



Belfast City Council

Report to: Development Committee

Subject: Revenue Estimates 2008/09

Date: 16 January 2008

Reporting Officer: Trevor Salmon, Director of Corporate Services

Contact Officer: Trevor Salmon, Director of Corporate Services

Purpose

The purpose of this report is to approve the Estimates of the Development Committee for the year commencing 1 April 2008.

Relevant Background Information

Section 53(2) of the Local Government Act (Northern Ireland) 1972 and Regulation 2 of the Local Government Annual Budget (SR & O 1973 No 130) require that this Council:

- (a) consider and approve estimates for the year 2008/2009,
- (b) authorise the expenditure included in those estimates, and,
- (c) fix the amount estimated to be raised by means of a District Rate.

The Council is also required to fix this District Rate not later than 15 February 2008.

The key purposes of agreeing the revenue estimates are as follows:

- To establish what the Council can afford to spend in 2008/09.
- To agree the cash limit for each of the Council's committees.
- To agree the district rate for 2008/09.
- To ensure that the Council's money is aligned to deliver the priorities set by Members.

There has been a growing recognition by Members and officers of the need for the Council to consider at the same time what we can afford to spend and how the money should be best allocated to deliver priorities. The Council has started to tackle the barriers which make this integration difficult and put in place mechanisms which will make this easier in the future. This year there has been a concentrated effort to engage Members at an early stage in discussions concerning both financial and business planning. For example, the Strategic Policy and Resources Committee and Chief Officers have held two sets of planning away days in August and November this year and another one is due in March. At the same time officers have been working closely with the Institute of Revenue, Rating and Valuation (IRRV) and the Land and Property Services Agency (LPSA) to remove some of the barriers which make financial planning difficult.

It is in this context that this report recommends a district rate increase of 5.81% for 2008/09. The table below shows the impact of this recommended increase on average valued property types.

PROPERTY	Rates Bill 2007/08	Rates Bill 2008/09	Increase in Rate Bill
<i>Domestic Properties</i>	£	£	£
Terrace House	521.23	533.40	12.17
3-Bed Semi-Detached House	797.14	815.74	18.61
4-Bed Detached House	1,772.17	1,813.53	41.37
Apartment	502.86	514.60	11.74

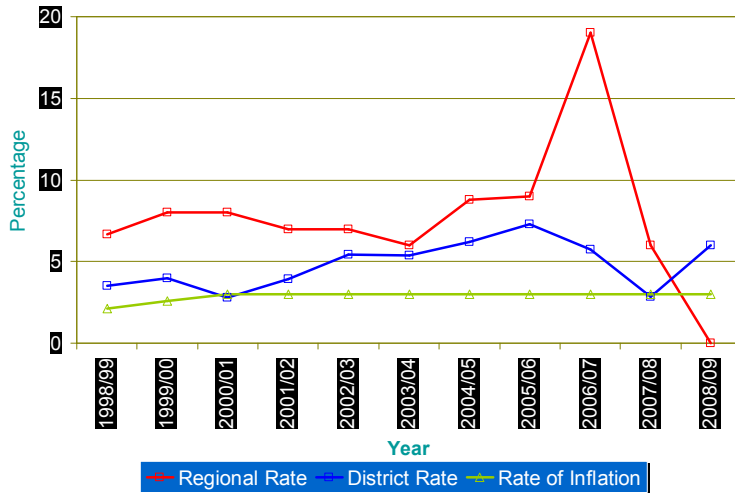
There have been a number of key internal and external drivers for this year's estimates and these are discussed below.

Regional Rate

From the graph below it can be seen that over the past ten years the Council has consistently set a lower rate increase than the regional rate. The graph also shows that the trend in the district rate has been reasonably consistent compared to that of the regional rate which is an indication of the effectiveness of the Council's planning in both the short and medium term. For example the regional rate has increased by 37% in the past three years compared to a 15% increase in the district rate set by Belfast over the same period. For 2008/09, however, the Minister of Finance and Personnel has recommended that there should be no change in the regional rate for 2008/09. The Minister also stated, "However, I would not like to see local government taking advantage of the regional rate being frozen by increasing the district rate. I hope that, rather than take advantage of that, local government will attempt to mirror what has been done by the Executive, and that we can keep down the burden on ratepayers in Northern Ireland."

The recommended increase of 5.81%, in the context of the regional rate means that in overall terms the ratepayer will face a rate increase at less than the rate of inflation.

Percentage Movement in District Rate



City Investment Strategy

Members have identified that Belfast is now at an important stage of development where a further step change in its fortunes is possible. The Council can help to facilitate and deliver these changes through its vision and leadership and ensuring things happen through allocating a significant level of our resources via the City Investment Strategy. The Director of Corporate Services presented to the Strategic Policy and Resources Committee on 14 December 2007 a cash flow analysis for the City Investment Strategy which could raise £29.0m over three years without recourse to borrowing. As part of this analysis it was recommended that £1.0m should be included in the Estimates for 2008/09. It is important for Members to note that this £1.0m is included in the recommended 5.81% rate increase.

Pay and Pensions

Pay increases for 2008/09 are expected to be close to inflation. However, employers contributions for superannuation will rise from 13.0% to 15.0% at a cost of £1,349,180.

Single Status

The National Agreement on Single Status is now effective. The Estimates for last year included £1,036,000 to meet employee costs resulting from the implementation of Single Status. As the actual consequence of changing Terms and Conditions of employment are now known, an additional £522,300 has been added to the Estimates.

Reduction in Exchequer Grant

The Council will lose £454,670 in funding from Central Government as a consequence of a reduction in both the number and value of industrial derated properties in the city.

Belfast Visitor and Convention Bureau

The Council has agreed to uplift its funding of the Belfast Visitor and Convention Bureau. The impact of this decision on the Estimates is almost £500,000.

Events

The Council has agreed to host the Tall Ships in August 2009 and the World Indoor Irish Dancing Championships in 2008. These events will require an additional £500,000 funding in 2008/09.

Software Licences

The Council has recently implemented a number of new computer systems, such as the financial package known as SAP. These systems will provide the Council with better and more timely information and contribute to the overall efficiency of the organisation. An additional £620,000 is required to pay for the software licences for these systems.

Allocation of Waste Disposal Fund

Members will be aware that the Waste Disposal Finance Strategy was put in place to address the issues of escalating waste management costs and the stepped increases forecast to take place between 2006 and 2010. This strategy has enabled an amount of £1.5m to be allocated next year to finance Brighter Belfast, Disability Access and Dargan Road Closure.

Efficiency Savings

The Policy and Resources Committee agreed that the Council will make £3.0 million efficiency savings over the period 2006/07 – 2008/09. The Director of Corporate Services reported savings of £1.15m in 2006/07, £1.50m in 2007/08 and £1.22m in 2008/09. The table below outlines the areas where efficiency savings have been captured for 2008/09.

Efficiency Programme 2008/09	
	£
Budgetary Efficiencies	550,000
Insurances	110,000
Retention Allowance	200,000
Land Tribunal Income	215,000
City Matters Income	140,000
Total Efficiency Savings	1,215,000

Individual departments have also made efficiency savings over and above those detailed in the above table. These are discussed under the individual committee statements later in this report.

Product of a 1p Rate

The Product of a 1p Rate (PPR) shows how much rate income the Council would earn if a rate of 1p was applied to all rateable properties in Belfast. Therefore, the more the city grows the more rate income the Council will receive. Indeed, this has been the case for the past number of years with an average year on year growth of 3%. This year, however, the LPSA has informed the Council that the PPR will reduce by 0.31%. So last year 1p of rate would have yielded £4,837,630 compared to £4,822,430 in 2008/09. In real terms this means that the Council has suffered a reduction in its expected yield of around £3.5m.

The reasons for the fall in the PPR are complex and at face value are difficult to understand in the context of a city skyline of cranes and major developments. The Chief Executive and the Director of Corporate Services, however, have been working very closely with the IRRV and the LPSA to improve the accuracy and timeliness of the PPR calculation and to enhance our understanding of the city's rate base. A detailed report on this issue will be presented to Committee in the New Year.

Inflation

On a positive note inflation is expected to be around 3.5%. Interest rates remain low but are showing a rising trend.

Projected Out-Turn 2007/2008

Members will know that the Budget for the current year is the subject of continuous monitoring of actual spending and income against estimate. All indications this year to date suggest a high level of confidence that expenditure and income will be contained within the limits determined by Council.

Summary

The figures now presented in this report take account of the above matters. In summary, the Revenue Estimates for 2008/09, if agreed, will minimise the impact of other financial pressures on the ratepayer, allow Departments to continue to maintain and improve service delivery and at the same time provide sufficient funding for the Council's City Investment Strategy and other priorities.

In accordance with Standing Orders and Financial Regulations, Chief Officers have submitted to my Department estimates of Income and Expenditure for the year commencing 1 April 2008. These estimates have been examined in detail by senior staff and myself and a summary of the figures of all Departments, including those under the control of the Policy and Resources Committee, is set out below and is now submitted to this Committee for consideration and the determination of Committee Cash Limits for the year ending 31 March 2009.

**Summary of Estimates of Income and Expenditure
for year ending 31 March 2009**

Year Ending 31/03/2008 £	COMMITTEE	Year Ending 31/03/2009 £
14,284,560	STRATEGIC POLICY AND RESOURCES COMMITTEE	15,364,330
5,541,140	Chief Executive's Department	5,590,580
205,220	Legal Services Department	215,620
10,111,740	Corporate Services Department	10,406,690
(1,573,540)	Improvement Department	(1,848,560)
-	City Investment Fund	1,000,000
21,731,400	DEVELOPMENT COMMITTEE	23,796,450
29,521,540	PARKS & LEISURE COMMITTEE	30,989,430
46,381,540	HEALTH & ENVIRONMENTAL SERVICES COMMITTEE	47,764,590
<u>30,050</u>	TOWN PLANNING COMMITTEE	<u>31,400</u>
111,949,090		117,946,200
<u>(4,069,380)</u>	Less Adjustments re Capital charges	<u>(4,518,050)</u>
107,879,710		113,428,150
	Less	
<u>(4,495,640)</u>	GENERAL EXCHEQUER GRANT	<u>(4,040,970)</u>
103,384,070		109,387,180
	Less	
<u>(1,000,000)</u>	ESTIMATED CREDIT BALANCE	<u>(1,400,000)</u>
102,384,070		107,987,180
<u>4,837,630</u>	ESTIMATED PRODUCT OF 1p RATE	<u>4,822,430</u>
21.1641p	NON-DOMESTIC RATE IN £ FOR YEAR ENDING 31/3/2009	22.3927p
0.011449	CONVERSION FACTOR	0.011449
<u>0.2423p</u>	DOMESTIC RATE IN £ YEAR ENDING 31/3/2009	<u>0.2564p</u>

It will be noted from the summary that the overall net expenditure for the Council amounts to £113,428,150.

After deducting General Grant and the Estimated Credit Balance, an amount of £107,987,180 is required to be met by way of the District Rate. Based on an estimated product of a penny rate amounting to £4,822,430 it will be necessary to determine a Domestic Rate of 0.2564p and a Business Rate of 22.3927p to meet the Council's estimated expenditure.

This shows an increase of 5.81% over last year.

My comments on the spending of the Development Committee and its efficiency savings are as follows:

A spending limit of £23,796,450 is recommended for the Development Department in respect of the financial year 2008/09. Excluding capital charges of £1,326,950 this represents an increase of 10.64% over last year.

The main budgetary intentions of the Department for next year are set out below:

	£
Economic Initiatives Section	8,897,530
Community Services	6,268,450
Waterfront Hall / Ulster Hall	3,446,540
Directorate	5,183,930
Total Net Expenditure	23,796,450

In line with other Departments, increased costs of £213,840 must be borne in respect of **superannuation**. **Capital charges** have reduced from £1,422,710 in 2007/08 to £1,326,950 in 2008/09.

The National Agreement on **Single Status** is now effective. As the actual consequence of changing Terms and Conditions of employment are now known, an additional £214,500 has been added to the Estimates of the Waterfront Hall.

There are a number of areas where significant change has occurred from last year.

The majority of the annual tourism budget continues to be 'contracted out' to the **Belfast Visitor and Convention Bureau** for marketing Belfast and providing information to visitors at the Belfast Welcome Centre and Tourist Information Centres at the City and International Airports. The Council has agreed to uplift its funding of the Belfast Visitor and Convention Bureau. The impact of this decision on the Estimates is almost £500,000.

The Department will also incur increased costs of £190,800 for a number of **new posts**. Of this sum £75,000 relates to Policy Officer and European Officer posts which are no longer funded by the new LED Plan. To support the implementation of SNAP a new Citystats Officer is required at a cost of £39,100. This is a statistician post and is required to validate and quality assure the internal data which will be input into the Citystats software. An additional £36,700 is included for a Public Arts post to develop the Council's capacity in the areas of Public Art and Festivals. An additional £40,000 is required within the unit to provide for the transfer of the EU Officer budget from Health & Environmental Services and the creation of a third EU Officer Post to work on a joint basis with Corporate Services.

An additional £50,000 has been included to further promote and establish **Open Air Markets** within the City.

There are a number of areas of growth within the Departmental budget.

The **Tall Ships 2009** event will require £1.1m of funding over the next two years. Funding of £400,000 is included in the 2008/09 budget. The Civic Events programme includes an additional £100,000 for the **World Irish Dancing Championships**. Further

growth of £100,000 is also included with regard a Policy and Resources Committee decision in March 2007 to support the **Nomadic Restoration Fund**.

With the **Waterfront Hall and Ulster Hall** now fully operational after closures in 2007/08, the Department has estimated additional income of £122,000 and £42,000 respectively.

The Department will make a contribution of £49,900 to the **efficiency programme** in 2008/09. Efficiency savings will be made as follows:

	£
1. Insurances	12,500
2. Budgetary Efficiencies	37,400
Total Departmental Efficiency Savings	49,900

Belfast City Council like all other Local Authorities across the country is faced with the constant pressure of balancing increasing demands against ever decreasing resources and 2008/2009 will be no exception.

A major effort has been made by all concerned to ensure that the estimates presented are meaningful, realistic, and correlate closely with the key tasks and activities within the Corporate Plan.

On 4 February 2008 the estimates of the various Council Departments and Committees will be approved and adopted. In due course a full copy of the Corporate Plan incorporating a summary of the financial information will be distributed to each Member of Council.

My thanks are due to all for the continued co-operation and assistance which I have received over the past months in what has been a long and exhausting exercise to compile the Revenue Estimates.

DECISIONS REQUIRED:

1. To approve the Estimates of the Development Committee for the year commencing 1 April 2008.

**DEVELOPMENT DEPARTMENT
REVENUE ESTIMATES 2008/09**

	<u>£</u>	<u>£</u>
Estimate 2007/08		21,731,400
Efficiency Savings		
Insurances	(12,500)	
Budgetary Efficiencies	<u>(37,400)</u>	(49,900)
Increased Costs		
Belfast Visitor and Convention Bureau	500,000	
Single Status (WFH)	214,500	
Superannuation	213,800	
New Posts (Public Arts/Citystats/Econ.Dev.Assist.)	190,800	
Open Air Market Development	<u>50,000</u>	1,169,100
Growth		
Tall Ships	400,000	
Nomadic Restoration Fund	100,000	
World Irish Dancing Championships	<u>100,000</u>	600,000
Cost Reductions		
Capital Charges		(95,800)
Increased Income		
Waterfront Hall	(122,000)	
Ulster Hall	<u>(42,000)</u>	(164,000)
Normal Increase (eg pay awards / supplies and services)		605,650
<hr/> Estimate 2008/09 <hr/>		<hr/> 23,796,450 <hr/>

**DEVELOPMENT DEPARTMENT
MAIN ITEMS OF ESTIMATED EXPENDITURE 2008/09**

	Inc. Capital Charges	Exc. Capital Charges
	£	£
Community Services	6,268,500	5,856,900
Waterfront and Ulster Hall	3,446,600	2,529,500
Economic Initiatives		
Events	2,610,600	2,610,600
Tourism	2,321,200	2,321,200
Arts and Culture	1,686,400	1,686,400
Economic Development	1,021,200	1,021,200
Planning and Transport	514,100	514,100
North Foreshore	398,600	398,600
Markets – Operations and Management	345,500	343,800
Directorate		
Development Directorate	2,625,100	2,625,100
City Development	930,100	930,100
Policy and Research	751,600	751,600
SNAP	530,200	530,200
European Unit	346,900	346,900