Belfast City Council

Report to:	Strategic Policy and Resources Committee
Subject:	Revenue Estimates 2009/10 – Indicative Rates Position
Date:	21 November 2008
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Purpose

The purpose of this report is to bring to Members attention the key issues relating to the establishment of the budget and district rate for 2009/10.

Key Issues

The budget round for 2009/10 is going to be one of the toughest the Council has faced in recent years. Inflationary pressure will increase expenditure by 6% and at the same time non-rates income is predicted to fall by £1.8m because of the decline in the economy. Capital expenditure is under pressure too as the City Investment Strategy requires an additional £2.0m of funding and the capital programme will need loans financing which will add 2% onto the rate. The Council's District Fund Reserve is depleted mainly due to the £4.1m clawback from the LPS. This means reserves are below an acceptable level and therefore will need replenished. Finally, Members have indicated through the corporate planning process that priority should be given to a number of cross-cutting issues such as younger and older people which have not been fully budgeted for in departmental estimates. Officers have worked hard to find £1.76m of efficiencies but given all of the above factors it is likely that a rates increase above the level of inflation will be required simply to continue with business as usual. Indications from LPS would indicate that the EPP will only marginally improve.

Officers have already started work on ways to further reduce expenditure and increase income. For example, the centre of the organisation is currently being reviewed and it is anticipated that substantial savings will achieved. Members should note, however, that further reductions in expenditure will not be easily achieved and not without pain given the fact that base budgets have already been reduced by £4.69m through the efficiency programme.

Each of the key elements of the 2009/10 estimates is discussed below.

Departmental Expenditure

Inflation – the Government's inflation target is defined in terms of the Consumer Prices Index (CPI). At October 2008 the annual rate is 5.2%. The Retail Prices Index (RPI) which is used for the indexation of pensions and benefits stands at 5.0%. At present there is no local government price index. It is estimated that the inflationary impact for the Council is approximately 6.0%. The key drivers of this rate areas follows:

- pension increases 7%

- oil 25%
- electricity 49%
- gas 50%
- salaries and wages 2.5%
- landfill tax 8%

External Income – it is anticipated that external income generated by services will fall in 2009/10 by £1.615m. Investment income will reduce by £200,000.

City Investment Strategy

Strategic Policy and Resources Committee on 14/12/07 approved the establishment of a City Investment Strategy (CIS). It was agreed that the ratepayer would contribute £1m to the CIS in 2008/09, a further £1m in 2009/10 and a further £1m in 2010/11 making a ratepayer contribution of £6m over the three year period. During the rate setting process in 2008/09 Members decided that the 2008/09 contribution to the fund would be met from reserves and not from the rate levy.

The fund currently has a balance of £3.5m made up of a £1m contribution from reserves in 2007/08, rent arrears of £1.075m and a capital receipt in respect of Boucher Road for £1.429m.

In the context of the current agreed financing arrangements for the fund £2.0m would be required to be raised from the rates in 2009/10.

Capital Programme

A separate report on the capital programme will be discussed at today's committee meeting. The report will show that currently, £1.9m of debt charges is allowed for in the estimates which will finance £15m of debt. However, as the debt requirement for 2009/10 will be £33.1m an additional debt charge equivalent to 2% on the rate will be required.

Reserves

The District Fund Reserves now amount to £6,267,397. By the year end this figure will fall to around £4.0m.

Currently CIPFA does not define a minimum or maximum level of District Fund Reserves and believes that Local Authorities, on the advice of their Chief Finance Officer, should make their own judgement on such matters taking into account all the relevant local circumstances.

The Council currently aims to maintain the level of District Fund Reserves in the region of 5% to10% of annual gross expenditure. The organisation will need to build its reserves up during the next few years to an acceptable level in order to ensure that the Council is not left financially vulnerable.

Estimated Penny Product (EPP)

The Council receives 74% of its income from the rates. The EPP is calculated by the LPS. It provides an estimate of what the rates will yield in income for the Council for the following year (in this case 2009/10). It is critical that the Council receives as reasonably is possible an accurate EPP. Consequently, Council officers are working closely with officers from LPS to determine the most reliable EPP.

In determining the EPP for 2009/10, LPS have agreed to provide provisional figures in October, November, December and January. The October provisional EPP shows a modest increase in growth of 0.45%. The November EPP shows a further increase of 0.23%. Members should note that this EPP includes valuations of £8.9m for Victoria Square.

The Council is working hard to ensure that the valuations provided by LPS are accurate and complete and that the losses arising from vacant properties is minimised.

Efficiencies

The table below summarises the efficiency programme for 2009/10.

Table 1 Efficiency Programme 2009/10	
Efficiency Area	**£**
Insurances	482,000
Stationery	128,723
Personal computers	105,839
Department Contributions • Health & Environmental Services • CIT Development	 770,000 200,000 76,311
Total Efficiency Savings	**1,762,873**
Rates income from vacant property	**2,700,000**

The detail on the programme was reported to Strategic Policy and Resources Committee on 14 November 2008.

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. The budget would fall within the oversight of the Strategic Policy and Resources Committee.

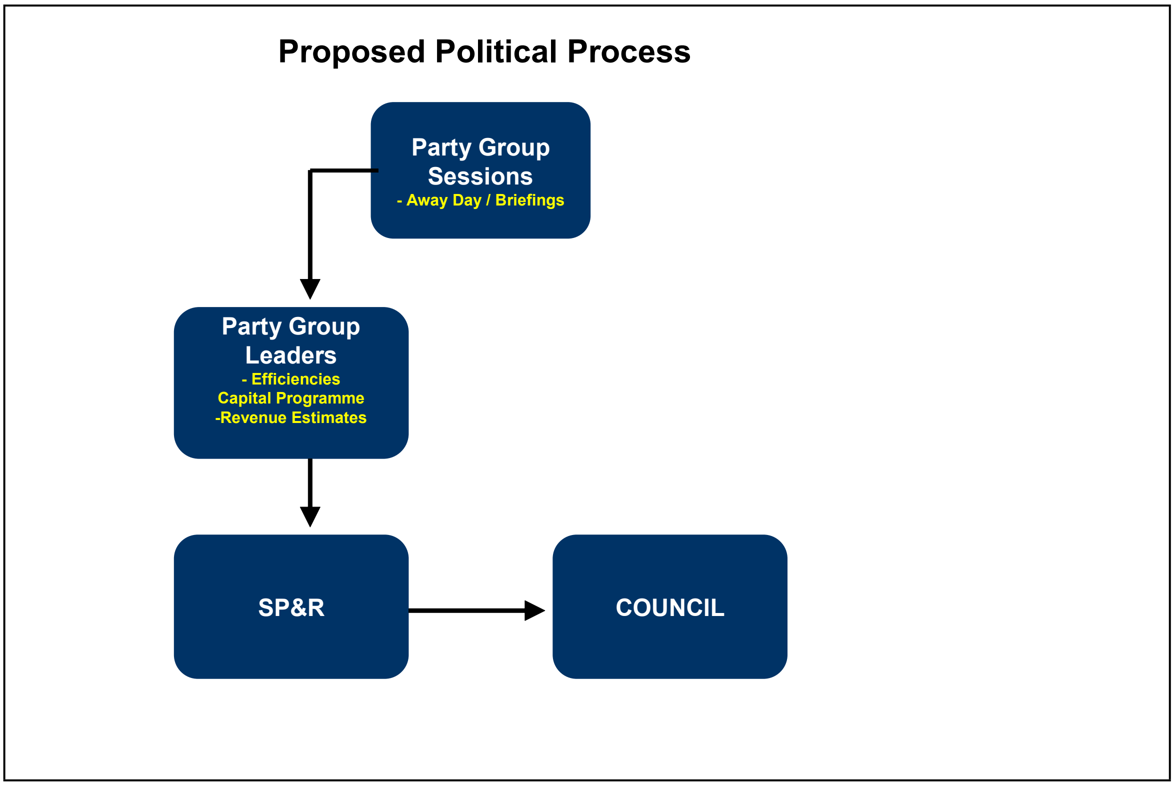
The priority areas which would require access to this budget are:

- Safer Belfast - £150,000
- Older People - £145,000
- Younger People - £30,000
- Invest to Save - at present the Council has no budget for invest to save initiatives. As mentioned in the efficiency element of this report the Council has now reached the position where savings cannot be obtained from budgetary control alone. If further efficiencies are to be achieved then it is likely that invest to save money will be required.
- Customer Strategy – this will not be completed until the New Year so it is not possible to determine a definitive budget requirement at this stage.

It is anticipated that a minimum of £500,000 will be required for 2009/10.

Recommendations

1. Members are requested to note the contents of this report and agree to receive further reports on the estimates 2009/10 in December 2008 and January 2009.
2. Given the importance of this budget round a clear political process is required in order to ensure that Members are in a position where they are best able to make the decisions which they will be asked to make over the coming months. It is the recommended that the process depicted graphically below is followed by Members.


Proposed Political Process
Party Group Sessions
- Away Day / Briefings
Party Group Leaders
- Efficiencies
Capital Programme
-Revenue Estimates
SP&R
COUNCIL