



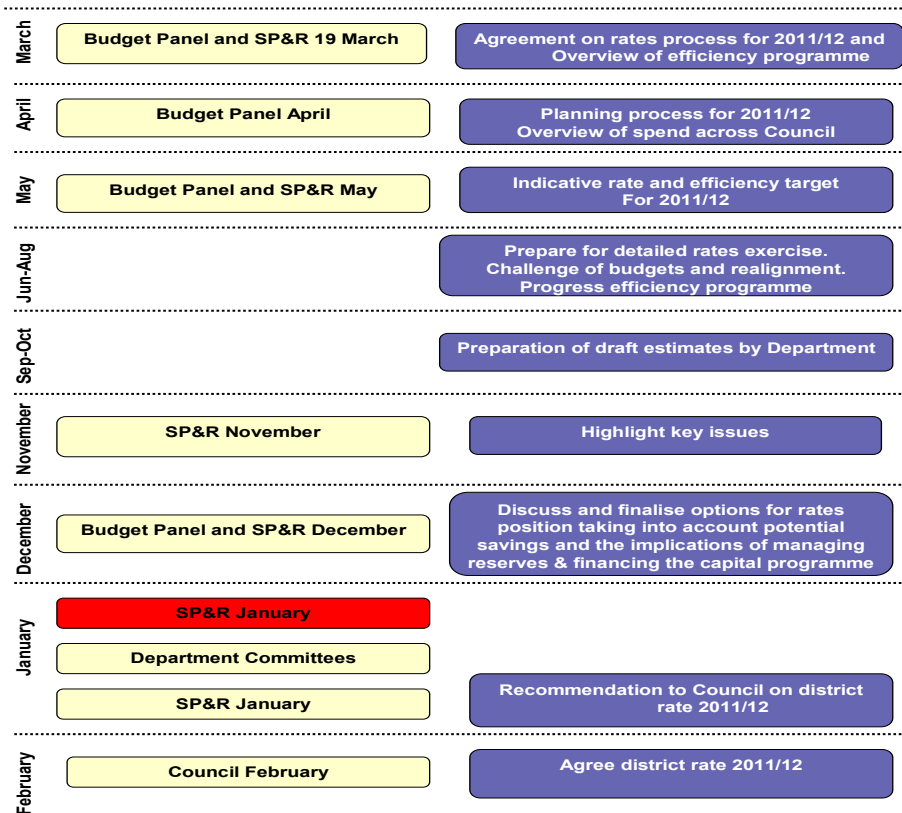
Belfast City Council

Report to:	Development Committee
Subject:	Financial Estimates and District Rate 2011/12
Date:	12 January 2011
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Relevant Background Information and Purpose of Report

1. Members will recall that the following process was agreed by the Strategic Policy and Resources Committee for setting the district rate and agreeing the estimates for 2011/12.

Agreed rate setting process for 2011/12



2. The purpose of this report is to:

- Update Members on progress in setting the district rate for 2011/12;
- Agree the cash limit for the Development Committee; and
- Outline proposed key actions for the department in 2011/12.

Key Issues

A. District Rate 2011/12

3. 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.

District Rate and Estimates 2011/12

	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

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

B. Summary of Departments Estimates

6. 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.
7. 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.

	SP&R	H&ES	P&L	DEV	TOWN PLAN	Dept Total
	£'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 £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 Efficiency Type	Council Total £'000
Assets and Land	374
Budgetary Challenge	982
ICT	98
Income Generation	245
Procurement	320
Service Review	916
Total	2,935

9. 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.

C: Set The Cash Limits For Development Committee 2011/12

10. A spending limit of £19,783,734 is recommended for the Development Committee which represents an decrease of £427,386 or 2.11% on 2010/11. The main items of expenditure are outlined in Appendix 1 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 2. The key drivers to the Departmental Estimates are:
- **Uncontrollable costs**
 - Superannuation – this cost has been increasing over the past number of years. The estimate for 2011/12 sees an increase of the employer's contribution from 17% to 18% which amounts to £48.5k.
 - Employee costs – the increase of £72k represents increments due to movement on scale points and the assumed increase of £250 for staff earning less than £21k (subject to national negotiation).
 - **Councilwide Savings** – the savings of £418,920 were identified by the Department for its 2011/12 efficiency programme.
 - **Departmental Savings** – during the rate setting exercise further savings of £129k were identified through the departmental income maximisation and cost reduction programmes and these are incorporated within the 2011/12 estimates.
11. 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.
12. 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.
13. 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.
14. The budget for Directorate is reduced by £195k. This is also due to departmental budget reviews which aligned budget to actual spend and the incorporation of efficiencies. These savings are incorporated into the Policy, SNAP, European, City Development and Directorate Units without adverse effect on the activity planned for 2011/12.

D. Summary of Implications for the Overall Rate Position

15. 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

16. 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

The Committee is requested to note the contents of the report and agree the cash limit for the Development Committee for 2011/12 as £19,783,734.