Belfast City Council

STRATEGIC POLICY & RESOURCES COMMITTEE

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| **Subject:** | Finance and Efficiency Programme Update |
| **Date:** | 21 October 2016 |
| **Reporting Officer:** | Ronan Cregan, Director of Finance and Resources |
| **Contact Officer:** | Mark McBride, Head of Finance and Performance |

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| **Is this report restricted?** | **Yes** | | **No** | X |
| **Is the decision eligible for Call-in?** | **Yes** | X | **No** | |

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| **1.0** | **Purpose of Report or Summary of main Issues** |
| 1.1 | The purpose of this report is to:<br>• Provide an update on the key financial factors to be considered when setting the district rate for 2017/18<br>• Outline the next steps in the rate setting process. |
| **2.0** | **Recommendations** |
| 2.1 | The Committee is asked to note:<br>• Progress on the 2017/18 estimates and the key issues being considered<br>• The impact of uncontrollable costs and the contracting rate base<br>• Further updates will be provided to Committee as part of the 2017/18 rate setting process. |
| **3.0** | **Main report** |
| 3.1 | The development of the revenue estimates for 2017/18 commenced in August 2016 when Committee considered key drivers to the rate setting process and agreed the £2m efficiency programme. Five key areas require consideration for 2017/18:<br>1. Uncontrollable Costs<br>2. Other Costs / Income |

3. The Efficiency Programme
4. The Rate Base, and
5. The Level of Reserves

3.2 **Pay Bill Costs**

The Deputy Chief Executive and Director of Finance and Resources advised Committee in August that uncontrollable pay bill costs of £2,194,908 could be anticipated in 2017/18. This figure has reduced to £1,356,192 as a consequence of NILGOSC's decision to hold the employers pension contribution at 2016/17 levels of 20%.

3.3 **Other Increased Costs / Loss of Income**

As part of the estimating process work will continue between Departments and Central Finance to assess the impact of other financial pressures on the District Rate. These include:

1. Central Government Grants
2. Waste Disposal Costs
3. Belfast Agenda
4. Capital Investment / Financing / Whole Life Costs
5. Accommodation
6. Departmental Growth
7. Non Recurring Expenditure

3.4 **Efficiency Programme**

The Strategic Policy and Resources Committee on 19th August 2016 agreed the following work strands and targeted savings for 2017/18 which amount to £2.0m:

1. Voluntary Redundancy - £1m
2. Procurement and Spend Management -£500k
3. Rates Maximisation -£100k
4. Planning Advertising -£150k
5. Marketing / Spend Management -£50k
6. Budgetary Challenge -£200k

It is anticipated that the efficiency target of £2.0m will be achieved for 2017/18. Details of the savings will be brought to Committee in November.

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| 3.5 | **The Rate Base**<br>Members will recall that the Quarter 1 budget monitoring report presented to Strategic Policy and Resources Committee in August advised of a £1m forecast shortfall in district rate income. At the beginning of October the Director of Finance and senior finance officers met with the Chief Executive of LPS and his senior staff to discuss an updated forecast for this financial year and to consider the impact of the tax base on the district rate for 2017/18.<br><br>LPS have now confirmed that the non-domestic rate base is contracting whilst the domestic rate base is showing slight growth of less than one per cent. It is therefore anticipated that there could be a potential claw back of up to £2m for 2016/17 and that a district rate of 1 penny will yield less in 2017/18 than it did in 2016/17.<br><br>There are two main reasons for the adverse forecast outturn at the year end and the reduction in the estimated penny product for 2017/18 – appeals against the valuation list and demolition and refurbishment of major sites in the city centre.<br><br>Appeals against the valuation list<br><br>We are now in year two post non-domestic revaluation. The level of appeals whilst modest have an increased impact on income as they are backdated to April 2015. Successful appeals not only result in a loss of income in the current year but they also reduce the value of the valuation list for future years.<br><br>Demolitions and Refurbishments<br><br>There are a number of non-domestic properties in the city which are no longer yielding rates because of either demolition or major refurbishment. While in the medium to longer term these properties will provide a rates income, in the shorter term they represent a major loss of rates income to the city.<br><br>To assess the full impact of these adjustments to the Valuation List Building Control and Planning staff are looking at the level of demolitions and refurbishments anticipated over the remainder of 2016/17 and 2017/18. We are also looking for any additions to the valuation list over this period. This information together with information on appeals will inform both the in-year forecast and the EPP for 2017/18. An update on this work will be provided in the half year budget monitoring report and the Revenue Estimates report to Strategic Policy and Resources Committee in November.<br><br>**Reserves** |

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| | As part of the mid-year budget monitoring exercise the adequacy of our reserves will be reviewed in the context of the potential impact of the adverse rate income forecast and departmental year end forecasts. The outcome of this exercise will be considered when setting the district rate. |
| 3.6 | **Next Steps**<br>Central Finance staff are currently reviewing departmental submissions. Directors will then go through a challenge process with the Chief Executive and the Deputy Chief Executive and Director of Finance in the week beginning 24th October to consider all aspects of their budget submission. |
| 3.7 | BCC staff will continue to work closely with LPS to refine the data on the valuation list. Other areas such as bad debt will also be scrutinised. The first draft of the EPP is due from LPS by 21st October. BCC will work with LPS to consider adjustments to this draft with a final agreed EPP planned for mid-November.<br><br>A detailed report will be submitted to the November Strategic Policy and Resources Committee. |
| 3.8 | **Finance and Resource Implications**<br>Members are asked to note that the half year monitoring report presented to Committee in November each year is when Members would normally re-allocate any forecast year end revenue under spend or surplus income for non-recurrent purposes for the following year. An example of this is the £635k supplement to community grants provided in 2015/16 and 2016/17. The scale of the rates claw back may mean that there will be no capacity to re-allocate money for non-recurrent purposes for 2017/18. |
| 3.9 | **Equality Implications**<br>None. |
| **4.0** | **Appendices – Documents Attached** |
| 4.1 | None |