



Belfast City Council

Report to: Development Committee

Subject: **Financial Estimates and District Rate 2010/11**

Date: 13 January 2010

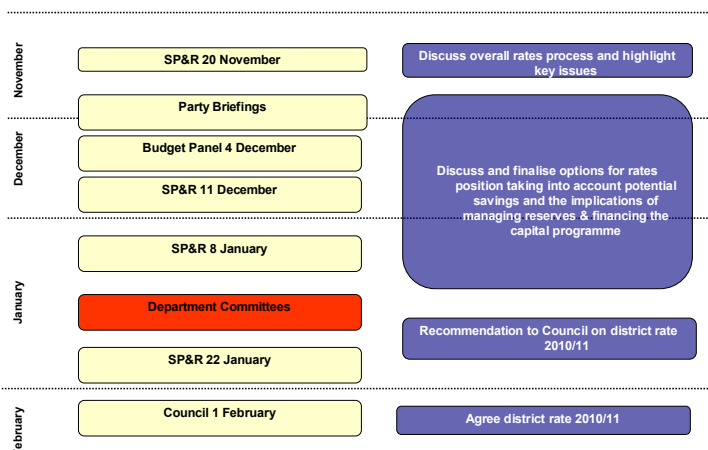
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Relevant Background Information and Purpose of Report

At the November meeting of the Strategic Policy and Resources Committee the following process was agreed for setting the district rate and agreeing the estimates for 2010/11.

Timetable for Rate Setting Process 2010-2011



The purpose of this report is to:

- update Members on the progress on setting the rates for 2010/11; and,
- agree the cash limits for the Development Committee and the proposed allocation of resources therein.

Key Issues

A. UPDATE ON PROGRESS ON SETTING THE RATES FOR 2010/11

At the Strategic Policy and Resources Committee on 11 December 2009 and Council on 5 January 2010, the following was agreed:

- a further £1m to be invested in the City Investment Strategy;
- a minimum of £2.5m to be set aside as a contribution from the rates to reserves;
- a £1m efficiency programme to be developed and reported back to the Committee; and
- the £2m savings from the efficiency programme and the voluntary redundancy (VR) exercise to also be invested in reserves, with a maximum of £1m of this to be potentially invested in the

capital programme when capital plans are agreed.

The table below summarises the current position in relation to the rate setting for 2010/11, taking into consideration the above recommendations of 11 December 2009. Departmental estimates have been reduced by the £2m savings from the efficiency programme and VR exercise and the £2m has been invested in reserves. As can be seen from the table, the overall rates position is a 7.81% increase which equates to a 3.35% increase to the domestic ratepayer.

Members should note that 68% of the increase in the rate is attributable to the need to replenish reserves. Departmental estimates, which equate to 90% of overall Council expenditure, are proposed to increase the rates by some 0.59% reflecting a concerted drive to control costs and maximise savings.

Current Estimated Rate Increase

	2010/11 Increase	% Rate Increase
Departmental Estimates	768,511	0.59%
City Investment Strategy	1,000,000	0.76%
Current Capital Programme	1,667,315	1.28%
General Exchequer Grant	(125,566)	(0.10)
Rate Increase before Reserves	3,310,260	2.53%
Movement in Reserves	6,900,000	5.28%
District Rate Increase	10,210,260	7.81%
Average impact on domestic ratepayer	24.38	3.35%

At the Strategic Policy and Resources Committee meeting on 8 January 2010, a number of issues were discussed and agreed as set out below:

(i) Movement in Reserves

The reserves in Belfast City Council had historically been in a strong position, being some £15.4m at the end of 2007/08. However, since then reserves have been significantly reduced due to:

- (i) the need to repay the Land and Property Services (LPS) some £4.1m because of their over estimation of how much the rates would yield in 2007/08;
- (ii) the use of reserves to fund the capital programme; and
- (iii) the contribution from reserves to the overall rate setting process.

Most recently, in December 2009, the Director of Finance and Resources reported to the Strategic Policy and Resources Committee that by the end of 2009/10 the reserves were forecast to be some £4.3m. Members were informed of the urgent need to build reserves to a more acceptable level given the size of the organisation.

Best practice advice from CIPFA and advice from the Local Government Auditor would indicate that the reserves should be in the range of £8m to £10m. Given that the proposed Local Government Finance Bill (which is subject to public consultation and then implementation) will mean a more prescriptive approach to maintaining reserves and the fact that 2010/11 is the last year of the freeze on the regional rate, it was recommended that the replenishment of reserves should be prioritised in 2010/11.

Members therefore agreed that a minimum of £2.5m should be set aside as a contribution from the

rates to reserves. Additionally, it was also agreed that the £2m savings from the VR exercise and the efficiency programme should be invested in the Council's reserves, with the potential for up to £1m of this to be used to finance new capital projects should they be agreed and approved.

Compared to the 2009/10 estimate, this means an increase in the rates for the movement in reserves of some £6.9m (given that in 2009/10 there was a contribution from reserves to the rate of some £2.4m), representing a 5.3% increase on the district rate. This would place the reserves in a much stronger position and give the Council a much sounder financial base to deal with future economic uncertainties, any downturn in rates income, unplanned expenditure and the implications of RPA.

(ii) Financing of the Capital Programme and City Investment Strategy 2010/11

Up to this year the Council has been able to pay for its capital expenditure through revenue contributions and use of internal cash. In basic terms this means the Council has been able to pay for capital schemes with its own money rather than having to borrow. The financial position of the organisation, as previously has been reported, has now changed. This means that the organisation must borrow up to £58m to finance current committed schemes in the capital programme. All the money does not need to be borrowed in 2010/11 but it does mean there will have to be a stepped increase in the rate over the next four years in order to meet this financial commitment. For 2010/11, capital financing will need to be increased by £1.67m which is the equivalent of a 1.28% increase in the rate. In addition, the Strategic Policy and Resources Committee agreed on 11 December that a maximum of £1m of the investment in reserves may be redeployed to finance new capital commitments, when capital plans are agreed. This will have no impact on the 7.81% proposed district rate increase but would mean a move between reserves and capital financing.

A further £1m has also been agreed to be invested in the City Investment Strategy in 2010/11.

(iii) Allocation of Thematic Budget

The thematic budgets were first established in 2009/10 in recognition that the cross-cutting work which the Council is trying to encourage could not be solely delivered within functional budgets and that expenditure needed to be re-orientated towards community planning outcomes. It was agreed that a budget of £500,000 should be used to kick start projects and build the infrastructure required to deliver thematic working.

In order to maintain momentum of these various projects, it was agreed at the Strategic Policy and Resources meeting on 8 January that the thematic budget be allocated as follows for 2010/11:

- Older People £82,000
- Health & Well Being £100,000
- Safer City £140,000
- Better Care for the Environment £78,000
- Children and Young People £100,000.

(iv) £1m Efficiency Savings

Following detailed engagement with Departments, it was agreed at the Strategic Policy and Resources Committee meeting on 8 January that £1m of efficiency savings would be found from the following areas:

Efficiency Savings	Council Total
Agency Costs	291,700
Consultants	385,500
Advertising & Marketing	114,075
Landfill Contract	48,000
Miscellaneous	179,625
Total	1,018,900

B. SUMMARY OF IMPLICATIONS FOR THE OVERALL RATE POSITION

The table below summarises the current rate position discussed above and its impact on the ratepayer. Out of the £24.38 average increase per annum for each ratepayer, some £16.48 relates to the need to strengthen reserves and some £1.83 per annum relates to Departmental estimates.

Implications For Ratepayers

PROPERTY	Ave Capital Value /NAV	Increase in Rate Bill
Domestic Properties	£	£
Terrace House	86,425	18.32
3-Bed Semi-Detached House	132,173	28.02
4-Bed Detached House	293,843	62.29
Apartment	83,379	17.68
Average Capital Value	115,000	24.38
Non-Domestic Properties		
Office Property	12,728	235.47
Retail Property	10,247	189.57

C. DEPARTMENTAL ESTIMATES

As outlined in the table in section A above, Departmental estimates have increased by £768.5k to £125.1m in 2010/11. This represents an increase of 0.62% over 2009/10 or a 0.59% in the overall district rate. The key drivers to the Departmental estimates are:

- **Costs which fall outside the control of BCC:**
 - Rates - the rates budget i.e. rates that the Council must pay for its premises, has increased by £580k to £2.5m for 2010/11. This is mainly due to the reopening of the City Hall and the Ulster Hall.
 - Superannuation - this cost has been increasing over the past number of years. The estimate for 2010/11 sees another actuarial increase which has increased the employer's superannuation contribution from 16% to 17%. This amounts to an increase of £671k.
 - Loss of External Income - the economic downturn continues to impact on a number of services and as a result budgeted income has fallen by just over £1.3m in 2010/11. The main areas of budgeted reduced income are:
 - Building Control Service £626,250
 - ISB £33,000
 - BIS £200,000
 - Investment Income £460,000
- **Council efficiency programme and voluntary redundancies** - the Council has approved a voluntary redundancy (VR) exercise which will cost £2.3m in 2009/10 but will produce annual savings of £1m per annum. The Council has also continued with the efficiency programme which was initiated three years ago. The Strategic Policy and Resources Committee agreed that a further £1m of efficiency savings will be achieved in 2010/11.

- **Departmental Savings/Growth** - Departmental growth/savings are a net cost to the Council of £200k.

A summary of these key drivers by Committee is outlined in the table below.

	SP&R	H&ES	P&L	DEV	TOWN PLANNING	Dept total
2009/10 Estimate	28,788,068	42,612,828	30,450,003	22,473,931	28,450	124,353,279
<u>Uncontrollable costs</u>						
Rates - utilities	345,660	18,008	67,210	149,303	0	580,181
Superannuation	24,981	343,763	273,047	29,457	0	671,248
Loss of ext income	693,000	626,250	0	0	0	1,319,250
TOTAL	1,063,641	988,021	340,257	178,760	0	2,570,679
<u>Councilwide Savings</u>						
Voluntary Redundancies	-556,559	-180,001	-246,484	0	0	-983,044
Efficiencies	-464,630	-208,700	-201,850	-143,745	0	-1,018,925
TOTAL	-1,021,189	-388,701	-448,334	-143,745	0	-2,001,969
<u>Departmental Savings/Growth</u>	-329,256	-154,505	450,281	234,561	-1,280	199,801
2010/11 Estimate	28,501,263	43,057,644	30,792,206	22,743,507	27,170	125,121,791
Inc/(dec) £	-286,804	444,816	342,204	269,576	-1,280	768,511
% Inc/(Dec) from 2009/10	-1.00%	1.04%	1.12%	1.20%	-4.50%	0.62%
% of District Rate	-0.22%	0.34%	0.26%	0.21%	0.00%	0.59%

At its meeting on 8 January, the Strategic Policy and Resources Committee agreed the cash limit for the Development Committee of £22,743,507 for 2010/11. Members of the Development Committee need to agree the cash limits for the Development Committee and consider the allocation of resources within this overall cash limit. The following section of the report provides an overview of the Committee's estimates for 2010/11.

D. DEVELOPMENT COMMITTEE

A spending limit of £22,743,507 is recommended for the Development Committee which represents an increase of £269,576 or 1.20% over last year. The main items of expenditure of the Department are outlined at Appendix 1.

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 2010/2011 has been held mainly at the 2009/2010 level.

During the year 2010/11 both the Waterfront and Ulster Halls will continue to provide world-class entertainment and conference facilities that will help to 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. Operationally, with the unit now operating under a joint remit, together with the City Events Unit, the section is examining ways to create operating efficiencies during 2010/11 in the areas of marketing, technical support services, provision of security, and repairs and maintenance. With the initiation of an Education, Cultural Heritage Outreach programme the Ulster Hall will seek to maximise the heritage potential of the building, while also contributing to the "Sunday in Belfast" product and helping to deliver the other cultural tourism aspirations of the council.

The City Events budget reflects transfers to Tourism, Culture and Arts, reductions in budget regarding Tall Ships (£200k) and Nomadic (£50k) which are not requirements in 2010/2011 and an increase of £155k regarding the European Pipe Band Championships which will be held in July 2010.

The Tourism, Culture and Arts budget reflects priorities identified through the draft 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. The budgeted increase reflects the transfer of responsibilities from the events team to the newly merged Tourism, Culture and Arts Team and includes budgetary provision for the City Carnival and Nomadic.

In order to ensure that the Council maintains the capacity to engage in local regeneration activity through the Renewing the Routes Programme and completes the implementation of ongoing initiatives, it is proposed to increase the budget for Arterial Routes by £329k. The continuation of the current programme on a temporary basis through 2010 /2011 will enable the Council to continue to deliver a valued and successful programme pending the resolution of the detailed statutory transfer of regeneration functions under RPA in 2011/2012. The inclusion of this budget is, of course, dependent on approval of a separate report which will follow on this Committee agenda.

The Strategic Neighbourhood Action Programme (SNAP) was created to develop the necessary tools and procedures to adopt an integrated approach to Local Area Working. The alignment of budget to planned activity in 2010/2011 which includes: delivery of the My Neighbourhood Engagement Programme; on-going development of the local intelligence system (citystats information portal); development of area-based programmes and the implementation of the Council's commitment to Neighbourhood Renewal across the City has ensured a reduction of £74k in the prior year budget.

Although additional costs of £178,760 in respect of increased rates and superannuation will have to be borne by the Department, through the Council's mini budget review and the corporate efficiency programme, the Department will be able to deliver overall some £143,745 of savings.

Recommendations

Members are requested to note the contents of the report and agree the cash limit for the Development Committee for 2010/11 of £22,743,507 and the proposed allocation of the resources therein.

APPENDIX 1**DEVELOPMENT COMMITTEE
MAIN ITEMS OF ESTIMATED EXPENDITURE 2010/11**

	Net Expenditure 2010/11 £
<u>Community Services</u>	6,443,240
<u>City Events and Venues</u>	5,148,310
Waterfront/Ulster Halls	3,439,300
City Events	1,709,010
<u>Economic Initiatives Section</u>	6,901,940
Tourism, Culture and Arts	4,240,730
Economic Development	1,200,170
Planning and Transport	897,780
North Foreshore	336,800
Planning and Development	226,460
<u>Directorate</u>	4,250,017
Development Directorate	2,036,057
City Development	905,000
Policy & Research	595,130
SNAP	421,010
European Unit	292,820
TOTAL	22,743,507

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