

Annual Review and Presentation of the Budget

Mr Councillor D W Christian, MBE, JP

Council Leader and the Chair of Executive Committee

Wednesday, 25th January 2017

Mr Mayor, Members of the Council

This budget is about '**Our Town. Our Future**'.

And it is founded on one unassailable fact.

That uncertainty is the only certainty there is.

So the task of this Council and the purpose of this budget is to provide as much certainty as possible at a time of local uncertainty, global insecurity and instability.

At a time when the US has a new President who speaks of challenging world order, has his own distinctive take on the art of diplomacy and, given his fondness for social media, is singlehandedly responsible for putting the 'twit' in 'Twitter'.

It's also a time when a new UK administration is grappling with making an orderly exit from the European Union, a process that compounds the uncertainty for us in the Isle of Man.

And it's at a time when our own Government is still tasked with balancing its budgets and looking at a raft of reform measures - from education to utility charges, work permits to planning - that it hopes will encourage economic growth.

As a nation, though, we must be doing something right.

Early last year UNESCO designated the 'Island Biosphere Reserve' status - the first entire jurisdiction in the world to receive the award. This was in recognition of our unique environment, heritage and culture, which made the Island – and I quote - a '***special place for people and nature***'.

This is all very gratifying, but I've been saying the same for years, so I'm delighted that the Island's special qualities have been recognised by such a respected body.

And, to a degree, it's a view expressed by the Isle of Man Government in its Programme for Government 2016-2021 document which has for its strap line: '**Our Island: A special place to live and work**'.

No mention of the Island being a special place to visit, though, unlike the Council's view of our Island's appeal, a place to live, work **and visit**.

In December the Isle of Man won the FinTech Region of the Year Award for the quality of its professional services, regulation and investment in e-business.

And last summer the Council was responsible for winning six Green Flag awards.

But to return to uncertain times ahead and how best to manage the associated risk. The Council cannot be prepared for every eventuality. It can, however, apply rigour to its fiscal policies, sober analysis to its budgets and realism to its ambitions for the future.

It's an approach that has determined today's budget, one of consolidation.

Uncertainty does, however, help to shape our thinking and decision-making, a process in which I am grateful to my fellow Members, a good number of whom have made their first contribution following their election to the Council last year.

I think it's fair to say the Council now has a good mix of experience and expertise, a membership united in its commitment to secure sustainable economic growth, listen and respond to those whom it serves and bring about positive change for the capital.

In short, **to deliver for Douglas.**

Mr Mayor, if ever there were a subject generating uncertainty, it's Brexit.

While Britain has voted to leave the European Union it is **not** leaving Europe. It's seeking to take back control.

And Brexit shouldn't be a barrier to co-operation.

As Prime Minister Theresa May said last year: *'Britain must seize an historic opportunity to forge a bold new role for ourselves in the world and to unite our country as we move forward into the future.'*

And this month, when Mrs May set out her Plan for Britain she said: *'June the 23rd was not the moment Britain chose to step back from the world. It was the moment we chose to build a truly Global Britain.'*

So there is clearly life beyond Brexit...but there are risks.

The Island's Protocol 3 relationship with the European Union, allowing for the free movement of goods and people, will come to an end when Britain leaves.

Brexit negotiations, the decline in the value of sterling, and the prospect of higher interest rates, will not only test consumer confidence but also challenge local and central Government to scale up their response to an uncertain future.

But Brexit also presents new opportunities - unknown as yet - but opportunities nonetheless that the Isle of Man Government and this Council must be ready to seize.

As Chief Minister Howard Quayle MHK has said of the UK referendum's impact: *'Like so many international events, this is beyond the control of the Isle of Man, but we must ensure that we respond appropriately.'*

More recently, reflecting on Prime Minister May's Plan for Britain speech, the Chief Minister said: *'We recognise that the shape of the Island's new relationship with Europe will rest upon what the UK can secure for itself...But whatever the new relationship between the UK and the EU, the Isle of Man's connection with the UK will remain the same.'*

From a UK perspective Prime Minister May says her aim is *'to cement the UK as a close partner once Britain has left.'*

For our part, all this uncertainty demands that the Council becomes more outward-looking.

Better engaged with the wider world – positioning Douglas to succeed in the global economy.

More entrepreneurial.

And more receptive to new partners and new ways of working.

So the Council has to be match-fit to take advantage of what opportunities Brexit may offer. And, closer to home, to respond to a changing economic outlook and budgetary pressures.

These past years have tested the Council's endurance and resolve but it's fair to say the Council has emerged leaner and more innovative, never shying away from making difficult decisions, and has succeeded in delivering more for less.

That endurance, though, could be stretched to the limit should there be a rise in interest rates, which would present a serious threat to our ambitions for the future.

The Council's finances are sensitive to interest rate rises. The 'Brexit effect' could lead to the Council being exposed to more expensive borrowing, which could compromise its future investment plans.

Under the Local Authority Borrowing Scheme, new loans are taken out on a variable rate. Until 2011, however, fixed-rate loans were taken, which are currently at a higher rate and gradually being repaid. So, as any new lower variable rate loans are taken, the average interest payable by the Council currently reduces.

Were interest rates to rise, the largest amount of additional interest would fall on the Housing Account and need to be claimed from the Housing Deficiency Grant.

Mr Mayor, the effect on the rates of a one percent increase is estimated to be just under £40,000. So imagine the effect an unwelcome return to five percent could have...not to mention the impact on homeowners struggling to meet their mortgage repayments.

We are **not** though, standing still. We are still investing in our town, as you will have heard from the Chair of Housing, Councillor Wells, whom I thank for her insightful report and contribution ahead of moving the Housing budget.

And while the Housing budget stands alone, it forms a substantial part of the overall Council budget: a housing revenue expenditure budget of **£12.5 million**.

As part of this budget the amount claimed in housing subsidy for the coming financial year is £308,220. Whilst I accept this is greatly reduced from £873,000 in the 2007-2008 budget, more still needs to be done to try to remove this subsidy completely.

But...to return to investing in the town.

We are progressing the £1.5 million capital investment scheme to convert the borough's street lighting to LED lanterns. By April 2018 our Electrical Services Team will have replaced 11,000 units which will be linked to a central management smart system so they can be remotely controlled. Not only are the new lanterns easier to control but they are also energy efficient and expected, by the end of the five-year programme, to make savings of around £230,000 a year that ultimately will benefit Douglas ratepayers. Initially for the 2017-2018 financial year budgeted savings of £32,500 are expected.

Meanwhile, installing LED lighting in Shaw's Brow Car Park is already producing savings of £4,000 a year in electricity charges.

New street lighting is also creating a safer environment and demonstrates the Council's and Government's continuing financial support for town centre regeneration.

Mr Mayor, as a champion of town centre regeneration the Council is pleased to support the Department of Infrastructure's proposals to extend the scheme to Castle Street, and from Strand Street through to Duke Street. We hope that the scheme will carry on to the North Quay so it creates a thoroughfare that's uniform in appearance and attracts greater numbers to the harbour area. The harbour, which has been the subject of much discussion, has the potential to be a central element in the Douglas Masterplan, a leisure destination in its own right, and serve as a magnet for cruise ship spend.

I'm sure everyone here today looks forward to seeing the Department's plan to refurbish the promenade's failing highway to a high standard up to the Villa Marina – a standard that mirrors that of the town's regenerated area. The rest of the promenade will be regenerated, but to a more modest specification. I hope that the decision made by Tynwald last week to continue the horse trams down Loch Promenade does not create further delays. The majority of people are fed up with this saga and just want action.

And action ***now***.

I truly believe Minister Harmer and his team are determined to make this happen, **for our town, for our future.**

As we understand, this decision could result in a loss of car parking spaces of between 20 and 90, so I hope any such losses will be kept to a minimum.

A new-look promenade and the creation of a cultural quarter around the Gaiety Theatre are core components of the Douglas Masterplan which aims to create a world-class capital.

For the Council's part, we will be making every effort to enlist the support of the private sector to partner with us and Government to advance elements of the Masterplan so that together we can improve the prospects for residents, visitors, retailers and businesses.

This isn't just a matter of appearance. It's about civic pride and projecting a positive image for the capital of our Island.

The Council is supportive of the latest proposals and intends to be a leading player in the project, by investing in a new £820,000 bespoke LED street lighting scheme to run the whole length of the promenade.

Meanwhile the Council is doing all it can to create a positive Douglas experience, consolidating and refocusing its Environment and Regeneration Department. In addition - and without increasing headcount - it will shortly appoint a Regeneration Project Officer whose remit is principally to drive regeneration initiatives.

Last year the Council introduced a new charging structure at Chester Street car park as a trial: free after 3 Monday to Friday and a flat-rate £2 charge on Saturdays.

The initiative is producing encouraging results.

On Saturdays use was between 40 and 55 per cent but now regularly reaches 70 per cent, while use on a Monday to Friday after three has grown steadily from around 40 per cent to regularly 60 per cent.

The trial has now been extended and forms part of the Council's strategy to encourage more shoppers into the town centre and for them to stay longer.

Car parking, though, is just one element that's succeeding in attracting more people to the town. Providing events in the town centre, from Christmas craft fairs to street performers and seasonally themed celebrations, along with a regenerated main shopping thoroughfare, are also major factors.

All of which is producing encouraging results.

December 2016's footfall figure for Douglas town centre was up 7.3 per cent on the previous December, whereas in the UK footfall was 1.1 per cent down that month.

Driving this strategy is the Council's recognition that the retail landscape is changing. Customers are demanding a more personalised service, a more bespoke technologically-driven offer. Bricks and mortar retailers are facing serious challenges to capture a market where the tablet and PC, are replacing the high street as consumers' preferred way to shop. So, as the retail experience changes, town centres have to adapt.

Meanwhile town centre retail unit vacancy rates could be better. The December vacancy rate including the Strand Centre was 12.2 per cent, which compares favourably with the UK. Had the centre been fully tenanted, then that figure would have fallen to 8.4 per cent.

I am encouraged that such a high-street giant as Sports Direct chose to acquire the Strand Centre last year and that major building work is set to start there at the end of this month to provide more retail space and improve the shopping experience. This I view as a vote of confidence in the regeneration of Douglas town centre and in the town's appeal to new investors.

That appeal is under constant threat, though.

Dilapidated and derelict buildings do nothing to project a positive, open-for-business image. Nor do neglected sites and failing infrastructure, such as Douglas Promenade, Parade Street, Cambrian Place and Lord Street bus station.

Recently updated legislation requires absentee landlords to maintain their properties, but in some cases even tracing the owner can prove difficult and expensive.

Local authorities now have greater powers of enforcement. The Council can take the credit for this as it was our input born out of years of experience and, it must be said, frustration, which helped to shape the new legislation.

In summary, as a result of the Council's input, the new legislation, which benefits not only Douglas but every local authority in the Island, allows for:

- £100 fixed-penalty notices for dilapidated properties;
- Increased fines following prosecution;
- An amendment that lowers the test criteria for unsightly land to the same as that for unsightly structures;
- The power to issue a notice to prevent occurrence and/or recurrence of unsightliness;
- The power to issue fixed-penalty notices for byelaws offences;
- And the power to apply to have the zero-rated status of ruinous or dangerous properties withdrawn.

The Council, through its Building Control section, does all it can to get owners to comply with the legislation, but it is a time-consuming and complex process. This is why late last year we appointed a Dilapidation Enforcement Officer expressly to deal with owners who allow their properties to fall into disrepair and become unsafe.

The Council is doing all it can, but it cannot succeed alone in ridding the town of these eyesores.

The general public, retailers, business owners and landlords must also take responsibility, if we are to ensure that quality of life in the capital is not undermined.

On a more positive note I am encouraged that the Government is to revive the Douglas Regeneration Committee, though in keeping with this morning's theme of uncertainty, we have yet to learn what its size and scope is to be. I hope though, that it would include an economic growth element in its remit.

Whatever form it takes, the Council is determined to take a major role in helping Douglas to project a positive, business-friendly image.

Mr Mayor, while this Council will always champion working in partnership with Government and the private sector, we recognise it falls to **us** to provide essential services to the community.

Not all of these make a profit. But profit cannot and should not determine every decision the Council makes and every service it provides.

Very often it's about quality of life.

Consider the Henry Bloom Noble Library, Noble's Park and other open spaces such as Douglas Golf Course, Douglas Head, the Sunken Gardens and Summerhill Glen.

There may be no profit to be gained from providing these services. It does, however, demonstrate the Council's commitment to environmental stewardship and delivering added value to the community.

Services such as these add to people's enjoyment and wellbeing, enhance the environment and touch everyone's lives.

Even in these difficult times this Council knows you can't put a price on that.

Nor can you on safeguarding the public and protecting communities.

Which is why the Council is extending public space CCTV coverage across the Borough.

And why it has installed automatic external defibrillators - several in partnership with Craig's Heartstrong Foundation.

In these challenging times, when balancing budgets to protect existing services is becoming increasingly difficult, this Council is of the opinion that high quality open spaces are important community assets that our belief in civic responsibility demands we retain if we are to deliver for Douglas on every level.

This is why, along with winning six Green Flags in 2016, the Parks Service is continuing to innovate. It's providing a service to the borough which, while not profit-generating, contributes to a heightened sense of civic pride and helps to make Douglas, a town future generations, will be proud to call home.

By way of example, through the Parks Service the Council has entered into a partnership with The Children's Centre to provide a creative adventure play space at Ballaughton Park.

This project is the first of its kind in the Isle of Man on such a scale and size and represents an investment by the Council of £42,000 for the initial set up. This will be a flagship creative play amenity which could serve as a model for other communities in the Island.

Staff from The Children's Centre will manage the site and deliver the play experience with assistance from trained volunteers, and already support for the scheme is gathering momentum from schools and community groups.

Also, as part of the Noble's Park development plan, during the winter of 2015 the Parks Service planted out a maze on a redundant grass tennis court with New Zealand privet which grows quickly, so I am led to believe. This new attraction should open sometime in 2018 or 2019...even if only to small people.

And, in the coming financial year, the Regeneration and Community Committee will provide a new water play area in Noble's Park. The project, costing £175,000, will be funded from capital receipts so that it will have no direct impact on the rates.

Mr Mayor, I've mentioned these projects because they not only illustrate the Council's outward-looking, pioneering approach but also its willingness to listen, respond, and deliver what the people of Douglas want.

The Henry Bloom Noble Library is another service the Council provides where profit is not a consideration.

The Library Service reflects the changing role libraries are fulfilling. People expect far more from their libraries than just somewhere to borrow books.

The Library is acting as a gateway to information and supporting people of every generation's thirst for knowledge.

It serves as a study and lifelong learning centre, so is contributing to filling the skills gap at a time when the jobs market is becoming fiercely competitive.

It provides access to the internet, helps to get the digitally excluded online and is inspiring younger readers to discover the world of books, in hard copy or online.

Mr Mayor, this Council is harnessing digital technology across every department to deliver quality cost-effective services that people want, in the format they want.

This is helping the Council to respond more quickly to its customers and has led to the setting up of a working group to identify how best to engage with the ratepayers of Douglas.

Meanwhile Douglas Town Centre Management is using social media to engage with and support local retailers. This is helping the Council to learn more about what matters to businesses in the town and to the people of Douglas and provides an additional two-way communication channel.

But to return to the Library for a moment. It is also serving a valuable community role.

For example, from the end of this month the Library will provide an information drop-in service, in partnership with the Noble's Hospital Macmillan Cancer Information Centre. This is in the form of a display stand with a wide range of cancer information for those living with the disease, their families and carers. In addition, a volunteer from the Centre will be on hand at the Library on the last Friday of every month between 11 and 2.

Mr Mayor, I have referred to some of the more visible services the Council provides. But there are many other, more under-the-radar services we provide, which in relation to expenditure, place only modest demands on the rate yet make a very real difference to the environment and quality of life.

By way of example, while refuse and recycling rank highest at a rate equivalent of 69p, and public lighting second at 47p,

- the Civic Amenity Site comes in 10th at 12p,
- the many public events the Council organises 17th at 6p; and
- Douglas Golf Course 22nd at just 4p.

These last three services all provide substantial benefit to Douglas ratepayers and the wider Island community.

I also believe these figures underline the relevance – sometimes questioned by the uninformed especially on social media – of local authorities generally and Douglas specifically.

Mr Mayor, I've said this Council embraces innovation. But not innovation for innovation's sake.

It's about empowering our customers, giving them a wider choice of how they access our services, our Members and our people.

And it's about driving down costs and making savings for the ratepayers of Douglas.

So I am pleased to report that in this budget, while good governance and sustainable investment require additional spending of £572,000, we have built in total savings of £511,000 to avoid this falling on the rate.

To return to harnessing innovation. At Ballaughton Nursery the Council has become the first local authority to use renewable energy technology – an air source heat pump - in a horticultural application.

This was not innovation for the sake of it.

The old oil-fired system to heat the greenhouses had come to the end of its economically viable life. By replacing it with an air source heat pump system – believed to be the Island's largest - the Council is reducing its carbon footprint and is set to make annual savings on fuel oil of around £12,000 from this April.

Also, the Parks Service's new offices, are heated by this new technology. Integrating all the staff into one building will lead to efficiency savings of around £3,500 a year, a figure set to rise as the cost benefits of the new heating system, begin to take effect.

The Council **is** working smarter and it **is** becoming leaner.

Last year it resolved to reduce the number of elected Members from 18 to 12 with effect from 2020. The Council has recently determined to reduce the number of Wards from six to four in line with the House of Keys constituencies. This will hopefully remove any confusion in people's minds and allow for Councillors and MHKs representing the same area to work more closely together.

The Council has also reduced its headcount without compromising its standards of service delivery. Faced with an employer's pension contribution of around £1.3 million a year, the Council must always consider the financial implications of taking on more staff.

Having said that, Douglas, being the largest local authority in the Island, is very different in size and scope from all the other authorities. It manages a budget of **£40 million** and delivers a whole raft of services, and to do that requires a substantial workforce of both manual and professionally trained officers.

I can confirm that by April 2017 the Council will have reduced that workforce by the equivalent of 28 full-time posts in the last six years.

And while the Council is mindful of the need to contain head count numbers, it recognises there will be exceptions. One such was the decision to re-introduce the Council's apprenticeship scheme last September.

Seven apprentice posts have been created to provide on-the-job training in conjunction with the Department of Economic Development and University College Isle of Man, the latter being especially supportive of the scheme.

Mr Mayor, in these uncertain economic times apprenticeship opportunities in the private sector are becoming fewer, especially in the building trade. This Council recognises, though, that a skilled workforce is vital to the long-term growth of the Manx economy.

Our apprenticeship scheme is helping to transform young people's life chances. It is equipping young people with transferable skills, helping them to gain qualifications and prepare them for an increasingly competitive jobs market.

Now to turn to recycling and domestic waste collections. These are services where local authority and householders meet.

The Council is working hard to deliver a smarter, more efficient service and make it easier for people to recycle.

Every year when delivering my presentation of the budget I urge householders to sign up to the Council's kerbside collection service. This year will be no exception. To sign up is a simple matter of going on the recyclenow.im website.

The case for recycling goes beyond saving energy and protecting the environment. For the Council there are cost benefits it can pass on to its ratepayers. Raw materials are in demand and the Council can raise income by selling them. Also, the more material that's recycled the more is removed from the waste stream. And that means Council vehicles make fewer trips to the energy from waste plant to incinerate the waste, so incur fewer gate fees.

The Council does not expect the public alone to shoulder the responsibility for recycling.

The Ballacottier Service Centre has an industrial-scale recycling operation, which sorts and processes around 120 tonnes of material every month from the Island's bring banks and kerbside collections, which is then sold to help pay for this service.

The Council knows that if it is to encourage more people to recycle, then it must inform them of the benefits. The website has educational videos and a wealth of information that make a compelling case for recycling, while our waste management officers visit schools to inspire children to share their new-found knowledge with their families to urge them to recycle.

The Council's recycling efforts have not gone unnoticed. In 2016 the Council was not only shortlisted in Keep Britain Tidy's "Campaign of the Year" category which recognises campaigns that show evidence of changing people's behaviour, but also in the "Innovation" category for its intelligent litter bin system. This is the category which rewards new and pioneering ideas that lead to improvements in environmental quality, so recognises the Council's commitment to embrace technology.

Mr Mayor, all that the Council does now and in the future is shaped by the Corporate Plan.

This month sees the launch of the latest Corporate Plan, the Council's third, which sets out its priorities, objectives, responsibilities and aspirations for the next four years.

The Plan defines our role not only as a local authority with statutory duties but also as an organisation committed to its people, its ratepayers and the local community. And it restates the Council's commitment to supporting economic growth for Douglas and our Island.

The Corporate Plan is our declaration of intent.

It will provide direction and help us to work towards creating and maintaining an aspirational, dynamic Douglas.

A town responsive to the needs of its communities and sympathetic to its unique heritage and environment.

Its guiding principles will shape how we transform and deliver our services over the next four years. It will also provide reassurance that Douglas Borough Council has determination, ambition and a highly motivated workforce to create brighter prospects for **our town, our future**.

Mr Mayor.

Before announcing this year's rate let me take this opportunity to remind Members of the changes to the Rates levied since 2009 compared to inflation:

In 2010, 2012 and 2016 there was no increase in the rate.
In 2011 and 2014 it rose by only half of one per cent.

Over that same eight-year period the Manx Retail Price Index rose by 35 per cent. This level of inflation, excluding the waste levy, should have required a rate rise of **135p when, in fact, it is 23p.**

Mr Mayor, the rate levy that the Executive Committee proposes be approved this morning is set against a backdrop of the latest Manx RPI inflation figure of 6.4 per cent for December 2016.

It is a rate achieved thanks to the hard work of Members and officers examining their budgets in forensic detail.

Our agenda.

Is realistic.

And it **is** achievable.

We have drawn a clear route map we can follow.

We **can** shape a brighter future for the capital – not just for this generation but for the generations that follow.

This Council **will** deliver for Douglas.

Mr Mayor, Members of Council, it is therefore my duty to move the Executive Committee's recommendation for a rate levy of 408 pence, which is an increase of 1.49 per cent over last year.