



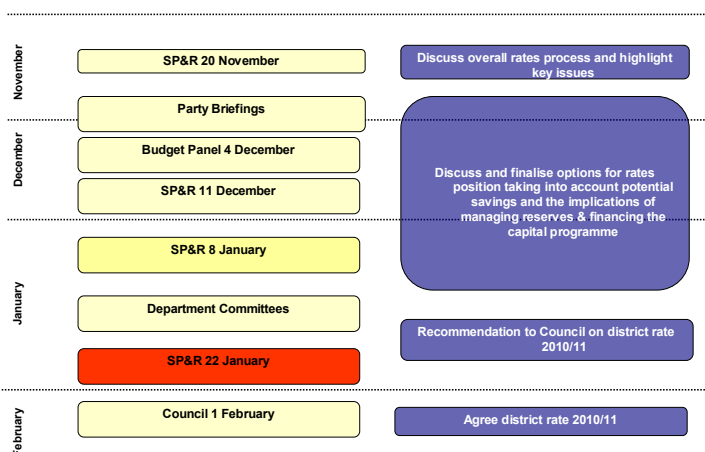
Belfast City Council

Report to: Strategic Policy and Resources Committee
Subject: Financial Estimates and District Rate 2010/11
Date: 22 January 2010
Reporting Officer: Julie Thompson, Director of Finance and Resources
Contact Officer: Julie Thompson, Director of Finance and Resources

Relevant Background Information and Purpose of Report

Members will recall that 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 Department Committees discussions on the revenue estimates;
- agree the domestic and business district rate for 2010/11;
- agree the key messages associated with the setting of the rate; and,
- agree a way forward in terms of forward financial planning in the organisation.

Key Issues

A. Rates Update

The table below summarises the decisions already made by the Strategic Policy and Resources Committee in relation to the estimates and the district rate for 2010/11 at its meetings on 11 December 2009 and 8 January 2010.

Estimates & District Rate 2010/11

	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%

(i) Departmental Estimates

At the Strategic Policy and Resources Committee on 8 January Members agreed the cash limits for committees as follows:

- Strategic Policy and Resources £28,501,263
- Health and Environmental Services £43,057,644
- Parks and Leisure £30,792,206
- Development £22,743,507
- Town Planning £27,710

The decision to agree the cash limits also included approval for efficiencies for 2010/11 totalling £2,001,969 and led to an increase in the district rate of some 0.59% arising from departmental estimates.

Since the last Strategic and Policy Resources Committee, each department committee has considered and agreed its revenue estimates in terms of the above cash limits.

(ii) City Investment Strategy

At the Strategic Policy and Resources Committee on 11 December 2009, Members agreed to an additional £1m of funding for the City Investment Strategy.

(iii) Current Capital Programme

At the Strategic Policy and Resources Committee on 8 January 2010, Members agreed to increase capital financing by £1.67m in order to cover current capital programme commitments. In addition, it was agreed on 11 December 2009 that a maximum of £1.0m of the investment in reserves may be redeployed to finance new capital commitments, when capital plans are agreed.

(iv) Reserves

At the Strategic Policy and Resources Committee on 11 December 2009, Members agreed to set aside £2.5m as a contribution from the rates to reserves along with a further £2m from the voluntary redundancy exercise and the efficiency programme, with a maximum of £1m of this to be potentially invested in the capital programme when capital plans are agreed.

(v) Thematic Budget

The allocation of the thematic budget for 2010/11 has been agreed by Members as follows:

- 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

B. Setting of the District Rate 2010/11

Based on the decisions outlined above Members are requested to agree a district rate increase of 7.81% for 2010/11. Based on the Estimated Penny Rate Product of £4,888,730 provided by LPS this means that the domestic district rate for 2010/11 is recommended to be 0.2929p and the non-domestic rate to be 25.5849p.

The table below summarises the impact of this increase on ratepayers by property type.

Implications For Ratepayers

PROPERTY	Ave Capital Value /NAV	Increase in Rate Bill
<i>Domestic Properties</i>	£	£
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
<i>Non-Domestic Properties</i>		
Office Property	12,728	235.47
Retail Property	10,247	189.57

C. Key Messages

The Head of Corporate Communications has drafted a set of key messages to accompany the rate announcement. He recommends that it is vital that there are no more than four overall key messages that Members should focus on.

It is recommended that these should be:

Overall position

The overall effect on rates bills this year for our citizens will be an increase of 3.35 per cent – which works out at around £2 per month (£24) per year for the average domestic ratepayer.

The council's district rate increase is 7.81 per cent but as the regional rate has remained at zero the overall effect is 3.35 per cent.

Efficiency

Belfast City Council recognises that every citizen and business is facing huge financial pressures

given the current economic climate and we remain committed to providing value for money services.

To that end, we have achieved efficiencies of £7 million by March this year and have set a target for a further £2 million by the end of 2010/11, bringing the total to £9 million. Further efficiencies will continue to be identified in future years.

These efficiencies have been achieved without affecting frontline services, which we continue to maintain and improve

Reserves

The major part of the increase (5.3 per cent) is due to the need to build up reserves in readiness for the Local Government Finance Bill which will formalise the need to maintain reserves. We are also responding to the advice of the local government auditor who has indicated that our reserves should be higher compared to the forecasted level of just over £4m by the end of March 2010.

Building up reserves will place the council on a much sounder financial footing to deal with future economic uncertainties including any downturn in rates income, unplanned expenditure and implications of the review of local government.

Investment in the City

We recognise times are hard for in these economically stringent times but believe people want investment in facilities and services to be maintained and improved.

We are developing a City Investment Fund of £30 million to invest across the city in new landmark facilities. We are currently investing around £13m in the Titanic Signature Project, the Connswater Greenway Project and the new Lyric and MAC Theatres. This has assisted towards a total investment of £153m in these projects.

Further details of the key messages are provided at Appendix One.

D. Way Forward

The current rate setting process has been challenging for both Members and officers as the organisation has to deal with operating in a difficult financial environment. The impact of the economic downturn will continue to hit hard and further reductions in public sector spending are inevitable because of the need to rebalance national debt. This means that Belfast City Council must continue to improve both its short term and medium term financial planning. The following areas are of particular importance:

- Maximise collectable rates income – a report will be brought to the Strategic Policy and Resources Committee in March which will recommend a number of key performance indicators to be used by Members to better hold LPS to account for their performance based on the Memorandum of Understanding which has already been agreed between the two organisations.
- Efficiency – the organisation needs to further develop its approach to efficiency which both reduces costs and improves value for money in the delivery of both back office and front line services. This will require tough decisions to be made about changing how the organisation works and developing collaborative efficiency projects with other areas of the public sector in Belfast. Further engagement is planned with the Budget and Transformation Panel on the efficiency programme and a more detailed report is planned to be presented to the Strategic Policy and Resources Committee in March.
- Further integrate financial planning with business planning - so that Members can make more informed decisions about the allocation of resources to priorities.
- Future financial planning – given the economic environment it is vital that Belfast City Council has a sound medium term financial plan and the ability to forecast future spending commitments and

anticipated income streams. Work on future financial planning is intended to be carried out with the Budget and Transformation Panel in the first instance including consideration of a target for future rates increases.

Recommendations

Members are requested to note the contents of the report and agree:

1. A district rate increase of 7.81% for 2010/11. Based on the Estimated Penny Rate Product of £4,888,730 provided by LPS this means that the domestic district rate for 2010/11 is recommended to be 0.2929p and the non-domestic rate to be 25.5849p.
2. The key messages associated with the rates increase as outlined in section C and detailed in Appendix One of this report.
3. The proposed way forward and the planned engagement with the Budget and Transformation Panel and Strategic Policy and Resources Committee.

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Draft rates messages 2010/11

PROACTIVE

Overall position

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Efficiency

Belfast City Council recognises that every citizen and business is facing huge financial pressures given the current economic climate and we remain committed to providing value for money services.

To that end, we have achieved efficiencies of £7 million by March this year and have set a target for a further £2 million by the end of 2010/11, bringing the total to £9 million. Further efficiencies will continue to be identified in future years.

These efficiencies have been achieved without affecting frontline services, which we continue to maintain and improve

Departmental increases for 2010/11 make up some 0.59 per cent of the rate increase. That is well below inflation and reflects the council's drive to achieve efficiencies and control costs.

This small increase has been achieved against a backdrop of the toughest post-war economic climate and a significant fall in rate and revenue income. We have experienced significantly reduced external revenue of £1.3 million from areas such as building control and providing IT services to other public sector organisations, with the prospect of further reductions in revenue from other areas to come.

Reserves

The major part of the increase (5.3 per cent) is due to the need to build up reserves in readiness for the Local Government Finance Bill which will formalise the need to maintain reserves. We are also responding to the advice of the local government auditor who has indicated that our reserves should be higher compared to the forecasted level of just over £4m by the end of March 2010.

Building up reserves will place the council on a much sounder financial footing to deal with future economic uncertainties including any downturn in rates income, unplanned expenditure and implications of the review of local government.

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Connswater Greenway Project and the new Lyric and MAC Theatres. This has assisted towards a total investment of £153m in these projects.

REACTIVE (only to be used in response to queries)

Comparisons with the regional rate (zero increase) and district rate

The regional rate was increased by 19 per cent three years ago which enabled the government to freeze it during the intervening period. Our total rates increase during the same period has been 14 per cent

The rate accounts for 75 per cent of Belfast City Council's income while the regional rate is only a very small proportion of central government income.

Why is the council increasing the rates burden at a time when the Executive has just announced major cuts in public spending.

Whilst the Executive have recently announced cuts to planned expenditure in 2010/11, there will still be overall growth in spend in central government compared to 2009/10.

The council continues to work hard at keeping the rates burden to a minimum and has set itself an efficiency target of £2 million for the coming year, on top of the £7 million achieved in the previous four years. We will continue to look at ways of reducing our costs with a view to passing on savings to ratepayers.

The council also continues to work closely with Land and Property Service to tackle the issue of unpaid rates which will help further reduce the rates burden in the future.

Why have the council's reserves become depleted?

[Our reserves have been depleted because of:

- The need to pay back £4m to Land and Property Services after it overestimated how much the rates would yield for Belfast in 2008/09
- The funding of the capital programme and holding the rates down in previous years.]

How has the council achieved efficiencies?

Through better procurement of goods and services, proactive management of assets and close scrutiny of departmental budgets.