

Strategic Policy and Resources Committee

Friday, 7th January, 2011

MEETING OF STRATEGIC POLICY AND RESOURCES COMMITTEE

Members present: Councillor Crozier (Chairman); and
Councillors Adamson, Attwood, Austin, W. Browne,
M. Campbell, Garrett, Hartley, Hendron, N. Kelly, Lavery,
McVeigh, Newton, O'Reilly, Rodway and J. Rodgers.

In attendance: Mr. P. McNaney, Chief Executive;
Mr. C. Quigley, Assistant Chief Executive;
Mr. G. Millar, Director of Property and Projects;
Mrs. J. Thompson, Director of Finance and Resources;
Mr. S. McCrory, Democratic Services Manager; and
Mr. J. Hanna, Senior Democratic Services Officer.

Apologies

Apologies for inability to attend were reported from Councillors D. Browne, McCarthy, G. Robinson and Stoker.

Finance

Financial Estimates and District Rate 2011-2012

The Committee considered the undernoted report:

“Relevant Background Information and Purpose of Report

1. Members will recall that the following process has been followed for setting the district rate and agreeing the estimates for 2011/12.

Agreed rate setting process for 2011 /12		
March	Budget Panel and S P & R 19 March	Agreement on rates process for 2011/12 and
April	Budget Panel April	Planning process for 2011/12
May	Budget Panel and S P & R May	Indicative rate and efficiency target
Jun-Aug		Prepare for detailed rates exercise Challenge of budgets and realignment Progress efficiency programme
Sep-Oct		Preparation of draft estimates by Department
November	S P & R November	Highlight key issues
December	Budget Panel and S P & R December	Discuss and finalise options for rates Position taking into account potential savings and the implications of managing reserves & financing the capital programme
January	S P & R January	Recommendations to Council for district rate 2011/12
	Department Committees	
	S P & R January	
February	Council February	Agree district rate 2011 / 12

2. At the meeting of the Strategic Policy and Resources Committee on 10 December 2010, it was agreed that the Budget and Transformation Panel should further consider the setting of the district rate for 2011/12 before the Christmas break. The Panel met on 16 December 2010 and it was agreed unanimously to recommend to the Council at its meeting on 5 January a district rate increase of 2.5%, which would be used for Committee reports on Departmental estimates in January. This is the lowest rate increase the council has set in over ten years and is well below the rate of inflation which currently stands at 3.3%.

3. The purpose of this report is to:
- Set the cash limits for Department committees for 2011/12;
 - Agree the estimates for the Strategic Policy and Resources Committee for 2011/12; and,
 - Outline the key priority actions in 2011/12 for each Committee.

Key Issues

A. **District Rate 2011/12**

4. The table below summarises the key elements of the council's finances for 2011/12 based on a district rate increase of 2.5% (subject to agreement at Council on 5 January) and assuming zero growth in the rate base, which has recently been advised by LPS.

	2011/12 Increase/(Decrease) £	% Rate Increase
Departmental Estimates	1,478,413	1.14
Current Capital Programme	528,895	0.40
Additional Capital Schemes	3,200,000	2.48
City Investment Strategy	0	0.00
Waste Plan	1,300,000	0.99
City Area Priorities	1,000,000	0.77
General Exchequer Grant	(214,000)	0.16
Movement in Reserves	(4,500,000)	-3.46
District Rate Increase		2.50
Average impact on ratepayer		£8.39

5. The various elements of expenditure within this table have been presented to the Strategic Policy and Resources Committee at the meeting on 22 October and 19 November 2010. More information on the Departmental Estimates is set out in Section B below.

6. Further liaison and agreement by Members is still needed in relation to the funding for the additional capital schemes and the city area priorities budget. The additional capital financing budget of £3.2m will deliver around £20m of capital expenditure. As has previously been agreed, the Director of Property and Projects will lead on a prioritisation exercise with Members to agree the additional capital schemes to be delivered within this budget. The £1m of investment in city area priorities will secure a £250k budget for the four city areas. A member led process will be facilitated to agree how to allocate resources at a local level and to prioritise local actions. Further reports on both these items will be presented to Committee in due course.

B. Set The Cash Limits For Department Committees and Agree the Estimates for SP&R Committee

7. One of the key tasks for Members is to agree the estimates for the Strategic Policy and Resources Committee and to set cash limits for the department committees. The following section of the report provides an overview of the estimates for 2011/12 and more detail is provided in the appendices to this report. The table below summarises the movement in department estimates from 2010/11 to 2011/12.

	SP&R	H&ES	P&L	DEV	TOWN	Dept Total PLAN
	£'000	£'000	£'000	£'000	£'000	£'000
2010/11 Estimate	32,048	38,880	22,301	20,211	27	113,467
<u>Uncontrollable costs</u>						
Superannuation	116	188	240	48	0	592
Employee costs	179	312	185	72	0	748
Loss of External Income	324	607	270	0	0	1,201
Connswater	0	0	590	0	0	590
Landfill tax /gate fees	0	1,338	0	0	0	1,338
TOTAL	618	2,444	1,285	120	0	4,469
<u>Councilwide Savings</u>						
TOTAL	-1,376	-485	-655	-419	0	-2,935
<u>Departmental Savings/Growth</u>	276	-212	9	-129	0	-56
2011/12 Estimate	31,568	40,627	22,940	19,783	27	114,945
Inc/(dec) £	-480	1,747	639	-427		1,478
% Inc/(Dec) from 2010/11	-1.50%	4.49%	2.87%	-2.11%	- 2.47%	1.30%
% of District Rate	-0.37	1.35	0.49	-0.33	0.00	1.14

8. The departmental estimates are budgeted to rise by £1.5m which is 1.14% of an increase on the district rate or an increase of 1.3% compared to 2010/11. Given that inflation is currently 3.3%, this represents a real terms cut of some 2%. There are four key factors driving costs upwards, in addition to inflation, and these are:
- The employer's pension contribution which is decided on by NILGSOC will increase from 17% to 18% at a cost of £600k.
 - Staff costs have increased by £750k based on an assumed pay rise of £250 for employees who earn less than £21k per annum (subject to ongoing national negotiation). Members will recall that there was no pay uplift offered for 2010/11.
 - External income from fees and charges is still being hit by the recession with a reduction of £1.2m being budgeted for in 2011/12. The worst hit services are Building Control and Parks and Leisure.
 - The combination of increased landfill tax charges and gate fees will lead to increase costs of £1.3m.
9. The £4.5m uncontrollable increase in departmental costs has been partially offset through the cash savings delivered as part of the council's efficiency programme. For 2011/12 cash savings totalling £2.9m have been captured. These have been achieved without any cut in front line services. The details for savings were previously reported to the Strategic Policy and Resources Committee at its 22 October and 19 November 2010 meetings. The table below provides a summary of the efficiencies by efficiency type.

Efficiency Cash Savings 2011/12	Council Total
Efficiency Type	£'000
Assets and Land	374
Budgetary Challenge	982
ICT	98
Income Generation	245
Procurement	320
Service Review	916
Total	2,935

10. In addition to the uncontrollable cost increases and the efficiency savings as outlined, there is also departmental savings/growth which delivers a net saving to the council of £56k. This means that effectively departments have absorbed inflationary pressures within their budgets.

Strategic Policy and Resources Committee

11. A spending limit of £31,567,500 is recommended for the Strategic Policy and Resources Committee in 2011/12. This represents a decrease of £480,513 or 1.50% over last year. The main items of expenditure are outlined at Appendix 1 and 2. From the table above, it can be seen that the increase in costs has been driven by a rise in uncontrollable expenditure in terms of payroll (£179k) and pensions (£116k). Human Resources (BIS) and Good Relations have suffered a loss of external income totalling £324k. In addition the Finance and Resources and Property and Projects departments have had to absorb additional costs arising from the decision to end internal charging.
12. The increase in costs has been more than compensated for through the delivery of cash savings totalling £1,376k. This reflects significant efforts to target efficiency savings on support services rather than the front line.
13. More information on the departments within the Strategic Policy and Resources Committee is included in Appendix 1. The main areas of expenditure and changes from 2010/11 are summarised in Appendix 2 and a summary of some of the proposed priority actions for the Committee, which will be funded by the 2011/12 estimates, is included in Appendix Three.

Health and Environmental Services Committee

14. A spending limit of £40,627,499 is recommended for the Health and Environmental Services Committee in 2011/12. This represents a net increase of £1,747k or 4.49% from 2010/11 and includes increased landfill tax and gate fee waste disposal costs of £1,338k, which are beyond the Council's control. The Departmental increase in net expenditure, excluding the increased landfill tax and gate fee costs is £409k or 1.05%.
15. In addition to the increase in waste disposal costs, the Department will also incur further uncontrollable cost increases totalling over £1.1m. These comprise of increased employers superannuation contributions of £187k, increased payroll costs of £311k, (made up of annual increments payable to some staff and the assumed £250 per annum pay rise for staff earning under £21,000 (subject to national negotiation)), and £607k of reduced building regulation and energy performance certificate regulatory income. It is important to note that the Building Control Service delivers

many services over and above building regulation which cannot be offset by external income, such as Licensing, LPS work and support for BCC asset and major project management work. It should also be noted that in response to the falling income experienced by Building Control over the past two years, the Service has implemented a series of initiatives to realise significant cost reductions and generate alternative income sources including a right sizing exercise in 2010. The Service is also intending to make further savings of £218k during 2011/12.

16. The overall effect of the increased uncontrollable costs incurred by the Department has been partly offset by the inclusion in the Departmental estimates of £485k of savings generated through the council wide and Departmental efficiency programmes (plus the £218k of Building Control savings referred to above). The main areas of expenditure and changes from 2010/11 are summarised in Appendix 2 and a summary of some of the proposed priority actions for the Committee, which will be funded by the 2011/12 estimates, is included in Appendix 3.

Parks and Leisure Services Committee

17. A spending limit of £22,940,266 is recommended for the Parks and Leisure Services Committee in 2011/12. This represents an increase of £639k or 2.9% over last year.
18. The key driver for the 2.9% increase is the cost of taking on the management and maintenance of Connswater Community Greenway. In year one of the project Parks & Leisure could face costs of up to £590k depending on the phasing of the project and the timescales associated with when the project goes live. From the ongoing improvement agenda within Parks operational efficiencies and changes to working practices have been identified which will allow approximately £100k of this increased cost to be absorbed by the service.
19. The department will incur further uncontrollable cost increases totalling £695k. These comprise of £240k in respect of superannuation and £185k in staff costs due to increments and assumed pay increases for staff earning under £21k (subject to national negotiation). In addition income is budgeted to fall in the Zoo (£117k), Malone House and the Castle (£70k). The partial closure of two leisure centres for essential maintenance to be programmed in 2011 will result in a loss of income of approx £82k.

20. The Department will make a contribution of £655k to the efficiency programme in 2011/12, including assumed savings arising from the 2010/11 voluntary redundancy exercise. The main areas of expenditure and changes from 2010/11 are summarised in Appendix Two and a summary of some of the proposed priority actions for the Committee, which will be funded by the 2011/12 estimates, is included in Appendix Three.

Development Committee

21. A spending limit of £19,783,734 is recommended for the Development Committee in 2011/12. This represents a decrease of £427k or 2.11% on 2010/11. The department will incur uncontrollable cost increases totalling £120k. These comprise of £48k in respect of superannuation and £72k in staff costs due to increments and assumed pay increases for staff earning under £21k (subject to national negotiation).
22. The Department will make a contribution of £419k to the council's efficiency programme in 2011/12.
23. Community Services continues to work with community groups, organisations and citizens to build community capacity and to offer front line services and advice to the community sector. Continued alignment of budgets to actual costs incurred and in service efficiencies have meant that the budget for 2011/12 has been reduced by £13k despite certain uncontrollable increases in areas such as employee and utility costs.
24. During 2011/12 both the Waterfront and Ulster Halls will continue to provide world class entertainment and conference facilities that will help promote the cultural and economic regeneration of Belfast and so contribute to the economic benefit of not only the City but the region as a whole. Together with the City Events Unit, this service has decreased the budget by £51k.
25. The Economic Initiatives budget has been reduced by £168k. The departmental budget reviews including the efficiency and the income maximisation and cost reduction programmes have been able to identify savings which enable the inclusion of the new Local Tourism Destinations project (£120k) whilst still providing the reduction of £168k. The Tourism, Culture & Arts Unit programme reflects priorities identified through the Belfast Integrated Strategic Tourism Framework which has been developed in partnership with the NI Tourist Board and through the Integrated Cultural Strategy, which has been developed in partnership with the Arts Council NI. Reductions

of £141k were implemented from the efficiency programme and included the removal of fixed term posts, reduction of travel budgets and reductions in consultancy through carrying out more work internally. A further reduction was also enabled through the additional income from both Markets and Tourism. These reductions will not impact on the delivery of the Economic Initiatives service plan, nor impact on the funding of any existing programmes.

Town Planning Committee

26. Provision for expenditure by this Committee during the coming year is £26,500, a reduction of £670 from the current year. The slight reduction in the budget recognises that current financial pressures on the council affect all activities.

C: Corporate and Department Plans 2011/12

27. Members, chief officers and senior managers have been working together since the summer to develop the corporate and department plans for 2011/12. So far Members have agreed that the council is about working with the people of Belfast to lead in improving the quality of life now and for future generations with a focus on the environment, the economy and people, communities and neighbourhoods. The district rate and estimates presented in this report reflect the high level priorities of Members with the allocation of money to departments and services, the creation of a local area budget and a commitment to capital investment in the city and at the same time keeping the district rate increase below the rate of inflation.

28. The corporate and department plans with detailed actions for 2011/12 will be presented to the committee in March. However, a summary of some of the proposed actions for each committee is provided at Appendix Three.

D. Summary of Implications for the Overall Rate Position

29. The table below summarises the current rate position discussed above and its impact on the ratepayer.

Implications for Ratepayers

PROPERTY	Annual Increase In Rate Bill	Weekly Increase in Rate Bill
<i>Domestic Properties</i>	£	£
Terrace House	6.31	0.12
3-Bed Semi-Detached House	9.65	0.19
4-Bed Detached House	21.45	0.41
Apartment	6.09	0.12
Average Capital Value	8.39	0.16
<i>Non-Domestic Properties</i>		
Office Property	81.46	1.57
Retail Property	65.58	1.26

30. Work is ongoing on a communication statement on key messages for the rates announcement which will be discussed further at the Strategic Policy and Resources meeting on 21 January.

Recommendations

Members are requested to note the contents of the report and agree:

- (a) to the various elements of the 2.5% district rate increase (subject to agreement at the Council on 5 January) as set out in Section A above and that Member led engagement is planned to determine the allocation of the capital financing budget to capital projects and the £1m of city area priorities budget to local area projects;
- (b) The cash limits which will reported to Committees in January – Health and Environmental Services, Parks and Leisure, Development and Town Planning Committees (section B above);
- (c) The estimate for the Strategic Policy and Resources Committee (section B above);
- (d) That the corporate and departmental plans for 2011/12 will be worked up with Members and presented to Committees in March 2011(section C above).

Appendix 1

Strategic Policy and Resources Committee

A spending limit of £31,567,500 is recommended for the Strategic Policy and Resources Committee in 2011/12. This represents a decrease of £480,513 or 1.50% over last year. The main items of expenditure of the Committee are outlined at Appendix 2.

This is represented by:

Strategic Policy and Resources 2011/12	£
Chief Executive's Department	5,741,665
Finance and Resources Department	13,410,570
Property and Projects Department	10,639,639
Corporate Priorities	1,775,626
Total	31,567,500

As can be seen from the table above the Strategic Policy and Resources Committee Estimates are made up of the spending of the three departments along with a corporate priorities budget. Each of these elements is discussed in more detail below.

Chief Executive's Department

A spending limit of £5,741,665 is recommended for the Chief Executive's Department for 2011/12 which represents a small increase of £506. The uncontrollable cost pressures caused by the pay rise and increased pension contributions have been offset by efficiency savings amounting to £66k. These savings have mainly been achieved through the restructuring of Business Support and Democratic Services and the continued drive by Corporate Communications to reduce expenditure on advertising and graphic design.

Finance and Resources Department

A spending limit of £13,410,570 is recommended for the Finance and Resources Department for 2011/12 which represents a decrease of £388,665 or -2.8% over last year. The Department has faced the double challenge of increased uncontrollable costs and reductions in external income. Employee costs have increased by £127k through the pay rise and increased pension contributions. £126k of external income will be lost in 2011/12 through a reduction in external work carried out for other local authorities and the Housing Executive.

Despite these cost pressures, the Department has delivered savings totalling £773k. The savings encompass all strands of the council's efficiency programme ranging from the better use of ICT to the tendering of banking services provided to the council.

Property and Projects Department

A spending limit of £10,639,639 is recommended for the Department for 2011/12 which represents a decrease of £64,886 or - 0.6%. In setting the budget for 2011/12, the Department has had to provide for additional expenditure of £159k due to the pay rise, increased pension contributions and a small reduction in external income. Also, there has been a re-alignment of budgets to enable the development of a planned building maintenance programme for the council. This has led to an increase in the Facilities Management budget but this has been compensated for by £537k of cash savings. These have been delivered mainly through the asset management strand of the efficiency programme by, for example, rationalising council rented office accommodation.

Corporate Priorities

A spending limit of £1,775,626 is recommended for the Corporate Priorities budget for 2011/12 which represents a decrease of £27k or -1.5%. The corporate priorities budget is used to deliver corporate work which benefits the whole organisation and would not normally be funded through functional budgets. Typically invest to save projects which contribute to the council's efficiency programme are financed from these budgets along with the thematic budget which is used to fund projects delivered across the departments such as younger and older people. The budgets are not staff related and are not subject to the uncontrollable cost pressures experienced by department budgets.

APPENDIX 2(i)

STRATEGIC POLICY & RESOURCES COMMITTEE

MAIN ITEMS OF ESTIMATED EXPENDITURE 2011/12

	Net Expenditure 2010/11 £	Net Expenditure 2011/12 £
<u>Chief Executive's Department</u>	5,741,159	5,741,665
Legal Services	793,745	530,431
Corporate Communications	1,054,205	1,068,222
Business Support	257,815	837,765
Good Relations	457,078	408,208
Democratic Services	2,693,677	2,427,317
Strategic Policy	484,640	469,722
<u>Finance and Resources Department</u>	13,799,235	13,410,570
Human Resources	2,061,612	2,043,104
Finance and Performance	2,786,965	2,712,478
I.S.B.	5,181,365	5,040,714
Audit Governance and Risk Services and Health and Safety	1,094,069	1,130,113
Project & Corporate Systems	348,639	294,899
Pensions	1,900,000	1,900,000
Directorate	426,585	289,261
<u>Property and Projects</u>	10,704,525	10,639,639
Facilities Management	14,741,523	15,008,902
Operations and Initiatives	633,606	657,592
Projects, Procurement and Estates	-4,670,604	-5,026,855
<u>Corporate Priorities</u>	1,803,094	1,775,626
TOTAL	32,048,013	31,567,500"

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**Strategic Policy and Resources Committee,
Friday, 7th January, 2011**

After discussion, the Committee adopted the recommendations.

Chairman