



<b>Subject:</b>	<b>Medium Term Financial Plan and Efficiency Programme</b>
<b>Date:</b>	23rd August, 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 or Summary of Main Issues</b>
1.1	This report provides an update on the assessment of the key financial factors which influence the development of the Council's Medium Term Financial Plan for 2020/21 - 2022/23 and the rate setting process for 2020/21, together with an overview of the priorities and work in progress to establish the 2020/21 - 2022/23 Efficiency Programme.
<b>2.0</b>	<b>Recommendation</b>
2.1	The Committee is asked to note the challenges to be taken into consideration as part of the annual and medium term rate setting. A further report on progress will be brought to Committee in September.
<b>3.0</b>	<b>Rate Setting Process</b>
	A number of factors must be considered as part of the annual and medium term rate setting process. These include business as usual risks, existing priorities, growth priorities, efficiencies and the rate base.

	<b>Business as Usual Risks</b>
3.1	<p>There are three main uncontrollable costs likely to impact on business as usual budgets in the period 2020/21 to 2022/23:</p> <ol style="list-style-type: none"> <li data-bbox="319 331 1481 817">1. <b>Externally imposed increases to the Council's pay bill.</b> This includes the nationally negotiated pay awards and employers' pension contributions increase. In April 2018, a National Pay Award of 2% was agreed for Local Government Staff for 2018/19 and 2019/20. The National Pay Award for 2020/21 has not yet been settled. In the interim, a 2% increase will be estimated for 2020/21, 2021/22 and 2022/23. The current NILGOSC Triannual Valuation commenced in April 2019. This will set the increase in the contribution rate for the years 2020/21, 2021/22 and 2022/23. As the previous valuation resulted in a 1% increase in the contribution rate for 2018/19 and 2019/20, for medium term planning purposes an increase of 1% has been assumed for 2020/21, 2021/22 and 2022/23.</li> <li data-bbox="319 902 1481 1189">2. <b>Future revenue running costs resulting from capital investment.</b> The Council's asset base is growing as new schemes become operational. Members will be aware of the pressure faced by the Council to support local investment partnerships. These pressures are further exacerbated by the growing cost pressures and risks associated with the maintenance of an ageing estate. Existing maintenance budgets need to be reviewed to support the asset base.</li> <li data-bbox="319 1274 1481 1503">3. <b>External economic factors</b> such as inflation, Brexit and the current political climate. The uncertainty around Brexit and levels of government funding make it difficult for services to budget for central government and European funding streams. Inflation is a further external pressure – the current CPI rate is 1.9% with a forecast rate of between 1.8% - 2.0% for 2021.</li> </ol>
3.2	<p><b>Existing Priorities:</b>The organisation has committed to a number of priorities including the Waste Plan, City Deal and Physical Programmes.</p> <p>The Council will face significant year on year increases in waste disposal costs as the arc21 residual waste contract and interim arrangements become operational. The likely impact of the <b>Waste Plan</b> for the period 2020/21 to 2022/23 will be considered as part of the 2020/21 estimates process.</p> <p>All <b>City Deals</b> require the councils to make a financial contribution to the delivery of their own capital projects, such as the City's Visitor Attraction. In previous years Members have agreed to include rate supported funding to help build the City Deal fund for Belfast. Proposals to</p>

include a further recurring contribution to the fund will need to be considered as part of the 2020/21 estimates process.

**Physical Programmes** – Members have approved the 2019/20 capital financing budget to support the current Capital Programme. A report on the Capital Programme is also on the agenda for discussion which shows that there will be a capital financing deficit of £576k in 2021/22 and £574k in 2022/23.

3.3

**Growth Priorities:** The City Regeneration and Growth Committee on 27th March 2019 agreed a 12 week consultation on the draft **Cultural Strategy 2020 – 2030**. The findings are due to be presented to Strategic Policy and Resources Committee in September 2019. These proposals will be considered as part of the 2020/21 estimates.

Council work on **Climate Resilience** is currently funded on a non-recurring basis. Consideration will need to be given by Members if this priority to provide recurrent resources in order to develop and implement priority actions in this area.

The **Inclusive Growth Strategy** which underpins the Belfast Agenda will be considered by the Strategic Policy and Resources Committee in September. If agreed, its implementation will require a significant corporate commitment including a recurrent funding stream.

**Future Physical Programme Priorities** – there are a number of emerging future Physical Programme priorities including

- Cultural Strategy
- Pitches Phase 2
- Leisure facilities
- Belfast Zoo
- Parks Upgrades
- Civic Buildings and Grounds
- Waste Plan
- Community provision
- Alleygating
- Neighbourhood Tourism Feasibility
- Neighbourhood Tourism products
- Neighbourhood Regeneration Fund
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None of the above have any financing associated with them and Members will need to consider as part of the rate setting process whether they wish to consider building up the capital financing budget to support future physical priorities including the above.

	<b>Efficiencies</b>												
3.4	Over the past 14 years the Council has delivered over £29m year on year cash efficiency savings. In 2018/19 and 2019/20 this was realised through targeting reductions in spend (£2.5m) and increasing income (£0.5m). Revised targets are needed for 2021/21 and future years. Further analysis is underway and an update report including a proposed revised efficiency target will be brought to Committee in September 2019.												
	<b>Rate Base</b>												
3.5	<p>Rate income accounts for almost 78% of the Council's income. Council staff will be meeting with LPS and the Institute of Revenues Rating and Valuation (IRRV) to provide an assurance on the estimated rate income (estimated penny product) for 2020/21 which will be notified by LPS in November.</p> <p>The district rate increases and inflation increases over the past three years are shown below:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>BCC District Rate Increase</th> <th>Rate of Inflation at Rate Setting</th> </tr> </thead> <tbody> <tr> <td>2017/18</td> <td>1.89%</td> <td>2.7%</td> </tr> <tr> <td>2018/19</td> <td>1.98%</td> <td>2.7%</td> </tr> <tr> <td>2019/20</td> <td>1.98%</td> <td>2.3%</td> </tr> </tbody> </table>	Year	BCC District Rate Increase	Rate of Inflation at Rate Setting	2017/18	1.89%	2.7%	2018/19	1.98%	2.7%	2019/20	1.98%	2.3%
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	<b>Next Steps</b>												
3.6	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.												
3.7	Progress in these areas will be reported to Committee in September as part of the Rate Setting timetable outlined in Table 1 below.												
3.8	The high level guidance to be issued by the Director of Finance and Resources in September setting the parameters and timetable for completion of departmental estimates will advise that departments must deliver their business as usual estimates with a zero increase, with the exception of the uncontrollable cost increases. Any departmental growth proposals will be subject to the rate setting challenge process before any recommendations are presented to Committee as part of the process for setting the district rate.												

3.9	<p style="text-align: center;"><b>Table 1: 2020/21 Rate Setting Process</b></p> <p>The flowchart illustrates the 2020/21 Rate Setting Process, organized by month:</p> <ul style="list-style-type: none"> <li><b>Aug:</b> Budget Panel and SP&amp;R (Yellow box); MTFP Initial analysis Issue Rate setting guidance to Departments QTR1 Finance report (Red box).</li> <li><b>Sep-Oct:</b> Budget Panel and SP&amp;R (Yellow box); Update Rates Position Update on MTFP Capital Investment Programme (Blue box).</li> <li><b>Nov:</b> SP&amp;R (Yellow box); Further update on rate to highlight key issues &amp; scenarios Q2 Finance Report (Blue box).</li> <li><b>Dec:</b> Budget Panel and SP&amp;R (Yellow box); Discuss and finalise options for rates taking account of MTFP, capital financing strategy and treasury management strategy QTR 2 Finance Report (Blue box).</li> <li><b>Jan:</b> SP&amp;R (Yellow box); Department Committees (Yellow box); SP&amp;R (Yellow box); Set Cash Limits Recommendation to Council on district rate and MTFP. (Blue box).</li> <li><b>Feb:</b> Council (Yellow box); Agree district rate QTR3 Finance Report (Blue box).</li> </ul>
	<p><b><u>Financial and Resource Implications</u></b></p>
3.10	<p>This report outlines the key areas of financial risk for the Council to be considered as part of the 2020/21 revenue estimates and Medium Term Financial Plan.</p>
	<p><b><u>Equality Implications</u></b></p>
3.11	<p>There are no equality implications with this report.</p>
4.0	<p><b>Documents Attached</b></p>
	<p>None.</p>