



## Belfast City Council

**Report to:** Health and Environmental Services Committee

**Subject:** **Financial Estimates and District Rate 2010/2011**

**Date:** 18<sup>th</sup> January, 2010

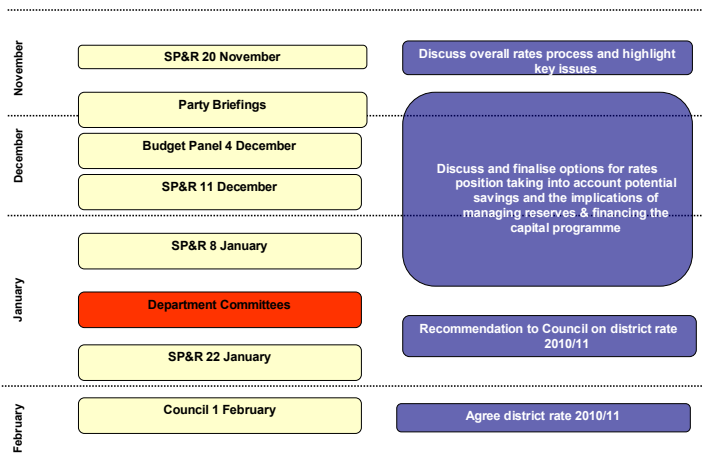
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### Relevant Background Information/Purpose of Report

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 progress on setting the rates for 2010/11; and
- agree the cash limits for the Health and Environmental Services Committee and the proposed allocation of the 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) a further £1m to be invested in the City Investment Strategy;
- (b) a minimum of £2.5m to be set aside as a contribution from the rates to reserves;
- (c) a £1m efficiency programme to be developed and reported back to the committee; and
- (d) 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 the 11 December 2009 i.e. 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. Department 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)
<b>Rate Increase before Reserves</b>	<b>3,310,260</b>	<b>2.53%</b>
Movement in Reserves	6,900,000	5.28%
<b>District Rate Increase</b>	<b>10,210,260</b>	<b>7.81%</b>
<b>Average impact on domestic ratepayer</b>	<b>24.38</b>	<b>3.35%</b>

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 therefore 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 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
<b>Total</b>	<b>1,018,900</b>

#### 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 £16.45 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
<b>Domestic Properties</b>	£	£
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
<b>Non-Domestic Properties</b>		
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 has 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
<b>2009/10 Estimate</b>	28,788,068	42,612,828	30,450,003	22,473,931	28,450	124,353,279
<b><u>Uncontrollable costs</u></b>						
<b>Rates - utilities</b>	345,660	18,008	67,210	149,303	0	580,181
<b>Superannuation</b>	24,981	343,763	273,047	29,457	0	671,248
<b>Loss of ext income</b>	693,000	626,250	0	0	0	1,319,250
<b>TOTAL</b>	<b>1,063,641</b>	<b>988,021</b>	<b>340,257</b>	<b>178,760</b>	<b>0</b>	<b>2,570,679</b>
<b><u>Councilwide Savings</u></b>						
<b>Voluntary Redundancies</b>	-556,559	-180,001	-246,484	0	0	-983,044
<b>Efficiencies</b>	-464,630	-208,700	-201,850	-143,745	0	-1,018,925
<b>TOTAL</b>	<b>-1,021,189</b>	<b>-388,701</b>	<b>-448,334</b>	<b>-143,745</b>	<b>0</b>	<b>-2,001,969</b>
<b><u>Departmental Savings/Growth</u></b>	<b>-329,256</b>	<b>-154,505</b>	<b>450,281</b>	<b>234,561</b>	<b>-1,280</b>	<b>199,801</b>
<b>2010/11 Estimate</b>	28,501,263	43,057,644	30,792,206	22,743,507	27,170	125,121,791
<b>Inc/(dec) £</b>	-286,804	444,816	342,204	269,576	-1,280	768,511
<b>% Inc/(Dec) from 2009/10</b>	-1.00%	1.04%	1.12%	1.20%	-4.50%	0.62%
<b>% of District Rate</b>	<b>-0.22%</b>	<b>0.34%</b>	<b>0.26%</b>	<b>0.21%</b>	<b>0.00%</b>	<b>0.59%</b>

At its meeting on 8th January, the Strategic Policy and Resources Committee agreed the cash limit for the Health and Environmental Services Committee of £43,057,644 for 2010/11. Members of the Health and Environmental Services Committee need to agree the cash limits for the Health and Environmental Services 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. HEALTH AND ENVIRONMENTAL SERVICES COMMITTEE

A spending limit of £43,057,644 is recommended for the Health and Environmental Services Committee in 2010/11. This represents an increase of £444,816 or 1.04% over last year. The main items of expenditure of the department are outlined at Appendix 1.

The **Environmental Health Service's** budget has increased by £62,820 representing an increase of 0.88% on 2009/10. This includes expenditure of £425,000 on the Good Morning Project which will be fully financed by external funding. The estimates also include the full cost of the City Wide 25 person Community Warden Service with an estimated net cost to the Environmental Health Service of £217,975 during 2010/11. As previously advised to Committee the estimates are based on the balance of funding required for the service being secured through external partners (estimated at £620,000 for 2010/11) and a successful bid of £100,000 from the Council's Thematic Funding for 2010/11. It should be noted that if thematic funding was not available for 2010/11 then the planned Wardens Service would have to be curtailed unless specific growth to match the £100,000 was included in the Environmental Health Service revenue estimates.

The Council will incur an additional £542,000 of Landfill Tax costs during 2010/11 due to the annual increase in the landfill tax rate of £8 per tonne announced by the Chancellor of the Exchequer in the March 2007 Budget. In-vessel composting costs for the treatment of food waste collected through the brown bins will also increase **Waste Management** costs by £121,000 during 2010/11. Despite these major increases, significant budget savings within the Waste Management Service have resulted in the overall increase in net expenditure for the Service being limited to £367,059. The savings include a reduction of £105,000 of landfill contract gate fees mainly due to the reduction in tonnages disposed of by landfill, £200,600 of reductions in operational costs at the Waste Transfer Station, £80,000 reduction in external services contracts for the Public Conveniences (PC's) £50,000 of which relates to the savings in the tender for mobile security at PC's and reductions of £137,000 of costs for Waste Education and Projects of which the major element is savings in advertising costs of the waste communication programme and a reduction in the scale of the Waste Week initiative.

The impact of the economic downturn on the construction industry continues to have a major affect on the **Building Control Service**. Members will be aware of the range of initiatives which the Service has implemented to reduce the impact of the major reduction in Building Control income since June 2008. These have included undertaking the vacant rating project via a service level agreement with the Land and Property Service, the non filling of vacant posts which have arisen through staff turnover, the redeployment of staff within the Council so that vital skills are not lost, the agreement that the Council will be the provider of Energy Performance Certificate (EPC) regulation for Northern Ireland which will be fully funded by the Department of Finance and Personnel and the downsizing of the service following a review by the Council's Business Improvement Section. Normal Building Control income is estimated to decrease by a further £626,250 during 2010/11 (excluding the additional £255,450 of EPC income). The increase in net expenditure for the Service has however been lessened due to reductions in staff costs of £242,600 based on the recommendations for the restructuring of the service as well as other anticipated staff turnover savings and a reduction of £43,527 in other external service costs. The net cost of the service will therefore increase from £661,263 in 2009/10 to £1,001,384 in 2010/11.

The net cost of the **Cleansing Services** for 2010/11 is £15,461,721 which is a reduction of £314,046 or 1.99% on the 2009/10 budget. Overall income is estimated to increase by £382,230 with £366,920 of the increase relating to Commercial Waste charges necessary to recover the increased costs of disposal of commercial waste. The increase on employee related costs has been limited to £73,000 following a reduction in overtime of £71,440. Given the trend in fuel costs for Cleansing vehicles during 2009/10, the budget for fuel costs has been reduced by £363,200 on the 2009/10 estimate.

### **Recommendations**

Members are requested to note the contents of the report and agree the cash limit for the Health and Environmental Services Committee for 2010/11 as some £43,057,644 and the proposed allocation of the resources therein.

## HEALTH AND ENVIRONMENTAL SERVICES COMMITTEE

## MAIN ITEMS OF ESTIMATED EXPENDITURE 2010/11

	<b>Net Expenditure 2010/11 £</b>
<b><u>Environmental Health</u></b>	<b>7,164,222</b>
Health Policy and Procedures	107,815
Health Protection	5,213,669
Consumer Protection	1,842,738
<b><u>Waste Management</u></b>	<b>18,644,340</b>
Waste Disposal	10,463,589
Waste Control Monitor Enforcement	2,889,589
Civic Amenity Sites	2,385,324
Public Conveniences	464,850
Waste Control Projects and Out reach	825,250
Waste Management Business Support	616,924
Duncrue Complex	765,613
Policy and Resources	233,800
<b><u>Building Control</u></b>	<b>1,001,384</b>
<b><u>Cleansing</u></b>	<b>15,461,721</b>
Depot Summary	355,474
Cleansing Direct Costs	13,235,824
Cleansing Business Support and Quality Assessment	1,465,850
Waste Collection Management	404,570
<b><u>Directorate Support</u></b>	<b>785,977</b>
<b>TOTAL</b>	<b>43,057,644</b>

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