



Belfast City Council

Report to: Development Committee

Subject: Revenue Estimates 2009/10

Date: 14th January 2009

Reporting Officer: Trevor Salmon, Director of Corporate Services

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Purpose

The purpose of this report is to approve the Estimates of the Development Committee for the year commencing 1st April 2009.

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 2009/2010,
- (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 2009.

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

- To establish what the Council can afford to spend in 2009/10.
- To agree the cash limit for each of the Council's committees.
- To agree the district rate for 2009/10.
- To ensure that the Council's money is aligned to deliver the priorities set by Members.

There can be little doubt that preparation of the 2009/10 budget has been the most difficult challenge for many years. The current economic downturn could be the worst for a generation with councils facing a 'double whammy' of lower income and higher demand for services. During recent months I have reported to Committee on several occasions on the difficulties which the Council is experiencing with regard to the current year's budget. Specifically the loss of external income, utility costs, spending on unbudgeted items and loss of investment income are all having a negative influence on our ability to live within budget. These issues, when combined with the ongoing difficulties with Land and Property Services in relation to rate income, have placed the Council in an almost impossible situation with regard to maintaining service delivery but at the same time not placing an unacceptable burden on the ratepayer. It is acknowledged that although District Councils are under considerable stress regional government has responded by freezing the regional

rate and providing compensation on capping so that the overall rate increase to the public will be kept to a minimum.

The most up to date information available from Land and Property Services indicates a district rate increase of 8.59% for 2009/10. The table below shows the impact of this recommended increase on average valued property types.

PROPERTY	Rates Bill 2008/09	Rates Bill 2009/10	Increase in Rate Bill
<i>Domestic Properties</i>	£	£	£
Terrace House	531.34	550.18	18.84
3-Bed Semi-Detached House	812.60	841.41	28.81
4-Bed Detached House	1,806.55	1,870.60	64.05
Apartment	512.61	530.79	18.18

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

Regional Rate

In 2008/09, the Minister of Finance and Personnel froze the regional rate for domestic ratepayers. The regional rate will again be frozen for 2009/10 but this time the policy will apply to both domestic and non-domestic ratepayers.

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 and £2.0m in 2009/10.

The Estimates presented for 2009/10 include an amount of £2.0m. However, economic conditions dictate flexibility in the use of this budget allocation. For this reason I recommend that the budget allocation be used for the following purposes as and when appropriate:

- As a resource for the City Investment Strategy
- As a resource for building up the Council's reserves as recommended by the Local Government Auditor
- As a contingency to safeguard against uncertainty in the current economic climate.

Corporate Thematic Priorities

As part of the corporate planning process Members and Chief Officers have identified a number of cross-cutting priorities which cannot be solely delivered within functional budgets. It is recommended that a corporate strategy budget is established to finance these cross cutting priorities. This budget will be managed by COMT and reported to the Strategic Policy and Resources Committee. A budget of £500,000 is included in the Estimates for this purpose.

The priority areas which will have access to this budget are:

- Safer Belfast
- Older People
- Younger People
- Invest to save
- Customer Strategy

Pay and Pensions

Pay increases for 2009/10 are expected to be close to inflation. However, employer's contributions for superannuation will rise from 15.0% to 16.0% at a cost of £999,190.

Utility Costs

During 2008/09 the price of oil, gas and electricity has been extremely volatile. High level guidance recommended increases of 25% in oil, 50% in gas and 49% in electricity to provide for escalating utility prices. However, because of the utility price reductions which followed the sharp increases in price, budgets have been revised downwards. Nevertheless, a budget increase of £1,609,120 is included in this year's estimate.

Capital Programme

Capital expenditure financed by loan is forecast to be £22m in 2008/09 and £8m in 2009/10. With existing advances of £11.2m the Council will require an additional £1.1m to finance capital expenditure in 2009/10.

General Exchequer Grant

The estimate for 2009/10 is based on Gross Penny Product data at the 30th September 2008. This shows an increase of £205,940 or 5.10% on 2008/09. However, I have been advised by the Department of the Environment that the final estimate for the GEG will not be available until Land and Property Services finalise the estimated penny product figures in January 2009.

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 accommodation issues, completion of the Cemeteries Project, corporate human resources issues and the Dargan Road Closure.

Efficiency Savings

The Strategic Policy and Resources Committee, at its meeting on 14/11/08, agreed a programme of efficiencies for 2009/10 amounting to £1,762,870. The table below summarises the efficiency programme for 2009/10.

Efficiency Programme 2009/10	
	£
Insurances	482,000
Personal Computers	105,840
Stationery	128,720
Departmental Contributions	
1. Health and Environmental Services	770,000
2. Core Improvement Team	200,000
3. Development	76,310
Total Efficiency Savings	1,762,870

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.

A brief description of each efficiency area is provided below.

Insurance

Insurance costs have been reduced from £1,552,000 in 2008/09 to £1,070,000 for 2009/10 – giving a cash saving of £482,000. This has been achieved by tendering the insurance broker services and several of the Council's insurance policies. This resulted in reduced broker and premium costs.

Procurement

The Procurement Unit carried out two reverse auctions for stationery and personal computers. A reverse auction is where suppliers bid on a real time basis for a contract. These auctions are most effective where a detailed specification can be put together in terms of volume and quality. The savings achieved for these two auctions amount to £128,720 for stationery and £105,840 for personal computers.

Departmental Contributions

Four departments have provided estimates for 2009/10 which in real terms show net expenditure savings. These are:

Health & Environmental Services - £770,000. These savings have been produced in the budget areas of employee costs, activity-based modelling of landfill contract costs, segregated waste and compensation claims.

CIT - £200,000. These savings have been achieved through increased rental income following rent reviews on a number of units in the Council's industrial estates and a reduction in employee costs.

Development - £76,310 in respect of employee cost savings.

Product of a 1p Rate

The Estimated Product of a 1p Rate (EPP) 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%. However, last year saw a change in this trend with the EPP falling by 0.31%. Indications for 2009/10 are not encouraging. The EPP shows a modest increase of 0.80%, however, following intervention by the Finance Minister there may be further adjustment to the EPP in January 2009. Any change to the EPP and consequently the GEG will impact directly on the domestic and non-domestic rate set by BCC. I will update Strategic Policy and Resources Committee on

this finalised position and its impact on the district rate at its meeting on the 23rd January 2009.

Projected Out-Turn 2008/2009

Members will know that the Budget for the current year is the subject of continuous monitoring of actual spending and income against estimate. As a result of the economic downturn budgets in the current year have had to be revisited and revised. There still remains significant uncertainty and risk around income from fees and charges eg Building Control, Business Improvement Section and Information Services Belfast. Departments are however working hard to ensure that income and expenditure will be contained within budget. It is certain however that these risks will carry on into 2009/10.

Key Messages

A communication statement for the rates announcement will be tabled at the Strategic Policy and Resources Committee on the 23rd January 2009.

Summary

The figures now presented in this report take account of the above matters. In summary, the Revenue Estimates for 2009/10, 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 2009. 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 Strategic 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 2010.

Summary of Estimates of Income and Expenditure
for year ending 31 March 2010

Year Ending 31/03/2009 £	COMMITTEE	Year Ending 31/03/2010 £
15,364,330	STRATEGIC POLICY AND RESOURCES COMMITTEE	19,146,520
5,590,580	Chief Executive's Department	5,680,850
215,620	Legal Services Department	254,570
10,406,690	Corporate Services Department	12,189,780
(1,348,560)	Improvement Department	(1,478,680)
(500,000)	Rent Reviews	-
1,000,000	City Investment Fund	2,000,000
-	Corporate Thematic Priorities	500,000
23,796,450	DEVELOPMENT COMMITTEE	24,226,210
30,989,430	PARKS & LEISURE COMMITTEE	33,020,230
47,764,590	HEALTH & ENVIRONMENTAL SERVICES COMMITTEE	49,738,470
<u>31,400</u>	TOWN PLANNING COMMITTEE	<u>30,450</u>
117,946,200		126,161,880
<u>(4,518,050)</u>	Less Adjustments re Capital charges	<u>(3,399,790)</u>
113,428,150		122,762,090
	Less	
<u>(4,040,970)</u>	GENERAL EXCHEQUER GRANT	
109,387,180		
	Less	
<u>(2,400,000)</u>	ESTIMATED CREDIT BALANCE	
106,987,180		
<u>4,822,430</u>	ESTIMATED PRODUCT OF 1p RATE	
22.1853p	NON-DOMESTIC RATE IN £ FOR YEAR ENDING 31/3/2010	
0.011449	CONVERSION FACTOR	
<u>0.2540p</u>	DOMESTIC RATE IN £ YEAR ENDING 31/3/2010	

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

Development Committee

A spending limit of £24,226,210 is recommended for the Development Department in respect of the financial year 2009/10. Excluding capital charges of £1,326,950 this represents an increase of £429,760 or 1.91% over last year.

The main budgetary intentions of the Department for 2009/10 are set out below:

	£
Economic Initiatives Section	7,227,010
Community Services	6,456,490
Waterfront Hall / Culture & Arts	5,249,110
Directorate	5,293,600
	24,226,210

The Department's increased budget of £429,760 provides for increased **employer's superannuation and utility costs** of £75,180 and £207,470 respectively.

The Department will also incur increased costs with the opening of the Ulster Hall and the new funding arrangements with DETI for Local Economic Development.

The **Ulster Hall** will be fully operational in 2009/10. This will increase the Departments expenditure by £751,150 but will be mostly offset with income of £574,300.

The first phase of the European Development Funding for **Local Economic Development** is complete. Under this arrangement 50% funding was from the European Union through DETI with the remaining 50% funding being provided by the Council. Under the new programme, with the change in priority areas, it is anticipated that income from DETI will fall to 40% leaving the Council bearing 60% of the cost of the programme. This funding change will result in additional costs of £180,000 in 2009/10 and may lead to further additional costs in subsequent years.

Members will recall that a budget of £400,000 was included in the 2008/09 estimates to support the **Tall Ships** event. A budget of £200,000 has been included in the 2009/10 estimates resulting in a reduction of £200,000.

Approval was also granted in 2008/09 to support the **World Irish Dancing Championships**. This budget will not be required in 2009/10 resulting in cost reductions of £100,000.

Costs associated with **Interreg** and **BERI** projects of £59,660 and £66,780 respectively have not been included in this year's estimate. These three year European funded projects, aimed at promoting best practice across Europe, are now complete.

Cost reductions have also been made in the **Policy and Research Unit**. As a result of work carried out by Business Improvement, the Policy and Research Unit is now structured to allow much of its work to be carried out internally. This will reduce its reliance on external consultants and as a result savings of £60,940 have been included in the 2009/10 estimates.

The Department will make a contribution of £163,840 to the **efficiency programme** in 2009/10. Efficiency savings will be made as follows:

Efficiencies	£
Insurances	65,300
Personal Computers	10,940
Stationery	11,290
Budgetary Efficiencies	76,310
Total Departmental Efficiency Savings	163,840

Departmental efficiencies will be made in employee costs as a result of reviews carried out by Business Improvement Section.

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 2009/2010 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 February 2009 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 Cash Limits for the Development Committee for the year commencing 1st April 2009 – Appendix 1.1.

APPENDIX 1.1

**DEVELOPMENT DEPARTMENT
REVENUE ESTIMATES 2009/10**

	<u>£</u>	<u>£</u>
Estimate 2008/09		23,796,450
Efficiency Savings		
Insurances	(65,300)	
Personal Computers	(10,940)	
Stationery	(11,290)	
Departmental Efficiencies	<u>(76,310)</u>	(163,840)
Increased Costs		
Utilities	207,470	
Employer's Superannuation	75,180	
Ulster Hall	751,150	
Local Economic Development	<u>180,000</u>	1,213,800
Cost Reductions		
Tall Ships	(200,000)	
World Irish Dancing Chamionships	(100,000)	
Interreg	(59,660)	
BERI	(66,780)	
Policy and Research	<u>(60,940)</u>	(487,380)
Increased Income		
Ulster Hall		(574,300)
Normal Increase (eg pay awards / supplies and services)		441,450
Estimate 2009/10		24,226,210

**DEVELOPMENT DEPARTMENT
MAIN ITEMS OF ESTIMATED EXPENDITURE 2009/10**

	Including Depreciation £	Excluding Depreciation £
Community Services	6,456,500	6,044,900
Waterfront and Ulster Hall	3,632,600	2,715,500
Economic Initiatives		
Events	2,398,000	2,398,000
Tourism	2,393,600	2,393,600
Arts and Culture	1,616,500	1,616,500
Economic Development	1,207,200	1,207,200
Planning and Transport	467,600	467,600
North Foreshore	400,200	400,200
Markets – Operations and Management	362,400	364,100
Directorate		
Development Directorate	2,918,600	2,918,600
City Development	930,100	930,100
Policy and Research	648,000	648,000
SNAP	501,100	501,100
European Unit	295,800	295,800