



<b>Subject:</b>	Medium Term Financial Plan and Efficiency Programme
<b>Date:</b>	20 September 2019
<b>Reporting Officer:</b>	Ronan Cregan; Deputy Chief Executive and Director of Finance and Resources
<b>Contact Officer:</b>	Trevor Wallace, Head of Finance

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

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

<b>1.0</b>	<b>Purpose of Report</b>
1.1	This report provides an update on the priorities and work in progress to establish the efficiency agenda and associated targets for 2020/21 - 2022/23.
<b>2.0</b>	<b>Recommendations</b>
2.1	<p>The Committee is asked to:</p> <ul style="list-style-type: none"><li>• Note the challenges to be taken into consideration in setting the efficiency programme</li><li>• Agree an interim efficiency target of £3m for 2020/21 subject to review as the rates process progresses.</li><li>• Note that a further report on progress will be brought to Committee in October/November as part of the Rate Setting timetable.</li><li>• Agree the work streams needed to support the efficiency agenda going forward.</li></ul>

3.0	<b>Main report</b>
3.1	<p><b><u>Background</u></b></p> <p>Over the past 14 years the Council has delivered over £29m year on year cash efficiency savings. For the 2 year period 2018/19 to 2019/20, Members increased the target from £2m to £3m, the efficiencies to be realised from reductions in spend (£2.5m) and increased income (£0.5m). The potential for securing efficiencies beyond this time frame required transformational change and revised targets would be set in tandem with the priorities of the new Council.</p>
3.2	<p><b><u>Current Position</u></b></p> <p>Efficiency targets for 2020/21 and future years have not been finalised. As advised at the Strategic Policy &amp; Resources Committee meeting of 23<sup>rd</sup> August, a number of factors need to be considered as part of the rate setting process including business as usual risks, existing priorities growth priorities and efficiencies. These can be further considered in terms of uncontrollable and controllable.</p>
3.3	<p><b>Uncontrollable Costs</b></p> <p><b>Employee Related</b></p> <p>Employee related costs are one of the major uncontrollable costs faced by the Council. As advised at the Strategic Policy &amp; Resources Committee meeting of 23<sup>rd</sup> August the National Pay Award and NILGOSC Triennial Valuation will be the key pay pressures. Both are still subject to review.</p>
3.4	<p>A Regional Briefing on the Future Pay Settlement was being held by NILGA on 10<sup>th</sup> September to allow Northern Ireland Councils to consider the Trade Union Side new pay claim for the year commencing 1<sup>st</sup> April 2020. Negotiations between the Employer side and Trade Unions are ongoing.</p>
3.5	<p>The Actuary is currently in the early stages of work for the 2019 NILGOSC valuation. However, NILGOSC have advised that by the end of September they should be able to provide an estimate of what the Employers' Contribution Rates for the next three years are likely to be. Officers from Finance will be attending a seminar on 9<sup>th</sup> October and again will report back as part of the rate setting process.</p>

In the interim, for the purposes of medium term financial planning, a 2% pay rise and a 1% increase in pension contribution has been assumed for 2020/21, 2021/22 and 2022/23.

**Other uncontrollable costs**

3.6

Brexit and the current political climate make it difficult for departments to budget for central government funding streams. CPI is forecast to be between 1.9% - 2.2%. Although inflation may be viewed as an uncontrollable cost, Departments are required to absorb inflationary increases as part of their budget submission for 2020/21. At this stage it has been assumed that there will be no budget increases to support inflationary pressures.

**Waste Plan**

3.7

Waste related costs are also considered uncontrollable in that contract fluctuations are outside the control of the Council.

A summary of these uncontrollable cost increases is provided in Table 1 below.

**Table 1**  
**Summary of Estimated uncontrollable cost increases**

	2020/21	2021/22	2022/23
Pay Rise	£1.60m	£1.64m	£1.67m
Pensions	£1.04m	£1.12m	£1.20m
Waste	£0.67m	£1.01m	£1.20m
<b>Total</b>	<b>£3.31m</b>	<b>£3.77m</b>	<b>£4.07m</b>
<b>District Rate Impact</b>	<b>2.03%</b>	<b>2.26%</b>	<b>2.39%</b>

**Controllable Costs**

3.8

A summary of other financial risks which officers and Members have more influence over are included in Table 2 below:

**Table 2**  
**Other Financial Risks**

<b>City Deal</b>	In previous years Members have agreed to include rate supported funding to help build the City Deal fund for Belfast.
<b>Belfast Agenda</b>	Cultural Strategy, Inclusive Growth Strategy and Climate Resilience
<b>Existing Capital Programme</b>	As reported to Committee in August 2019, a capital financing deficit of £526k is forecast for the 2021/22 financial year.
<b>Physical Programmes</b>	There is pressure for additional budgetary support in a number of areas including the Leisure, upgrades to parks and pitches, neighbourhood tourism, neighbourhood regeneration, Climate Resilience and Maintenance, etc.

3.9 Departments will submit growth proposals for the above additional cost pressures as part of the rate setting process. These will be scrutinised by the Chief Executive and the Director of Finance, with approved proposals brought to Committee for their consideration in November.

**Efficiencies**

3.10 As can be seen from the analysis in Table 1, early indications are that extending the previous year level of efficiencies (£3m) to the 2020/21 to 2022/23 would not fully offset the increase in uncontrollable costs. However setting an interim target of £3m for 2020/21, which will be subject to review as further work on priority areas are agreed, will allow most of the uncontrollable costs to be met from this target.

3.11 The Council is committed to ensuring that key priorities will be delivered while at the same time minimising the rate burden on ratepayers. Therefore in order to support medium term planning and the delivery of future efficiencies, a number of workstreams where efficiency opportunities exist are shown in Table 3 below.

**Table 3**  
**Work Streams 2020/21 to 2022/23**

<b>Workstream</b>	<b>Areas for Review</b>
Organisation / Service Redesign / Voluntary Redundancy	<ul style="list-style-type: none"> <li>• Savings generated through employee cost reduction in:               <ul style="list-style-type: none"> <li>○ Workforce Planning Strategy</li> <li>○ Business Support &amp; HR Reviews</li> <li>○ Customer Focus</li> <li>○ Streetscene</li> <li>○ Smart Cities</li> <li>○ Review of overtime and agency</li> </ul> </li> </ul>
Procurement / Spend Management	<ul style="list-style-type: none"> <li>• Procurement support to identify efficiency opportunities from               <ul style="list-style-type: none"> <li>○ Tender / Quotation savings through strategic procurement</li> <li>○ Demand management and challenge</li> <li>○ Contract management</li> <li>○ Category management</li> </ul> </li> </ul>
Commercialisation / Income Maximisation	<ul style="list-style-type: none"> <li>• Procurement support to identify efficiency opportunities from               <ul style="list-style-type: none"> <li>○ Maximising income from existing commercial activities</li> <li>○ Securing additional income streams</li> <li>○ Review of Zoo, Malone House, Belfast Castle</li> <li>○ Use of assets</li> </ul> </li> </ul>
Rates Maximisation	<ul style="list-style-type: none"> <li>• Ongoing IRRV reviews of valuation list</li> <li>• SBRI Pilot Project</li> </ul>
Budgetary Challenge	<ul style="list-style-type: none"> <li>• Review of recurring underspends</li> <li>• Reviewing discretionary and non discretionary spend</li> </ul>

3.12

A detailed report on this programme will be brought to Committee in October.

**Rate Base**

3.13 Members will be aware of the non domestic revaluation which will form the basis for the 2020/21 EPP. Officers will work with LPS on the impact for the Council and bring an update to Committee in October. The Acting Director of Valuation will present an overview of the revaluation exercise to Members in October.

3.14 Members will also be aware of the review of business rates. The Director of Rating Policy will make a presentation to Members on 27<sup>th</sup> September.  
Updates on the EPP will be brought to Members as part of the rate setting process.

**Next Steps**

3.15 Departments will submit their business as usual estimates for 2020/21 with zero increase on 2019/20 estimates by the end of September. They will also submit growth proposals to support the issues identified in Table 2 by the end of September. Departments will undergo a challenge on their budgetary submissions from the Chief Executive and the Director of Finance and Resources with approved submissions being brought to Committee for consideration in November.

3.16 Officers will continue to quantify the financial risks in the above areas, their impact on the revenue estimates for 2020/21 and the medium term and develop the efficiency programme to counter the cost pressures. Based on the information available at present, Members are asked to agree an indicative efficiency target for 2020/21 of £3m which will offset to a large extent the uncontrollable costs shown in Table 1. However this will be subject to ongoing review until the outcomes from the Pay Award and Employers' Pension Contributions negotiations are finally agreed.

3.17 Progress in these areas will be reported to Committee in October and November as part of the Rate Setting timetable.

**Financial & Resource Implications**

3.18 An indicative target of £3m efficiency savings for 2020/21 to be agreed by Committee. Monthly updates on estimates and additional efficiencies will be provided to Members as part of the rate setting process.

	<b><u>Equality and Good Relations Implications/Rural Needs assessment</u></b>
3.19	None
<b>4.0</b>	<b>Appendices – Documents Attached</b>
	None