



Belfast City Council

Report to:	Strategic Policy and Resources Committee
Subject:	Update on Financial Estimates Process for 2010/11
Date:	20 November 2009
Reporting Officer:	Julie Thompson, Director of Finance and Resources
Contact Officer:	Julie Thompson, Director of Finance and Resources

Purpose

At the Strategic Policy and Resources Committee and the Budget and Transformation Panel in October 2009, Members were informed that the setting of the district rate 2010/11 would be difficult given the current economic climate and the number of factors which would need to be considered. The purpose of this report, as requested by Members, is to outline the process for identifying savings and agreeing the revenue and capital budgets for 2010/11 and to highlight the key issues which Members will need to address as part of this process.

Key Issues

The following are the key issues which Members will need to consider when setting the rate for 2010/11. More detail will follow on each of these for the December Strategic Policy and Resources meeting.

Reserves – at the start of 2009/10 district fund reserves amount to £5.3m. However, during 2009/10 these reserves are planned to fall by £2.4m to subsidise the rate, as was agreed when the rate was set last year. Also, £0.3m has been specified for use on projects which were carried over from 2008/09. We further need to consider the voluntary redundancy exercise in relation to how this will be funded, the payback to the Council and the implications for reserves. Therefore, a key element of the rate setting process will be to agree a strategy to secure the Council's reserves position over the next few years. Members will need to consider the implications for the rates of increasing the level of reserves to a more sustainable level.

City Investment Strategy – this was developed by the Council to help deliver Members aspirations by supporting major iconic projects in the city and to act as a mechanism for the Council to help lever additional money into the city.

To date, the Council has committed funding to four key iconic projects across the city:

- (i) Titanic Signature Project - £10m committed
- (ii) The Mac - £550,000 committed
- (iii) The Lyric - £1.25m committed
- (iv) The Connswater Community Greenway - £4.2m committed.

Together these 4 projects have levered in over £153million of investment in the city. The committed cost for the Council (up to 2013) for these four projects is £16m of which nearly £4.5m has so far been raised by 1 April 2009. In December 2007, it was agreed by the Strategic Policy and Resources Committee that the City Investment Strategy would be funded through a 1% increase in the rate over a three period. 2010/11 is the third year of this arrangement and therefore a 1% increase in the rate to cover city investment strategy funding will be required.

Capital Programme – this already has 57 committed schemes which will require financing of up to £56m. Up to now the affordability in terms of borrowing is £45m. In addition, a detailed paper on the capital programme will be presented to Members at today's meeting which will discuss further capital schemes with a potential further financing requirement of up to £35m. A capital financing strategy is currently being prepared for Members consideration which will help them to maximise capital expenditure in a prudent, affordable and sustainable manner. This strategy will be presented to the Strategic Policy and Resources Committee in December so that it can be considered in the context of the overall rate setting process.

Department Estimates – this is money required by departments to deliver services and typically covers expenditure on headings such as salaries and supplies and services. All departments have prepared a first draft estimate for 2010/11. The key drivers of cost increases are:

- 1.5% increase in salary costs to cover nationally agreed pay rises;
- an increase of £700,000 in employer superannuation contributions;
- loss of external income from fees and charges and investments of over £1m;
- normal inflationary increases based on the Consumer and Retail Price Indices.

As department estimates account for 95% of the Council's expenditure any increase will have a significant impact on the rate and limit Members ability to finance other priority areas such as the capital programme.

Thematic Budget - amounts to £500,000 in 2009/10. This budget was established to help kick start work on thematic priority areas such as safety, health, younger people and older people. This objective has now been achieved and Members may wish to consider realigning this budget to other priority areas such as reserves or the capital programme.

External Factors - As well as considering the internal issues outlined above Members will also have to bear in mind a number of external factors when setting the rate. These will include:

- 2010/11 will be the last year of the three year freeze on the regional rate.
- 2010/11 will be the last rate set before RPA if the timetable goes ahead as planned. At this stage the financial impact of RPA on the Council is unknown both in terms of transferring functions, boundary changes and assets and liabilities.
- The NI economy is still in decline and this may lead to further reduced levels of external income, increased rate write-offs and delays in rationalising assets.

Estimate Penny Product (EPP) – this provides an estimate of what the rates will yield in income for the Council for 2010/11. As the Council is dependent on the district rate for 74% of its income it is essential that an accurate as possible EPP is provided by Land and Property Services (LPS). A first draft EPP has been received from LPS and this shows a 1.2% increase from last year. This is better than expected given the current economic climate and it would appear that the work Council officers are doing in conjunction with LPS to try to maximise the collectable rate is starting to bear fruit. Officers will meet with the LPS over the coming weeks to ensure that the EPP is as accurate as possible before finally being presented to Members in December.

Opportunities for Savings – In summary, setting the rate for 2010/11 will not be a straightforward exercise as there are many competing priorities combined with the need to secure sufficient reserves and ensure financing is available for the capital programme. Three related exercises are therefore currently underway which will identify potential ways of reducing the departmental burden on the rate and provide options for financing other areas of expenditure. These are:

- Voluntary redundancy exercise.
- Mini budget review of budgets, particularly employee costs
- Review of the Centre.

Options in relation to these exercises will be presented to the Strategic Policy and Resources Committee at its 11 December meeting.

Rate Setting Process

Given the degree of complexity involved in agreeing the estimates and the district rate for 2010/11 the following process is recommended:

SP&R 20th November – agreement on overall process and discussion around the key issues which Members will need to address.

Party Briefings week commencing 30th November– discussion on options for savings, the revenue estimates, capital programme and the district rate.

Budget Panel 4th December, SP&R 11th December and SP&R 8th January – assessment of rates position, options for savings, approach to increasing reserves and capital financing strategy.

Department Committees (January) - agree on department revenue estimates.

SP&R 22nd January - agreement on recommendations to Council on setting the district rate for 2010/11.

Council 1st February - consider/agree on SP&R recommendations made at 22nd January meeting.

Recommendations
<ol style="list-style-type: none"> 1. Note content of report 2. Agree to the process outlined above.

Decision Tracking

This page has been intentionally left blank.