

Report to: Shadow Strategic Policy and Resources Committee

Subject: Rate Setting 2015/16

Date: 16 January 2015

Reporting Officer: Ronan Cregan, Director of Finance and Resources

Contact Officer: Mark McBride, Head of Finance and Performance

1	Relevant Background Information																												
1.1	This report provides members with an update on the current position with regard to the revenue estimates for 2015/16 and the key issues to be considered before setting the district rate for 2015/16. Members are asked to note that a final decision on the estimates and the district rate cannot be made until there is clarity on the amount of funding for transferring functions and the level of de-rating grant. A further Committee meeting is scheduled for 30 January.																												
2	Key Issues																												
2.43	<p>Summary Position</p> <p>Table 1 below summarises the current revenue estimates position, based on a zero increase in the district rate for 2015/16.</p> <p style="text-align: center;">Table 1 Summary Revenue 2015/16 Revenue Estimates Position</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td colspan="2">Cost Increases</td> </tr> <tr> <td>Increase in Departmental Estimates</td> <td style="text-align: right;">£9,266,997</td> </tr> <tr> <td>Transfer of Functions Funding Gap</td> <td style="text-align: right;">£1,023,653</td> </tr> <tr> <td>Regeneration Resource</td> <td style="text-align: right;">£448,895</td> </tr> <tr> <td>Political Assistance</td> <td style="text-align: right;">£175,000</td> </tr> <tr> <td>Capital Financing – Transferring Loans</td> <td style="text-align: right;">£677,319</td> </tr> <tr> <td>Capital Financing – Leisure Efficiencies</td> <td style="text-align: right;">£765,951</td> </tr> <tr> <td>Capital Financing – Rate Base</td> <td style="text-align: right;"><u>£2,000,000</u></td> </tr> <tr> <td>Total Increased Costs</td> <td style="text-align: right;">£14,357,815</td> </tr> <tr> <td colspan="2">Financed By:</td> </tr> <tr> <td>Additional Rates Income</td> <td style="text-align: right;">-£13,400,133</td> </tr> <tr> <td>Additional De-Rating Grant</td> <td style="text-align: right;">-£461,046</td> </tr> <tr> <td>Applied Reserves</td> <td style="text-align: right;"><u>-£496,636</u></td> </tr> <tr> <td>Balance</td> <td style="text-align: right;">Nil</td> </tr> </table>	Cost Increases		Increase in Departmental Estimates	£9,266,997	Transfer of Functions Funding Gap	£1,023,653	Regeneration Resource	£448,895	Political Assistance	£175,000	Capital Financing – Transferring Loans	£677,319	Capital Financing – Leisure Efficiencies	£765,951	Capital Financing – Rate Base	<u>£2,000,000</u>	Total Increased Costs	£14,357,815	Financed By:		Additional Rates Income	-£13,400,133	Additional De-Rating Grant	-£461,046	Applied Reserves	<u>-£496,636</u>	Balance	Nil
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2.1	There are two key elements to setting the district rate and the estimates. The first part of the report deals with the amount of rates income which will be generated from the rate base and the second part deals with all the elements which make up the Council's estimates.																												
2.2	<p>Rate Income</p> <p>This will be the first rate set for the new Council. This means that the rate base now</p>																												

	includes all domestic and non-domestic properties transferring from Lisburn and Castlereagh. The final Estimated Penny Product (EPP) provided by Land and Property Services (LPS) and validated by Council officers and the Institute of Revenue, Rating and Valuation (IRRV) is £5,616,420. This means if the Council was to set a zero rate an additional £13,400,133 of rates income would be raised, bringing the total rates income to £143,116,491 for the new boundary area in 2015/16.																										
2.3	De-Rating Grant In addition to district rate income the Council also receives an industrial de-rating grant from DOE. The de-rating grant compensates the Council for the loss of rate income due to the statutory de-rating (lowering of rates) of certain properties. LPS has notified the Council that the de-rating grant will increase by £461,046.																										
2.4	The DOE, however, have also advised, in their draft 2015/16 budget, that the de-rating grant will be subject to budget cuts. We have been advised that this would mean a reduction of £1,249,902. This is one of the key issues which needs to be resolved prior to the setting of the district rate.																										
2.5	DEPARTMENTAL ESTIMATES The major driver of growth in the revenue estimates is the impact of the boundary changes. Departmental estimates for 2015/16, including provision for the new areas, have increased by £9.3m (7.87%)																										
2.6	Table 2 below shows the main pressures on departmental estimates in 2015/16. The key items are discussed below. Table 2 Departmental Budget Pressures 2015/16 <table border="1"> <tr> <td>Staff Transferring from Lisburn and Castlereagh</td> <td>£3.28m</td> </tr> <tr> <td>New Posts for LGR</td> <td>£0.72m</td> </tr> <tr> <td>Employee Pay Rise and Pension Costs</td> <td>£2.43m</td> </tr> <tr> <td>Transferring Assets Repairs and Maintenance</td> <td>£0.33m</td> </tr> <tr> <td>New Council Members Allowances</td> <td>£0.52m</td> </tr> <tr> <td>Waste Convergence and Disposal Costs</td> <td>£4.29m</td> </tr> <tr> <td>Cuts to Government Grants</td> <td>£0.28m</td> </tr> <tr> <td>Ulster Orchestra</td> <td>£0.15m</td> </tr> <tr> <td>Total Expenditure Pressures</td> <td>£12.10m</td> </tr> <tr> <td>Less</td> <td></td> </tr> <tr> <td>Leisure Transformation Year 1 Efficiencies</td> <td>-£0.77m</td> </tr> <tr> <td>Corporate Efficiencies</td> <td>-£2.08m</td> </tr> <tr> <td>Net Impact on Departmental Budgets</td> <td>£9.25m</td> </tr> </table>	Staff Transferring from Lisburn and Castlereagh	£3.28m	New Posts for LGR	£0.72m	Employee Pay Rise and Pension Costs	£2.43m	Transferring Assets Repairs and Maintenance	£0.33m	New Council Members Allowances	£0.52m	Waste Convergence and Disposal Costs	£4.29m	Cuts to Government Grants	£0.28m	Ulster Orchestra	£0.15m	Total Expenditure Pressures	£12.10m	Less		Leisure Transformation Year 1 Efficiencies	-£0.77m	Corporate Efficiencies	-£2.08m	Net Impact on Departmental Budgets	£9.25m
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2.7	Staff Transferring from Lisburn and Castlereagh (£3.28m): The details of all 141 staff from the Lisburn and Castlereagh Councils who will transfer to Belfast on the 1 April 2015, under the LGR transfer scheme, have been received and validated by the Human Resources Section. The costs associated with these transfers have been incorporated into the revenue estimates and the detail of the posts to be added to the establishment is included as Appendix 1.																										
2.8	New Posts for LGR (£720k): In addition to the transferring posts, the departmental estimates include the funding for 17 posts required to ensure the delivery of services on a converged basis. Details of these posts are included as Appendix 2.																										
2.9	Employee Pay Rise and Pension Costs (£2.43m): This covers the increase in employee costs arising from the national pay settlement and the increased NILGOSC pension contribution costs arising from compliance with the auto enrolment pension																										

	regulations.
2.10	Transferring Assets Repairs and Maintenance (£330k): This is the increase in existing planned maintenance budgets required for the annual maintenance and upkeep of assets transferring to Belfast.
2.11	New Council Members Allowances (£520k): The central government funding provided for Members allowances during the Shadow Council will end at the 31 March 2015, resulting in an increase in the net expenditure requirements for 2015/16.
2.12	Waste Convergence and Disposal Costs (£4.29m): This includes the provision of waste management services to the new boundary area, including the additional recycling, haulage and landfill gate fee costs. It also includes the increased costs associated with the implementation of the waste plan to ensure the Council's compliance with statutory waste management targets.
2.13	Cuts to Government Grants (£284k): This is the loss of income from existing grant funding streams provided to the Council by the DOE, which the DOE have advised will cease in its revised budget proposals for 2015/16. Further detail is provided in Appendix 3.
2.14	Ulster Orchestra (£150k): This represents the additional cost of the free use of the Ulster Hall which will be considered by Members as part of the rate setting process.
2.15	Leisure Transformation Year 1 Efficiencies (£766k): These are the first year savings arising from the leisure transformation programme which will be transferred to the capital financing budget as part of the leisure estate capital financing strategy.
2.16	Corporate Efficiencies (£2.084m): These are the savings generated through the corporate efficiency programme and include cost reductions in security, energy management, fleet and procurement contracts as well additional external income generation. The delivery of these savings ensures that the Council has met its commitment as part of the Investment Programme to deliver £20m of efficiency savings by 2015.
2.17	Operational Impact of Service Convergence The following paragraphs provide a summary of some of the key convergence issues which have affected the departmental estimates for 2015/16. Separate reports will be presented to the Transition Committee outlining the detailed arrangements for service convergence at the 1 April 2015.
2.18	Development Dept: 8 community assets will transfer from Castlereagh. This includes 5 directly managed assets and 3 managed under lease and funding arrangements. In addition 25 community organisations will come into the new boundary area and currently 17 are supported by a council grants programme.
2.19	H&ES Department: The extended boundary will mean the provision of Council services to an additional 21,000 households, 53,000 citizens residing in approximately 690 streets and the transfer of approximately 800 businesses and 160 commercial waste customers.
2.20	It is estimated that: <ul style="list-style-type: none"> • the number of noise complaints and public health and housing complaints will increase in line with the population increase i.e. by 20%. • an additional 1.5 million bin collections per year with an additional 21,000 tonnes of waste collected, treated/recycled and disposed of as appropriate. • the number of bulky household waste collections per annum will rise by 20% to 50,000 • approximately 312 additional miles to be cleansed weekly along with an additional 270 litter bins to be emptied and maintained. • Pest Control service requests will increase by approximately 18% to 5402 per annum and that there will be a 28% increase in the number of manholes to be

	<p>baited from 66,715 per annum.</p> <ul style="list-style-type: none"> • an additional 800 premises (food and other business) will require inspection by the Environmental Health service. • Building Regulations workload is anticipated to increase by an additional 33% • additional licensing functions, which include enforcement and administration, will be required for 30 licensed premises, 1 Outdoor licence, 2 Amusement Permits, 5 petroleum licences and 8 Street Trading licences • at least 32 dangerous or dilapidated buildings have been identified.. These will be triaged against the impact matrix and then built into future submissions for additional funding should it arise or, where the Council can take action.
2.21	Parks and Leisure Department: In 2015/16 an additional 7 pitches, 4 MUGAs, 10 parks, and 15 playgrounds, 1 allotment site, 1 cemetery, 2 bowling green's and 1 BMX track, visitor centre, cottage and barge and 7 pavilions will transfer to Belfast.
2.22	19,400m of pathways plus additional structures (e.g. bridges, fences) and significant tree stock will also transfer.
2.23	In addition to the physical portfolio, it is estimated that the transferring new boundary area will include approximately 60 sporting organisations, 3 Post- Primary Schools, 18 Primary Schools, a wide range of community development organisations and 9 bonfire sites.
2.24	Property and Projects Department: At the 1 April, an additional 51 sites will transfer to Belfast representing a 20% increase to the BCC Estate. (BCC currently has 264 sites).
	TRANSFER OF FUNCTIONS
	Off Street Car parking and Planning
2.25	At the 1 April 2015 Off Street Car Parking and Planning will transfer to the Council. As part of the rate setting process the Shadow Strategic Policy and Resources Committee will have to agree cash limits for the transferring functions.
2.26	Off Street Car Parking operates at a surplus i.e. the income from car parking charges and penalty charge notices exceeds the running costs of the service, whereas Planning operates on a deficit basis i.e. the income from planning fees does not cover the running cost of the service..
2.27	The arrangements for the transfer of functions to local government include the transfer of associated budgets. The DOE envisage that any funding for transferring services will be made on the basis of the net funding of all services transferring.
2.28	A core principle of the transfer arrangements was that the transfer should be rates neutral. However as the Deloitte report (considered by the Committee at its meeting in November 2014) highlights, central government has changed this position to being budget neutral. The implication of this is that if costs are incurred by the Council which have not been budgeted for by central government then no funding associated with this expenditure will transfer. The cuts to central government funding have also increased the risk that the final figures agreed by the Executive for funding to be transferred to local government will be less than the resources required to deliver the transferred services.
2.29	As part of the development of revenue estimates for the car parking and planning service, officers have been engaging with the DOE and DRD to obtain information on income trends, staffing levels, productivity, contract and overhead costs. On the basis of this information revenue estimates have been developed by officers for each of the transferring functions.
2.30	This process has identified areas where costs which will be incurred by the Council are not covered by the proposed central government funding transfer and which will present a funding gap for which provision will need to be made within the revenue estimates.
2.31	The current position with regard to the transfer of functions estimates and the funding gap is shown in Table 3 below.

**Table 3
Transfer of Functions Funding Gap**

Net Expenditure	BCC Estimate	Proposed Central Govt. Funding	Funding Gap
Planning	£1,493k	£605k	£888k
Off Street Car Parking	<u>-£1,345k</u>	<u>-£1,480k</u>	<u>£135k</u>
Total	£148k	£875k	£1,023k

2.32 **While the funding gap of £1,023k has been included in the draft revenue estimates it should be noted that the final decision regarding the funding to transfer to local government has still not been made by the Executive and is not expected until later in January 2015. Appendix 4 provides a summary of the key funding gaps.**

2.33 **Regeneration**
Members will be aware that as part of the preparatory work for the transfer of regeneration powers a significant shortfall had been identified in the proposed transfer of resources to support City Regeneration. While the transfer of regeneration will not now take place until 1 April 2016 it would be prudent for the Council to ring fence resources for regeneration during 2015/16 which could be used to support the preparation for the transfer of regeneration powers and the City Centre regeneration plans. **A separate budget of £449k has been included in the estimates for regeneration.**

2.34 **Political Assistance**
The draft estimates include growth of £175k for political assistance. This will be used to the work of party groups and not individual Members.

2.35 **Capital Financing**
A separate Capital Programme report is being considered by Members at this Committee meeting.

2.36 The capital financing budget for 2015/16 proposed in the revenue estimates is summarised in Table 4 below.

**Table 4
Capital Financing Budget 2015/16**

Existing (Capital Programme) Budget 2014/15	£10.137m
Existing (Leisure Estate) Budget 2014/15	<u>£3.230m</u>
	£13.367m
<u>Increase:</u>	
Growth to cover Lisburn/Castlereagh Loans	£0.677m
Growth Leisure Transformation Savings Year 1	£0.766m
Growth Leisure Estate (From New Rate Base)	<u>£2.000m</u>
Total Capital Financing Budget 2015/16	£16.811m

2.37 **Application of Credit Balance from Reserves**
The Strategic Policy and Resources Committee agreed the funding of running costs for 2 projects - Public Bike Hire and Innovation Centre, on an incremental reducing balance basis. The application of a credit balance transfer from reserves of £497k has been included in the draft estimates to ensure that these costs are not added to the district rate in 2015/16.

2.38	<p>Summary</p> <p>While significant progress has been made in the development of the 2015/16 revenue estimates, there are a number of decisions to be made by the Executive which would have a material impact on the level of the district rate for 2015/16. These can be summarised as:-</p> <ul style="list-style-type: none"> • With the exception of those grant funding streams which the DOE have proposed to cease, the impact of the central government funding cuts on the Council for 2015/16 will only become clear when the Executive Departmental Budgets are agreed. • The level of funding for transferring functions has yet to be agreed by the Executive and the current estimated funding gap of £1m could therefore increase. • The level of de-rating grant which the DOE pays to the Council to compensate it for the loss of rate income due to the statutory de-rating (lowering of rates) of certain properties is under consideration by the DOE as part of the central government cuts.

3	Recommendations
	<p>In view of the uncertainty regarding central government funding for 2015/16, Members are asked to note the progress on the development of the revenue estimates and the proposals outlined in the paper. A further Committee meeting is scheduled for 30 January. If the details are available in regards to the central government funding position Members will be requested, at this meeting, to agree the revenue estimates and district rate for 2015/16.</p>

4	Appendices
	<p>Appendix One: Staff transferring from Lisburn and Castlereagh Appendix Two: New Posts Appendix Three: Impact of central government cuts Appendix Four: Funding gap for transferring functions</p>

Appendix One: Staff transferring from Lisburn and Castlereagh

JOB TITLE /DEPT

CHIEF EXECUTIVES DEPT

Business Support Officer X 1
Business Support Assistant X 2
Admin and Members Asst X 1
Admin Asst X 1
Corp Marketing X 1

FIN & RESOURCES DEPT

Finance Control Clerk X 1
Finance Clerk / Debt X 1
Project Accountant X 1

PROPERTY & PROJECTS DEPT

Driver / Trade Person X2
Business Support Clerk X 2

HEALTH & ENVIRONMENTAL SERVICES

Environmental Health Officers X 6
Building Control Surveyors X 3
Recycling Operative X 2
Resource Educ Prom Officer X 1
Cleansing Operative X 10
HGV Combined Driver X 1
HGV Driver / Loaders X 6
Precinct Sweepers X 4
Solo Sweepers X 10
Asst Manager X 1
Large Mechanical Sweeper/Driver X 1
Enforcement Officer X 2
Senior Charge Hands X 2
Driver X 1
TEAM LEADER X 1
Dog Warden X 1
Business Assistant X 2
Clerical Officer X 4

PARKS & LEISURE

Asst Manager X 3
Swimming Programme Co-Ordinator X 1
Gymnastics Development Officer X 1
Duty Officer X 2
Senior Recreation Asst X 2

Swimming Teacher X 2
Receptionist X 5
Area Manager X 1
Recreation Asst X 8
Cleaner X 4
Plant Engineer X 2
Leisure Asst X 2
Recreation Asst X 4
Groundsman X 2
Gravedigger X 2
Groundsman / Greenkeeper X 4
Gardener X 2
Coach X 6
Admin Support Officer X 1
Chargehand X 1
Driver X 1

DEVELOPMENT DEPT

Community Services Officer x 1
Facilities Co-ordinator X 1
Community Centre Assistant X 5
Cleaner X 5
Community Development Worker x 1
Business Support Assistant X 1

Appendix Two : Proposed New Posts

CHIEF EXECUTIVE'S

Community Planning Co-ordinator X 2	Community planning is a new function with no resources transferring from central government.
FOI Officer Data Protection Officer Data Protection Asst (Clerk) Business Support Clerk	These posts are required to ensure the Council meets its legislative requirements in relation to Data Protection and Freedom of Information.

PROPERTY & PROJECTS DEPT

Project Sponsor X 6	Posts were previously recruited on a temporary basis to support the delivery of Investment Programme projects. Given the scale of capital investment these posts are now required on a permanent basis.
Estates Surveyor Estates Officer	Posts required to support the management of assets and land transferring as a result of LGR.

HEALTH & ENVIRONMENTAL SERVICES

Environmental Protection Officer	Required to support Noise Control in transferring areas.
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PARKS & LEISURE

Parks Outreach Officer	Required to support service delivery in transferring areas.
Sports Development Officer	Required to support service delivery in transferring areas.

Appendix Three: Impact of Draft Budget Proposals 2015/16

Description	Value of Income per funding stream (£)
Regulation of construction product regulations. Activity not posts.	33,668
Air Quality Grant - enables BCC to undertake local air quality management functions (LAQM) under the Environment Order (NI) 2002. BCC is required to work towards relevant air quality improvements across the city in 4 declared air quality management areas.	92,139
Disability Action - Contribution to the salary costs of an existing member of staff.	15,400
Emergency Planning Grant - Belfast Resilience Programme Manager	47,000
Emergency Planning Grant - (as agreed with the Local Government Emergency management Group - LGEMG) claimed on a match funded basis - used to off-set salaries across a number of posts. Also used for equipment the ECC, training and systems.	96,341
Total Funding	284,548

Appendix Four: Transfer of Functions Funding Gap

	BCC	CENTRAL GOVT	
	AS AT 6TH JAN	AS AT 6TH JAN	AS AT 6TH JAN
CAR PARKING	REVISED BCC ESTIMATE	REVISED DRD ESTIMATE	BUDGET GAP
Fee Income	-1,950,194	-2,013,519	63,325
PCN Income	-114,048	-118,561	4,513
Advertising Hoarding Income	-7,100	0	-7,100
Gross Income	-2,071,342	-2,132,080	60,738
Employees	35,776	0	35,776
Premises	472,999	424,515	48,484
Supplies and Services	187,906	227,699	-39,793
Transport	0	0	0
Support Services	30,000	0	30,000
Miscellaneous	0	0	0
Gross Expenditure	726,681	652,213	74,468
NET BUDGET	-1,344,661	-1,479,867	135,206
	AS AT 6TH JAN	AS AT 6TH JAN	AS AT 6TH JAN
PLANNING	REVISED BCC ESTIMATE	REVISED DOE ESTIMATE	BUDGET GAP
Fee Income	-1,390,000	-1,390,000	0
Gross Income	-1,390,000	-1,390,000	0
Employees	2,037,748	1,585,000	452,748
Add in 2015/16 Payrise for Planners	47,550	0	47,550
Premises	196,596	61,116	135,480
Supplies & Services	371,000	300,000	71,000
Transport	41,000	0	41,000
Support Services	183,553	48,884	134,669
Miscellaneous	6,000	0	6,000
Gross Expenditure	2,883,447	1,995,000	888,447
NET BUDGET	1,493,447	605,000	888,447
SUMMARY NET EFFECT	148,786	-874,867	1,023,653