

Strategic Policy and Resources Committee

Friday, 21st November, 2008

MEETING OF STRATEGIC POLICY AND RESOURCES COMMITTEE

Members present: Councillor D. Dodds (Chairman);
the Deputy Lord Mayor (Councillor D. Browne); and
Councillors Attwood, M. Browne, Convery, Crozier,
Lavery, Maginness, C. Maskey, McCann, Rodway,
Smyth and Stoker.

In attendance: Mr. P. McNaney, Chief Executive;
Mr. C. Quigley, Director of Legal Services;
Mr. G. Millar, Director of Improvement;
Mr. T. Salmon, Director of Corporate Services;
Mr. L. Steele, Head of Committee and Members'
Services; and
Mr. J. Hanna, Senior Committee Administrator.

Apologies

Apologies for inability to attend were reported from Councillors W. Browne, Kirkpatrick, Long, P. Maskey and Newton.

Democratic Services and Governance

Review of Local Government Boundaries in Northern Ireland

The Chief Executive reminded the Committee that, at its meeting on 24th October, it had considered a report in relation to the Local Government Boundaries Commissioner's provisional recommendations on the proposed new 11 Local Government Districts in Northern Ireland had agreed that responses to the provisional recommendations be left to the individual Political Parties. He reminded the Committee further that the Belfast public hearings in relation to the proposals had been scheduled for 20th and 21st November in Malone House. He explained that Council officers had reviewed the written submissions made by Castlereagh, Lisburn and North Down Councils and had spoken to party groups within the Council to seek approval for the Council to make representations at the public hearing in relation to these submissions. All the party groups had agreed that it would be appropriate for the Council to be represented at the hearing and make a submission which highlighted the need for Belfast to retain a sufficient rate base to meet the needs of its citizens in terms of improvements in services and facilities and to rebut some of the submissions of the other Councils by reference to the legislative parameters within which the Commissioner should make his decision.

The Committee noted the report and approved the representations.

**Appointment of Member to the
George Best Belfast City Airport Forum**

The Committee was advised that correspondence had been received from the Chairman of the George Best Belfast City Airport Forum indicating that the Council's representation on the Forum had been increased from one to two Elected Members.

The Head of Committee and Members' Services reminded the Members that the Council, following the Local Government Elections on 5th May, 2005, had determined through the application of the d'Hondt system of proportionality its representation on a large number of Outside Bodies, and those appointments had been made formally at the Annual Meeting on 26th May. A total of ninety such appointments had been made in that way across a range of organisations.

The Committee, at its meeting on 19th August, 2005, in considering the nomination of a Member to make application to represent the Council on the Drainage Council for Northern Ireland, had granted authority for the continuation of the application of the original d'Hondt process to determine the Party Groupings which would be entitled to appoint nominees to any subsequent invitations of a similar nature which might be received during the current Council term. Accordingly, under the current system for determining appointments to Outside Bodies, the next choice fell to the Social Democratic and Labour Party Grouping.

The Committee approved the appointment of a Member of the Social Democratic and Labour Party Grouping as the Council's representative on the George Best Belfast City Airport Forum.

Performance Management and Corporate Plan

Corporate Plan and Strategy 2009 - Update

The Committee considered the undernoted report:

"Relevant Background Information

- 1. The Committee agreed the Council's corporate plan for 2008-2011 at its meeting in June 2008. The report set out here is intended to update Members on the response to the consultation which was carried out with respect to the corporate plan 2008-11 and to outline for Members the process for updating the priorities and actions within the plan for the period 2009/10.**

Corporate Plan consultation feed-back

- 2. A consultation exercise to establish views on the content of the new corporate plan was carried out between June and September 2008. Two detailed responses were received from**

Disability Action and from the Committee on the Administration of Justice. The comments received were helpful and it is proposed that they can be addressed within the published document in two ways:

inclusion of reference to the Council's Disability Action Plan;

reference, in the analysis of the city, to the fact that areas of disadvantage exist across Belfast and of the Council's commitment to work with others to address the issues faced by people who live in these areas.

Members are asked to agree these modifications to the text of the document.

Corporate Plan 2009/10 Update

3. As Members are aware, whilst the Committee and the Council have established a high-level three year strategy in the corporate plan, this must be updated operationally each year in line with new challenges and demands being faced by the organisation and its financial constraints. Challenges which include, the recent economic downturn, the increasing demands emerging from the RPA process, and the consequences of the Land and Property Services Agency's revised rates finalisation figure. The process for the update for 2009/10 is summarised in the paragraphs below, it is intended that the steps outlined will continue to ensure a Member-led corporate planning process.

Nov-Dec 08: First draft departmental and service plans developed in line with financial estimates

4. Departments and services have been working up draft business plans for 2009/10 at the same time as developing draft financial estimates for this period. These plans are being aligned to the priorities set by Members in the corporate plan, which are summarised in Diagram 2 below. An initial assessment of these plans reveals that services are already contributing to many of the objectives established by Members; however, there are some areas where work will need to be done to create a more cohesive programme across the Council.

Diagram 2



Dec 08-Jan 09 – Reviewing plans in the light of financial guidance from Members

5. Separate items on the Committee's agenda are addressing the emerging financial position of the Council with respect to affordability in 2009/10. Members' high level guidance on this issue will inform a review of draft plans at a corporate, departmental and service level during December and January.

Feb-Mar 09 – updating priorities within the Corporate Plan for 2009/10

6. Further analysis of draft plans will take place in the light of the Committee's decisions in terms of resources for delivery in 2009/10 and in the light of external developments, such as the progress of the Review of Public Administration. The corporate plan will be updated to take on board these changes and any implications for the priorities within the plan or the scheduling of activity will be brought to the Committee for initial discussion in February. At this time we will also bring information to the

Committee about the way in which accountability for cross-cutting objectives within the plan such as 'people feel safer' or 'people are healthier' will be managed and reported to the Committee and how plans for such thematic work will be taken forward within the financial limits set.

Mar/Apr 09 – approval of updated plans for 2009/10

7. It is intended that the updated corporate plan for 2009/10 will be brought to the Committee for approval during March, following party group briefings. Aligned departmental plans will be brought to Committees in April/May for approval.

Recommendation

8. Members are asked to agree the modifications to the text of the document for publication, outlined in Paragraph 2.
9. Members are asked to note the proposed process for updating the Corporate Plan for 2009/10.
10. Members are asked to agree that party group briefings are held during February to discuss any emerging issues with respect to Council priorities and action plans for 2009/10."

The Committee adopted the recommendations.

Finance

Revenue Estimates 2008/09
Half-Year Update

The Committee was reminded that the agreed net expenditure for the Council for 2008/09 was £117,946,200, which had been based on a 4.83% increase in the district rate on the previous year. The Council's position at the end of September was that the actual expenditure had exceeded the budgeted expenditure by £149,135 (0.25%) and it was forecast that at the year end the Council would be over budget by £850,000 (0.72%). The Members were advised that, due to the volatile economic conditions impacting on both income and expenditure, this forecast might change over the coming months, though the position would be tracked on a continuous basis and any material changes reported to the Committee.

The Director of Corporate Services explained that there were a number of key drivers related to the overspend and these are set out hereunder:

Loss of External Income

Three services had incurred significant loss in income as a direct result of the current economic climate:

- Business Improvement £250,000
- Information Services Belfast £315,000
- Building Control £290,000

Utility Costs

Inflationary pressures on utility costs had resulted in that budget heading being overspent by £480,000.

Unbudgeted Expenditure

The budgets were estimated up to six months in advance of the year to which they related. Therefore, it was expected that decisions might be made which would result in new expenditure for which there had been no budget allocated. For example, in the current year, the Parks and Leisure Committee had made decisions in respect of the Grove Leisure Centre, Beechmount Leisure Centre and the Ulster Wildlife Trust which would require the Parks and Leisure Department to fund additional expenditure of £540,000.

Investment Income

Interest on investments was forecast to be at least £200,000 less than that which had been estimated. This was due to the level of reserves being reduced as a result of the £4.1m clawback in the rates income by Land and Property Services and falling interest rates.

The Director of Corporate Services indicated that there was a need to address the potential overspend position. The Chief Officers' Management Team had recommended the following course of action:

- each Department would review its spending requirements up until the year end and identify potential reductions in expenditure; and
- specific budget headings would be reviewed corporately in order to identify potential expenditure reductions. This would include expenditure on agency workers and overtime.

The Committee noted the information which had been provided and agreed that a report recommending specific actions to be taken to address the potential year end overspend be submitted to the Committee for consideration at its meeting scheduled to be held on 12th December.

Revenue Estimates 2009/10 – Indicative Rates Position

The Committee considered the undernoted report:

“Purpose

The purpose of this report is to bring to Members attention the key issues relating to the establishment of the budget and district rate for 2009/10.

Key Issues

The budget round for 2009/10 is going to be one of the toughest the Council has faced in recent years. Inflationary pressure will increase expenditure by 6% and at the same time non-rates income is predicted to fall by £1.8m because of the decline in the economy. Capital expenditure is under pressure too as the City Investment Strategy requires an additional £2.0m of funding and the capital programme will need loans financing which will add 2% onto the rate. The Council's District Fund Reserve is depleted mainly due to the £4.1m clawback from the LPS. This means reserves are below an acceptable level and therefore will need replenished. Finally, Members have indicated through the corporate planning process that priority should be given to a number of cross-cutting issues such as younger and older people which have not been fully budgeted for in departmental estimates. Officers have worked hard to find £1.76m of efficiencies but given all of the above factors it is likely that a rates increase above the level of inflation will be required simply to continue with business as usual. Indications from LPS would indicate that the EPP will only marginally improve. Officers have already started work on ways to further reduce expenditure and increase income. For example, the centre of the organisation is currently being reviewed and it is anticipated that substantial savings will be achieved. Members should note, however, that further reductions in expenditure will not be easily achieved and not without pain given the fact that base budgets have already been reduced by £4.69m through the efficiency programme.

Each of the key elements of the 2009/10 estimates is discussed below.

Departmental Expenditure

Inflation – the Government's inflation target is defined in terms of the Consumer Prices Index (CPI). At October 2008 the annual rate is 5.2%. The Retail Prices Index (RPI) which is used for the indexation of pensions and benefits stands at 5.0%. At present there is no local government price index. It is estimated that the inflationary impact for the Council is approximately 6.0%. The key drivers of this rate are as follows:

pension increases	7%
oil	25%
electricity	49%
gas	50%
salaries and wages	2.5%
landfill tax	25%

External Income – it is anticipated that external income generated by services will fall in 2009/10 by £1.615m. Investment income will reduce by £200,000.

City Investment Strategy

Strategic Policy and Resources Committee on 14/12/07 approved the establishment of a City Investment Strategy (CIS). It was agreed that the ratepayer would contribute £1m to the CIS in 2008/09, a further £1m in 2009/10 and a further £1m in 2010/11 making a ratepayer contribution of £6m over the three year period. During the rate setting process in 2008/09 Members decided that the 2008/09 contribution to the fund would be met from reserves and not from the rate levy.

The fund currently has a balance of £3.5m made up of a £1m contribution from reserves in 2007/08, rent arrears of £1.075m and a capital receipt in respect of Boucher Road for £1.429m.

In the context of the current agreed financing arrangements for the fund £2.0m would be required to be raised from the rates in 2009/10.

Capital Programme

A separate report on the capital programme will be discussed at today's committee meeting. The report will show that currently, £1.9m of debt charges is allowed for in the estimates which will finance £15m of debt. However, as the debt requirement for 2009/10 will be £33.1m an additional debt charge equivalent to 2% on the rate will be required.

Reserves

The District Fund Reserves now amount to £6,267,397. By the year end this figure will fall to around £4.0m.

Currently CIPFA does not define a minimum or maximum level of District Fund Reserves and believes that Local Authorities, on the advice of their Chief Finance Officer, should make their own judgement on such matters taking into account all the relevant local circumstances.

The Council currently aims to maintain the level of District Fund Reserves in the region of 5% to 10% of annual gross expenditure. The organisation will need to build its reserves up during the next few years to an acceptable level in order to ensure that the Council is not left financially vulnerable.

Estimated Penny Product (EPP)

The Council receives 74% of its income from the rates. The EPP is calculated by the LPS. It provides an estimate of what the rates will yield in income for the Council for the following year (in this case 2009/10). It is critical that the Council receives as reasonably is possible an accurate EPP. Consequently, Council officers are working closely with officers from LPS to determine the most reliable EPP.

In determining the EPP for 2009/10, LPS have agreed to provide provisional figures in October, November, December and January. The October provisional EPP shows a modest increase in growth of 0.45%. The November EPP shows a further increase of 0.23%. Members should note that this EPP includes valuations of £8.9m for Victoria Square.

The Council is working hard to ensure that the valuations provided by LPS are accurate and complete and that the losses arising from vacant properties is minimised.

Efficiencies

The table below summarises the efficiency programme for 2009/10.

Table 1 Efficiency Programme 2009/10	
Efficiency Area	£
Insurances	482,000
Stationery	128,723
Personal computers	105,839
Department Contributions	
• Health & Environmental Services	770,000
• CIT	200,000
Development	76,311
Total Efficiency Savings	1,762,873
Rates income from vacant property	2,700,000

The detail on the programme was reported to Strategic Policy and Resources Committee on 14 November 2008.

Corporate Thematic Priorities

As part of the corporate planning process Members and chief officers have identified a number of cross-cutting priorities which cannot be solely delivered within functional budgets. It is recommended that a corporate strategy budget is established to finance these cross-cutting priorities. The budget would fall within the oversight of the Strategic Policy and Resources Committee.

The priority areas which would require access to this budget are:

Safer Belfast - £150,000
Older People - £145,000
Younger People - £30,000

Invest to Save - at present the Council has no budget for invest to save initiatives. As mentioned in the efficiency element of this report the Council has now reached the position where savings cannot be obtained from budgetary control alone. If further efficiencies are to be achieved then it is likely that invest to save money will be required.

Customer Strategy – this will not be completed until the New Year so it is not possible to determine a definitive budget requirement at this stage.

It is anticipated that a minimum of £500,000 will be required for 2009/10.

Recommendations

1. Members are requested to note the contents of this report and agree to receive further reports on the estimates 2009/10 in December 2008 and January 2009.
2. Given the importance of this budget round a clear political process is required in order to ensure that Members are in a position where they are best able to make the decisions which they will be asked to make over the coming months. It is recommended that the process depicted graphically below is followed by Members.”

The Committee adopted the recommendations and approved the political process, that is, the briefing of individual Party Groups, followed by discussions with the Party Group Leaders, consideration by the Strategic Policy and Resources Committee and ratification by the Council. It was agreed also that a report on the procedures for approving unbudgeted expenditure be submitted to a future meeting of the Committee.

Capital Programme - Update

The Committee considered the undernoted report which provided an update in relation to the Capital Programme:

“Relevant Background Information

The purpose of this report is to update Members on the capital programme. The report will cover the following areas:

A request to move seven schemes from being ‘uncommitted’ to ‘committed’ in the 2008/09 capital programme.

Capital programme 2009/10 expenditure and future years.

A recommended approach for agreeing the capital programme and its financing 2009/10 and future years.

Key Issues

Scheme Update

There are 7 requests to advance projects which were previously included as 'uncommitted'. Full details of each scheme are provided at Appendix A and a summary is provided below.

- Roselawn Extension/Development (Parks and Leisure Department) – retrospective Committee approval is requested to the invitation of tenders for the infrastructure development element of this project and to the acceptance, under the general scheme of delegation, of the most economically advantageous offer based on quality and price criteria.
- Outdoor Skate Park Facility (Parks and Leisure Department) - Committee is asked to consider approval of the acceptance, under the general scheme of delegation, of the most economically advantageous offer based on quality and price criteria. This will require a loan of £80,000 to lever a £300,000 grant.
- Springfield Avenue Site A Childrens Park (Parks and Leisure Department) - Committee is asked to consider approval of the invitation of tenders for the development of the park and to the acceptance, under the general scheme of delegation, of the most economically advantageous offer based on quality and price criteria. This scheme is 100% grant-aided.
- Gasworks Northern Fringe Infrastructure (Development Department) - Committee is asked to consider approval of the invitation of tenders for the site/ground investigation works and to the acceptance, under the general scheme of delegation, of the most economically advantageous offer based on quality and price criteria.
- 2012 Elite Sports Facilities - Mary Peters Track & Blanchflower Playing Fields (Parks and Leisure Department) - Committee is asked to ratify the decision of the P&L Committee to prepare a bid for funding at a cost of £400,000.

- **Telephony System (Corporate Services) - Committee is asked to consider approval of the invitation of tenders and to the acceptance, under the general scheme of delegation, of the most economically advantageous offer based on quality and price criteria.**

nb There remains approximately £ 77m of estimated proposals in the current capital programme to 2012/13

Resource Implications

The table below shows that the forecast for capital expenditure financed by loan for 2008/09 amounts to £21.9m and that Members should note that the Council already has a loan of £11.2m for the Grove Wellbeing Centre. This means that by the end of 2008/09 the Council will have a loan requirement of £33.1m. The Councils affordability limit for loans financed capital expenditure is £45m.

Table One: Capital Expenditure Financed by Loan 2008/09

	Forecast Total Spend 08/09
	£
Underway and contractually committed	19,676,057
Committed by decision but not contractually committed	2,219,950
Uncommitted future proposals – but essential	0
Total	21,896,007

Table Two: Capital Expenditure Financed by Loan 2009/10

	Forecast Total Spend 09/10
	£
Underway and contractually committed	5,124,416
Committed by decision but not contractually committed	1,299,247
Uncommitted future proposals – but essential¹	1,650,000
Total	8,073,663

¹ Mercury Abatement at Crematorium: New Cemetery: Loop River Centre

Rates Impact and future affordability

This position has two major consequences for the Council. Firstly, the revenue impact of the loans will have to be covered both in the 2009/10 and 2010/11 estimates and also in future years until the loans are repaid i.e. up to 20 years.

Currently, £1.9m of debt charges is allowed for in the estimates which will finance £15m of debt. However, as the debt requirement for 2009/10 will be £33.1m an additional debt charge equivalent to 2% on the rate will be required. For 2010/11 the equivalent figure is an additional 1%.

In total from 2010/11 onwards approximately 5% of the rate will be required to finance debt for current committed schemes for the foreseeable future.

The second major issue for the Council is that the agreed affordability limit on loans financed capital expenditure is £45m and we will have reached £41.1m by the end of 2009/10. This means that only £3.9m of further loans financing will be available post 2009/10 and it is likely that this will be required to finance the rollover of schemes due to start in 2009/10. Therefore, a reassessment of the affordability limit and/or other means of finance will need to be considered, if any new schemes are to be progressed.

Members should also note that few schemes in the capital programme have had any revenue consequences assessed and this is an important factor in economically appraising any new schemes.

Way Forward

These are serious and complex issues for the Council and will involve difficult decisions. It is also important that any decisions taken are as collective as possible to ensure any expenditure is allocated within agreed affordability limits and to address corporate priorities.

These problems will not be resolved overnight and will require a significant amount of time commitment from Members. For these reasons, it is recommended that the Party Leaders as recommended in the Indicative Rates 2009/10 report also examines the future of the capital programme and takes all decisions via the SP&R Committee. The group will need to consider issues such as:

review the Councils agreed affordability limit;

an agreed level of capital expenditure for 2009/10;

prioritisation mechanism for the 2009/10 and future capital programme;

agree prioritisation criteria for all schemes e.g. place shaping; 100% grant aid etc.;

assess economic appraisals of prioritised schemes

develop financing rules for future capital schemes

consider other ways of financing capital expenditure

Recommendations

The Committee is requested to:

- 1. Note the Capital Programme update information provided.**
- 2. Sign off the 7 projects proposed for advancement.**
- 3. Agree to establish a cross party working group within the Strategic Policy and Resources Committee with the purpose of considering future arrangements for the capital programme.”**

After a lengthy discussion, the Committee agreed that:

- (i) the projects outlined be included as committed projects in the 2008/09 Capital Programme;
- (ii) a detailed report outlining the procedures for including schemes in the Capital Programme be submitted to the Committee for consideration in due course;
- (iii) the full revenue consequences of all schemes involving capital expenditure be detailed when authority is being sought from both the controlling Committee and the Strategic Policy and Resources Committee itself;
- (iv) a detailed report outlining the history behind the inclusion of the 2012 Elite Sports Facilities in the Capital Programme be submitted to the Committee for consideration; and
- (v) the same process which had been agreed earlier in the meeting for considering the Revenue Estimates 2009/10, that is, the briefing of individual Party Groups followed by discussions among the Party Group Leaders before formal consideration by the Strategic Policy and Resources Committee, to be utilised for agreeing the financing of the Capital Programme 2009/10 and future years.

Human Resources

Retirement of Director of Corporate Services

The Committee was advised that the Director of Corporate Services was due to retire in June, 2009. A review of the centre of the organisation was ongoing and this would assist in defining the specific purpose, functions and responsibilities of the replacement post. However, arrangements needed to be put in place now to ensure the effective recruitment of the post in early 2009. The nature of the post meant that it would be necessary to adopt a pro-active approach to recruitment. This would include executive search arrangements which typically involved researching market conditions, identifying and encouraging suitable experienced applicants, a dedicated website for the role, providing impartial advice on the role, answering applicants' queries, following-up initial candidate interest, handling responses and conducting an initial sifting exercise for presentation to the Council's selection panel.

The Chief Executive explained that the purpose of the executive search was to ensure that there was a good field of able candidates for this critical role. The appointment itself would be made on merit in accordance with the Council's normal recruitment and selection procedures. The Council's policy, which had been made in accordance with guidance provided by the statutory Code of Employment Practice which had been issued by the Local Government Staff Commission, provided that the selection panel for such posts should comprise the Chairman, the Deputy Chairman, two other Elected Members and the Chief Executive, with the community balance to be provided across the Elected Members and gender balance to be provided across the panel. A non-voting Local Government Staff Commission professional assessor/observer should also be in attendance.

After discussion, the Committee agreed that:

- (i) a procurement process be initiated to engage assistance with executive search in order to encourage the strongest field possible for the post;
- (ii) the Chairman and the Deputy Chairman (or their nominees), together with two additional Elected Members, be appointed to the selection panel;
- (iii) the Chief Executive seek from amongst the membership of the Committee not represented by the Party Groupings of either the Chairman and the Deputy Chairman expressions of interest to determine the names of two additional Members to sit on the selection panel so that the Committee would be in a better position to decide the most appropriate Members to act in that capacity;
- (iv) the Chairman and the Deputy Chairman (or their nominees) be authorised, in consultation with the Chief Executive, to approve the recruitment plan and associated documentation; and
- (v) authority be delegated to the selection panel to make an appointment, with the outcome of the process being reported back to the Committee for notation.

Cross-Cutting Issues

Royal Maternity Hospital Liaison Group

The Committee agreed to defer consideration of a report in relation to the question of support for the new Regional Hospital for Children and Women to enable clarification and further detailed information to be obtained.

Consultation Response - Proposed Mortgage Rescue Scheme for Northern Ireland

The Committee approved the undernoted comments as the Council's response to the Department for Social Development's consultation document entitled "Proposed Mortgage Rescue Scheme for Northern Ireland":

"Proposed Council Response

The Council welcomes this opportunity to comment upon The Proposed Mortgage Rescue Scheme. Due to the specific nature of the consultation questions and the fact that the Council has no functional responsibility for this issue we do not feel it is appropriate to give a detailed response. However, we are committed to improving the quality of life of all who live in, work in, invest in and visit Belfast. We aim to do this by ensuring that the services we provide are the best they can be and by working with other organisations and communities in the city to address the things that matter most to people in their day-to-day lives. In light of this the Council is supportive of this initiative which is intended to alleviate hardship for those in need. It also supports the aim of the scheme to save as many homeowners as possible from having their homes repossessed and to enable people to remain in their homes."

Chairman