



## Belfast City Council

<b>Report to:</b>	Strategic Policy and Resources Committee
<b>Subject:</b>	Strategic Financial Management Framework
<b>Date:</b>	14 March 2008
<b>Reporting Officer:</b>	Peter McNaney, Chief Executive
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### Relevant Background Information

Strategic financial management is at the heart of the Council's improvement agenda because it:

- is an essential element of good corporate governance;
- forms part of the foundations of the organisation, underpinning the delivery of agreed priorities; and
- provides the basis of accountability to Members and the citizens of Belfast for the stewardship and use of resources.

The improvement agenda update report which is being discussed by committee today includes the key improvement actions undertaken during 2007/08 in relation to strategic financial management. The purposes of this report are:

- To outline for Members the strategic financial management framework of the organisation
- To agree the key improvement actions for each part of the framework for 2008/09
- To agree a forward finance work plan for the committee for the first quarter of 2008/09.
- To agree to seek external assistance in the delivery of the improvements within agreed budgets.

### Key Issues

Figure one overleaf shows the key elements of the Council's strategic management framework. Members are asked to note the "Risk and Control" element of the framework will be discussed with committee in the context of a report updating Members on the revised terms of reference for the Audit Panel.

### Financial Reporting

The Council reports its financial performance to stakeholders on an annual basis in the form of its audited published accounts. In terms of internal reporting, the Jack and Helm Reports on the Belfast Education and Library Board highlighted the need for accurate and timely financial information to be presented to Members so that they could fulfil their scrutiny role in relation to financial management. The Council has now implemented a best in class financial information management system which will enable regular financial reports to be presented to committee. This reporting will start in June 2008 with an analysis of the 2007/08 year end position.

## **Financial planning**

The key outputs of the financial planning processes in Council are the Medium Term Financial Plan and the Annual Budget which concludes with the setting of the rate. These financial plans are simply a monetary expression of what the Council wants to deliver and therefore they need to reflect our key priorities and objectives. The most successful organisations ensure that their business planning and financial planning are very closely aligned. A key action for next year is therefore to better integrate our financial and business planning and a report on how this might be achieved will be brought to committee in April 2008.

Party Groups have firmly indicated their desire for prudent financial planning with the need to keep rate increases to a minimum, whilst at the same time avoiding cuts to front line services.

One of the key factors which has obstructed the Council in its financial planning has been the inability of the Rates Collection Agency to provide a finalisation figure for rates income until very late in the financial year – normally November/December. This meant that the Council did not know what income it would get from the rate set for the previous year and therefore made it much more difficult to plan for the coming year.

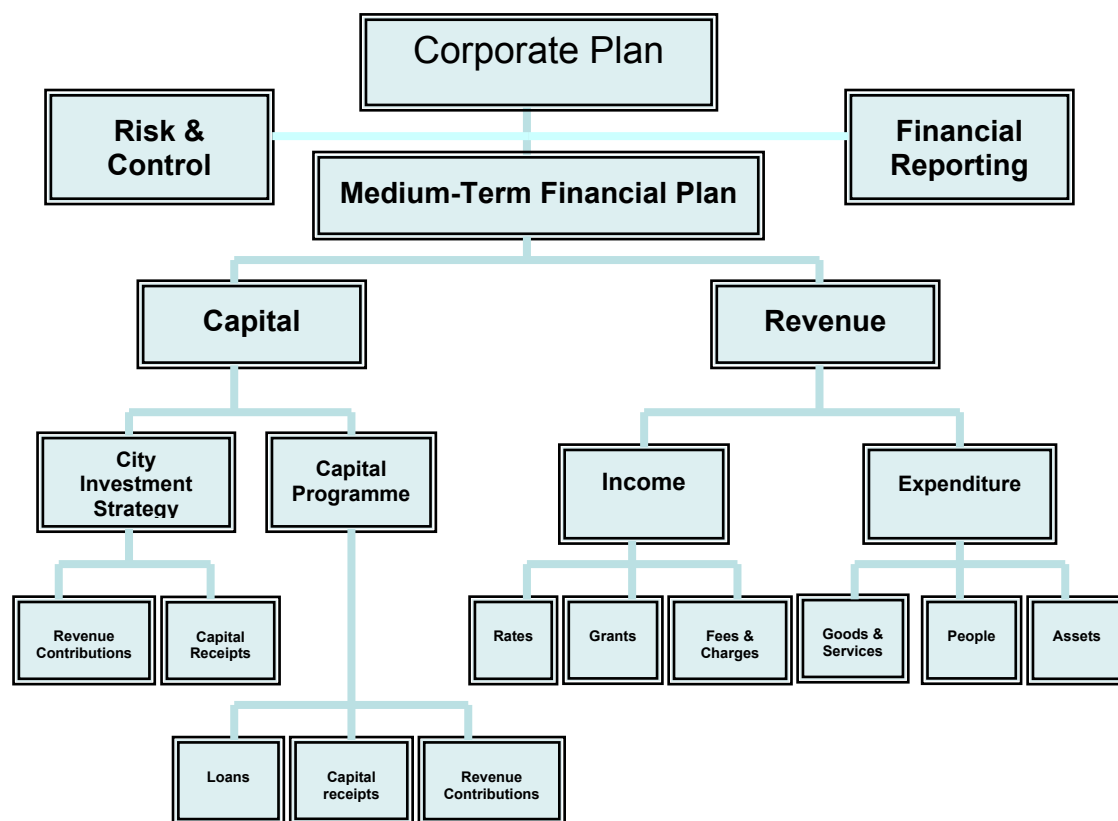
Council officers have been working closely with the new Chief Executive of the Land and Property Agency to improve this situation and as a result it is very likely that the Council will get a finalisation figure at the end of May / start of June 2008.

This means that the Council will be able to commence its new financial planning cycle for 2008/09 with much greater confidence. It is therefore proposed that the first financial planning meeting for 2008/09 should be held in June 2008. At this meeting Members will be advised of the finalisation figure, the priorities established by the new Corporate Plan and will be asked to set an early indicative rate level for 2009/10.

Given that 2009 may very well be an election year, it is likely that Members will wish to exercise a high level of prudence.

The financial framework of the Council is set out below.

**Figure 1 Strategic Financial Management Framework**



\*For purposes of reporting a number of the technical elements of the Strategic Financial Management Framework, such as working capital and treasury management have been excluded. These will be reported to committee at a later date in the year.

### City Investment Strategy

Members have already agreed that the City Investment Strategy will be financed mainly from capital receipts so as to minimise the burden on the ratepayer. The Director of Improvement is currently developing an asset management strategy part of which is an asset rationalisation plan. The Director will be briefing the party groups in April before this is brought to the Strategic Policy and Resources Committee.

### Capital Programme

It is intended to bring the capital programme to the Strategic Policy and Resources Committee for agreement in May. It needs to be considered with the City Investment Strategy and the corporate plan so that all three are aligned. At the May meeting it will also be necessary to agree the cash limits for the capital programme for the next three years and its financing arrangements.

### Income

The Council has three main sources of income – rates, fees and charges and grants. It is essential as part of good financial management that the organisation does all in its power to maximise all three sources. Rates and fees and charges are the two streams of income which the Council can influence the most and these are discussed below.

## **Rates**

Rates are our main income channel and although the level of district rate is set by the Council, the actual money is collected by Land and Property Services (LPS). The Council is currently undertaking major pieces of work with the common objectives of maximising our rate income and minimising the amount of rate income lost at the collection stage. This work includes the following:

- The Council's Building Control Unit is currently verifying whether the 9000 properties which are defined as being vacant on the Valuation List are actually vacant or not. Every property which is identified as being occupied represents an increase in rate income to the Council. We have agreed with LPS that the information on these properties will be passed to them and input to the system as fast as possible so that rates bills can be issued for 2008/09. Based on the first batch of properties inspected, this work could yield a significant source of additional rate income for the Council. It is also an example where different areas of the Council like Building Control, Cleansing, ISB, CIT and Financial Services can work together to generate more income for the Council.
- The Council has employed the Institute of Revenue, Rating and Valuation to conduct an in-depth review of the key rating processes and policies. They have produced a report with a number of recommendations for improvement which, if implemented, should result in a better working relationship with LPS, greater transparency, enhanced accountability, better rate information, increased rate income and reductions in the losses and costs of collection.

It is recommended that the Strategic Policy and Resources Committee hold a special meeting in May to discuss all the rates issues at one time. The new Chief Executive of LPS, John Wilkinson, has indicated that he would welcome the opportunity to discuss his plans for improvement with Members. This special meeting in May would be a good forum for him to do so.

## **Fees & Charges**

Fees and charges are an important element of the finance framework as a source of income and as a policy instrument to help the Council achieve its objectives. During 2008/09 it is recommended that the Council reviews its current fees and charges in the context of the level of income they generate, the level of subsidy provided and how effective they are in helping to meet the Council's objectives.

## **Expenditure**

The Council spends its money on three main things – people, assets and goods and services. The key issue for the Council is to be able to demonstrate to its ratepayers that value for money is being provided. In simple terms economy means how much we pay for people, assets and goods and services; efficiency is about how much we get out of the combination of people, assets and goods and services and effectiveness is a measure of what difference it makes.

Members have already agreed another three year efficiency target of £1.0million per year, with £500k going to the ratepayer and the other half going to the City Investment Strategy. It is likely, however, that if Members are of the mind to keep the rates around the level of inflation that savings over and above the £1.0million will have to be found. As the Council has already taken out over £3.0million of the base budget over the past three years, efficiency savings will become harder to come by and take longer to

identify and realise. It is therefore recommended that greater focus is given to the programme of efficiencies and treasury management and that a scoping report is now externally commissioned to identify areas in which savings can be realised in time for the 2009/10 budget. Such a report can be commissioned at a cost within existing budgets.

In addition to the efficiency programme, there is also the need for the Council to better test its delivery of value for money and provide better performance information on unit costs and related outputs and outcomes. Audit, Governance and Risk Services have increased the number of available audit days devoted to value for money studies and a programme of work for 2008/09 will be agreed with the newly formed Audit Panel. Phase 2 of the Better Business project will concentrate on the provision of improved financial information and this will be used as part of the Council's performance management framework in terms of benchmarking costs and outputs and tracking improvement trends. This will enable Members to better scrutinise costs and outputs together.

### **Summary of Strategic Policy and Resources Committee Forward Work Plan April – June 2008 for Finance**

#### **April**

- Report on financial planning cycle

#### **May**

- Agree capital programme
- Special meeting on rates

#### **June**

- Report on year financial position 2007/08
- Report on efficiency programme
- Agree first indicative rate level for 2009/10

### **Recommendations**

Members are requested to:

1. Note the contents of the report.
2. Agree to the financial forward work plan for April – June 2008 as outlined above.
3. If it is agreed to hold a special meeting on the rates in May, to advise whether they wish the Chief Executive of LPS, John Wilkinson to present to committee.
4. Agree to commission an external report on the programme of efficiencies and treasury management to report no later than June 2008.

