** - to assess the potential impact of financial performance in 2010/11.
- **Rates Base** - to work with Land and Property Services on forecasting the impact of changes to the rate base.

An update on progress will be brought to the Budget and Transformation Panel and Strategic Policy and Resources Committee in September on the indicative rate for 2012/13 and Members will have the opportunity to further refine the indicative rate target, if required. The indicative rate for 2013/14 will be further updated and discussed with Members in Spring 2012, in advance of the full rates setting process in Autumn 2012.

## ***B. PROPOSED EFFICIENCY TARGET***

In order to deliver the indicative rate target, the high level forecasting work carried out by officers would suggest that the organisation will need to set an efficiency target of £2m cash savings for both 2012/13 and 2013/14. In achieving this target, it will be a key priority to protect front line services.

In order to deliver further cash savings the following approach is proposed. A detailed report, based on the work streams, will be brought to the Budget and Transformation Panel and Strategic Policy and Resources committee in June.

### **(i) Department Savings**

Department budgets will be challenged in the context of the 2010/11 financial outturn and its impact on the 2011/12 budgets.

### **(ii) Employee Costs**

For many services the majority of their costs relate to employees. For these services to deliver further efficiency savings, employee costs will need to be considered. The following approach to employee costs is proposed as a joint project led by HR and Finance and Performance:

- Review employee budgets in the context of agreed establishments and existing headcount.
- Opportunities will be explored through service reviews for further cost savings. This may include the identification of further voluntary redundancies.
- The two key employee variable costs - overtime and agency - will be reviewed. The approach will be similar to that used to successfully tackle absence.

### **(iii) Procurement**

The council spends approximately £80m annually on goods and services and a key element of the efficiency programme is to reduce the amount that is spent in this area. The Director of Property and Projects in conjunction with Finance and Performance has just completed a review of the procurement function. The review was carried out by a team of external experts. The report commends the council for introducing a number of procurement innovations such as Gateway Reviews. It concludes however that for the organisation to deliver a sustained programme of material procurement savings it will need to establish a strategic procurement function, supported by licensed non-procurement specialists in departments and enhanced category and contract management. It recommends that procurement is driven by a Head of Strategic Procurement.

It is intended that a more detailed report is brought back in June to the Budget and Transformation Panel and Strategic Policy and Resources Committee in June including an improvement programme for Procurement and proposals around staffing implications and how they could be financed.

### **(iv) Asset Management**

The Director of Property and Projects and Director of Finance and Resources are currently working on the development of an asset management efficiency strand which will be integrated with the asset management plan. A key part of the work will be the development of an accommodation strategy linked to the use of ICT to enable remote working opportunities. Members should note that work is already underway to generate income from the use of council assets for advertising purposes.

### **(v) ICT**

The Director of Finance and Resources is currently developing an ICT programme in the context of the new ICT governance arrangements. Business cases are currently being worked on for a number of efficiency projects such as the further roll out of VOIP (the telephony system).

A major area of work will be the alignment of a programme of web based customer enhancements to the efficiency programme. This will provide enhanced customer access to services via the web and hence reduce/improve back office processes.

#### **(vi) Income Generation**

Priority areas will include consideration of cemetery and crematorium charges, Boost Leisure Scheme, Zoo, use of the City Hall and advertising hoardings. It is recommended that all future significant pricing reviews are brought through the Budget and Transformation Panel and Strategic Policy and Resources committee as part of the efficiency agenda, as well as to Standing Committees.

The council as part of its resources strategy will also examine ways to increase its grants funding, and in particular, we will work along with government departments to maximise the amount of funding received from Europe.

#### **(vii) Service Reviews**

The Director of Property and Projects is about to commence a review of Fleet Management and the review of Building Maintenance is on-going. A programme of further service reviews will be presented to the Budget and Transformation Panel for consideration in June.

### ***C. UPDATE ON FINANCE BILL***

Members will recall that the Strategic Policy and Resources Committee at its meeting on 4 February 2011 discussed the introduction of the new Local Government Finance Bill. In broad terms, the Bill seeks to:-

- remove the requirement for district councils to gain DOE approval for borrowings and the application of their funds or any proceeds from the sale of capital assets;
- introduce a prudential regime for capital finance along similar lines to that which operates in England and Wales;
- introduce a code of practice on Treasury Management and introduce new financial powers including the power to invest.

The Bill was originally to be effective from 1 April 2011. Members should be aware that the DOE, following receipt of councils' consultation responses including that from BCC, has recently informed the council that the Bill will now apply from 1 April 2012. In order to comply with the Code the council need to have in place a medium-term financial plan, an agreed capital programme and financing strategy and a treasury management strategy. **The key elements are to be in place in time for the 2012/13 rate setting process** and therefore work will be progressed on these issues in the next few months for Members' consideration in the autumn.

### ***D. ESTABLISHMENT OF FUNDS IN BELFAST CITY COUNCIL AND UPDATE ON SOCIAL INVESTMENT FUND***

As part of good financial planning processes, councils can set up a Repairs and Renewals Fund and a Capital Fund.

The Repairs and Renewals Fund is used to set aside funds to pay for repairs and renewals of existing assets. The expenditure can be revenue or capital. For Belfast City Council, we have a significant asset base that needs to be maintained properly to avoid early replacement.

The Capital Fund is used by councils to set aside funds to be spent on capital projects in their locality. The fund can be financed through capital receipts, year end surpluses, or other sums from the district fund. For Belfast City Council, this could fund small scale capital projects which are not suitable for financing by loans or to contribute to small scale partnership projects with other funders in local neighbourhoods such as the

recently announced Social Investment Fund and also Neighbourhood renewal (to complement the City Investment Fund which funds iconic partnership projects)

The Executive announced on 22 March the establishment of an **£80m Social Investment Fund** (see Appendix 1). The elements are as follows:

- The Fund will form part of an overall approach to enhance economic growth, employability and the sustainability of communities.
- It provides for both capital and revenue investment.
- It will attempt to lever investment from other public bodies, such as the council, and the private sector similar to the way the council has used its City Investment Strategy.
- The consultation will include a recommendation on the creation 8 possible investment zones four of which will be in Belfast.
- The Fund is at a pre-consultation stage with the intention to commence full consultation in early May 2011.

In anticipation of the consultation request in May, permission is sought from the Committee for officers to start work on examining:

- how the council could potentially align its neighbourhood investment and renewal work to the Fund;
- how the council could best work with community organisations to identify potential schemes; and,
- how the Council could establish a Repairs and Renewals fund and Capital Fund, the latter of which could be aligned to other funding streams such as the Social Investment Fund and other partnership funding sources.

This preparatory work will enable the council to make an informed response to the Social Investment Fund consultation when it comes out in May. A detailed report will be brought back to the Strategic Policy and Resources Committee in June.

### **Resource Implications**

As a planning assumption, the indicative rate for 2012/13 and 2013/14 is set at no more than the level of inflation (based on the Consumer Price Index), with an efficiency target of £2m in each year. This is subject to no significant changes in the rates base.

### **Recommendations**

It is recommended that Members note the report and agree:

- (a) as a planning assumption, the indicative rate for 2012/13 and 2013/14 is set at no more than the level of inflation (based on the Consumer Price Index) subject to there being no significant changes in the rates base and to more detailed work being carried out and consideration by Members in the autumn;
- (b) an indicative efficiency target of £2m be set for 2012/13 and 2013/14 and that a further report on the efficiency programme is brought back for Members' consideration in June; and
- (c) that preparatory work is carried out by officers on the key elements of the Finance Bill, the potential for Belfast City Council arising from the Social Investment Fund and the potential for Belfast City Council to establish a Repairs and Renewals Fund and a Capital Fund. A detailed report on these issues will be brought back to the Committee in June for Members' further consideration.

### **Decision Tracking**

Responsible Officer – Director of Finance & Resources