



Subject:	Efficiency Programme 2018/19 – 2019/20
Date:	23 June 2017
Reporting Officer:	Ronan Cregan, Deputy Chief Executive and Director of Finance and Resources
Contact Officer:	Mark McBride, Head of Finance and Performance

Restricted Reports	
Is this report restricted?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
If Yes, when will the report become unrestricted?	
After Committee Decision	<input type="checkbox"/>
After Council Decision	<input type="checkbox"/>
Some time in the future	<input type="checkbox"/>
Never	<input type="checkbox"/>

Call-in	
Is the decision eligible for Call-in?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

1.0	Purpose of Report or Summary of main Issues
1.1	This report provides a summary of the key financial risks facing the Council over the next three years and outlines the approach to the future efficiency programme for 2018/19 – 2019/20.
2.0	Recommendations
2.1	The Committee is asked to <ul style="list-style-type: none">note the update on the efficiency programme and that a further report will be brought to Committee in August 2017.

3.0	Main report																												
	Pay Bill Cost Risks																												
3.1	The pay settlement for 2016/17 and 2017/18 was 1% increase. At this stage a 1% pay increase is assumed for 2018/19, 2019/20 and 2020/21, although given the current level of inflation the pay claim is expected to be higher than 1% per annum. A management side pay briefing will be held in late July 2017.																												
3.2	NILGOSC have advised that following the triennial review in 2016, employer contribution rates would increase by 1% in 2017/18, 2018/19 and 2019/20. A 1% increase in 2020/21 has also been assumed.																												
3.3	The Apprentice Levy remains at 0.5% of the pay bill and the annual increase will therefore be minimal.																												
3.4	The impact of increases in the national living wage have not been quantified at this stage.																												
	Committee Decisions Affecting 2018/19 Estimates																												
3.5	The following decisions will require growth in the 2018/19 revenue estimates. <ul style="list-style-type: none"> • Additional BCC security staff for city centre office locations (£164,500). • Linguistic Diversity (£30,000) 																												
	Summary of Employee Costs and Committee Decision Increases																												
3.6	<p style="text-align: center;">Table 1: Employee and Committee Decision Cost Increases</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>2018/19</th> <th>2019/20</th> <th>2020/21</th> </tr> </thead> <tbody> <tr> <td>Pay Rise</td> <td style="text-align: right;">893,486</td> <td style="text-align: right;">902,421</td> <td style="text-align: right;">911,445</td> </tr> <tr> <td>Pensions</td> <td style="text-align: right;">831,579</td> <td style="text-align: right;">847,295</td> <td style="text-align: right;">862,827</td> </tr> <tr> <td>Security</td> <td style="text-align: right;">164,500</td> <td></td> <td></td> </tr> <tr> <td>Linguistic Diversity</td> <td style="text-align: right;">30,000</td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">1,919,565</td> <td style="text-align: right;">1,749,716</td> <td style="text-align: right;">1,774,272</td> </tr> <tr> <td>District Rate Increase</td> <td style="text-align: right;">1.28%</td> <td style="text-align: right;">1.17%</td> <td style="text-align: right;">1.18%</td> </tr> </tbody> </table>		2018/19	2019/20	2020/21	Pay Rise	893,486	902,421	911,445	Pensions	831,579	847,295	862,827	Security	164,500			Linguistic Diversity	30,000			Total	1,919,565	1,749,716	1,774,272	District Rate Increase	1.28%	1.17%	1.18%
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	Other Financial Risks																												
3.7	Other Inflation Increases: Inflation impact on supplies and services contracts including energy and fuel. Current CPI rate 2.9% with forecast of between 2.6% - 2.8% for 2018/19. In addition, the introduction of the National Living Wage is likely to increase the cost of supplies and services as contractors pass on increased costs.																												
3.8	Central Government Grants: High degree of uncertainty about the current and future central government budgets and the potential impact on the Council.																												
3.9	Loss of Income: Potential for further reduction in levels of income e.g. decline of the North Foreshore electricity generation.																												

3.10	Waste Disposal Costs: The Council will face significant year on year increases in waste disposal contracts arising from the arc21 residual waste contract or interim contracts.
3.11	Belfast Agenda: Resource requirements to deliver priorities such as Employability and Skills, Tourism and Events.
3.12	European Capital of Culture: Additional resources required for the build-up of events and support to the ECOC year.
3.13	Capital Investment: The financing of Members capital investment ambitions and emerging large scale projects such as the crematorium and the cemetery provision.
3.14	Whole Life Costing: Additional costs required to operate and maintain new facilities e.g. future replacement programme of new 3G pitches.
	Future Efficiency Programme
3.15	As part of the medium term financial strategy the Committee agreed the following actions for 2018/19: <ul style="list-style-type: none"> • Achieve cash savings of £2.5m per annum 2018/19 and 2019/20. • Additional income of £0.5m per annum 2018/19 and 2019/20. • Progress towards £2m cash savings from Leisure to be transferred to Leisure capital financing. • Achieve further savings of £576k from the Waterfront and Ulster Hall Model to be transferred to the subvention / sinking fund. • Achieve further cash savings of £852k from accommodation costs to be transferred to 9 Adelaide capital financing.
3.16	The Committee also agreed that the efficiency programme would be based on the following strands of work: <ul style="list-style-type: none"> • Income Maximisation • Procurement • Service Redesign • Alternative Service Models • Asset Management • Back Office • Rate Base
	Organisational Context
3.17	Over £22m of cash savings have been removed from base budgets over the past 10 years, with savings of £2.9m removed for the 2017/18 revenue estimates.
3.18	Members should recognise that there will be a degree of difficulty in achieving the 2018/19 efficiency targets because:

	<ul style="list-style-type: none"> • It is a difficult and uncertain economic environment. • The increasing trend in inflation will impact on running costs and the basis for the 2018/19 pay claim. • The easy budgetary challenge savings have been removed from estimates in previous years. • The degree of change in the organisation impacts on the capacity of resources available to plan, and deliver the savings. • Major savings will require reconfiguration of services which is complex and time intensive process and will require difficult political decisions. • The major proportion of back office and support services costs is staffing and making significant savings in these areas will therefore involve difficult human resources and political decisions. • The efficiency target has been increased from £2m per annum to £2.5m expenditure savings plus £0.5m additional income.
	Work in Progress
3.19	Council officers are working with IESE to complete a detailed revenue analysis and forensic testing of commercial income / expenditure across services by the end of July 2017. This will provide options to support robust cost reduction targets, cost recovery from demand led services and maximising income from commercial activities.
3.20	Organisational development programme progressing and will include addressing issues such as spend on agency and overtime. The work will be supported by a third phase of VR programme with non-recurrent costs funded from the VR reserve.
3.21	Fleet Management proposals being considered and a report will be presented to the Committee in August 2017.
3.22	The Commercial Panel is now operational and is developing a programme of cross departmental activities to generate procurement savings through better procurement and spend management. The panel is also researching alternative service model options for some demand led services for political consideration.
3.23	ICT programme in progress to use technology to improve innovation, customer service and efficiency of business processes. This includes replacement of the HR / Payroll System.
3.24	City Regeneration projects and Smart Cities and IRRV projects are continuing with the aim of growing and maximising income from the rate base.
	Next Steps
3.25	An outline programme which identifies areas where expenditure savings and additional income will focus will be brought to the August 2017 Budget Panel and SP&R Committee.

	<u>Financial and Resource Implications</u>
3.26	The implications of the efficiency programme will be considered at the August meeting of the Committee.
	<u>Equality Implications</u>
3.27	There are no equality implications with this report.
4.0	Appendices – Documents Attached
	None