



Belfast City Council

Report to:	Strategic Policy and Resources Committee
Subject:	Revenue Estimates and District Rate 2009/10
Date:	6 February 2009
Reporting Officer:	Director of Corporate Services, Trevor Salmon
Contact Officer:	Director of Corporate Services, Trevor Salmon

Relevant Background Information

At the Strategic Policy and Resources Committee 9 January 2009 the Director of Corporate Services presented the revenue estimates for 2009/10. The district rate increase to support the revenue estimates was reported as 8.59%.

At the Strategic Policy and Resources Committee on 23 January 2009 reductions in departmental budgets totalling £1,042,560 were agreed by Members. Members were also notified of the rates package provided by the Minister of Finance and Personnel. The combined impact on the rates position of these measures is an increase in the district rate of 7.16% which is the equivalent of a 2.96% increase to the domestic ratepayer when the regional rate element is included.

At the meeting it was agreed that the Chief Executive and Director of Corporate Services should provide the Strategic Policy and Resources Committee on 6 February 2009 with options for further reducing the required increase in the district rate.

The purpose of this report is to present to Members the options for further cost reductions and to make proposals in relation to advancing the Council's efficiency programme.

Key Issues

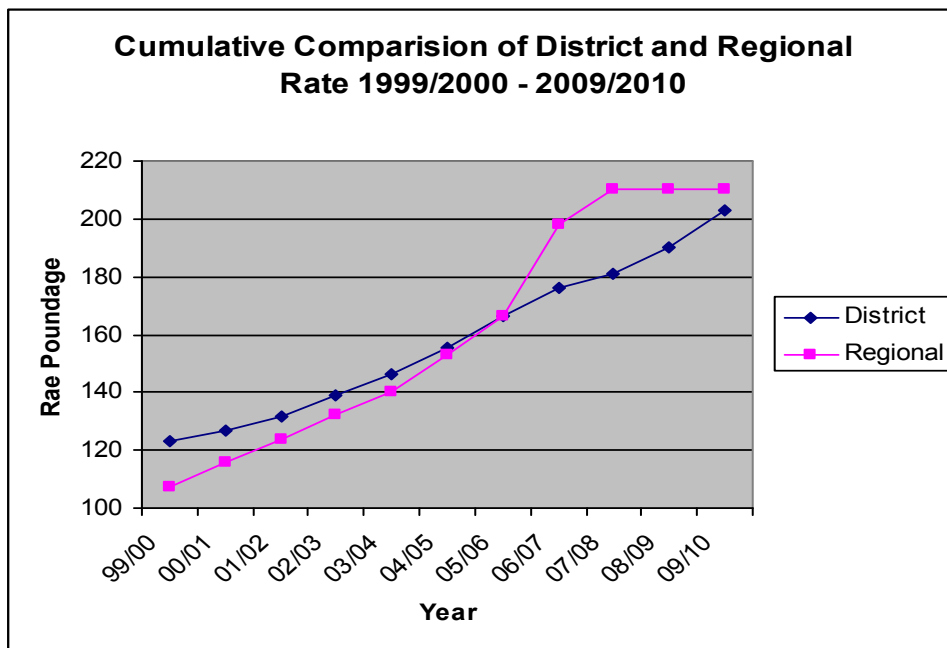
Operating Context

Before discussing specific cost reduction options it is firstly important to set them in the context of the overall financial position of the organisation and the economic environment.

For many years the council through strong financial management has been a cash rich organisation with strong reserves and little borrowing. Major schemes like the Waterfront Hall and the Gasworks were developed without additional burden to the ratepayer. Also the council has invested in top class facilities across the city such as the Grove Well-Being Centre and the Falls Swim Centre. At the same time the council has consistently set a rate below inflation, reduced its base budget by £6.7m and maintained high levels of citizen satisfaction.

Circumstances beyond the control of the council have served to create a new financial environment for the council. **The Minister of Finance and Personnel just recently stated in the Assembly that “we are in a position of extreme volatility” and he indicated that there would be tight budgetary constraints over the next 2 years.** The dramatic economic downturn has led to significant losses in income from rates and fees and charges. Indications are that income from rates will not increase over the next couple of years because of the rising number of vacant business properties. These losses have been exacerbated by claw backs from LPS and the decision last year not to partly fund the City Investment Strategy from the rate. This situation has had the following impacts: the council needs to bolster its reserves quickly; the Capital Programme requires significant loan funding which puts additional pressure on the rate; ways must be found to compensate for the loss of income and at the same time minimise the burden on the ratepayer.

The combined rate for 2009/10 currently stands at an increase of 2.96% to the domestic ratepayer which is below the current rate of inflation of 3.1%. If this rate is agreed it will mean that the rate set by the council is again lower than the regional rate charge as the graph below demonstrates. Members are asked to note that any further reductions in the rate increase which, while negligible to the ratepayer in terms of reduced weekly payments¹, may seriously limit the council’s ability to respond to further losses of income and build a reasonable level of reserves. They will also severely limit the council’s response next year to any unforeseen events. For example, flexibility in the budget allowed the council to deliver an immediate response to flooding in the past two years. For these reasons Members are asked to give consideration to accepting the rate increase as was reported to the Strategic Policy and Resources Committee on 23 January.



¹ £250,000 reduction in expenditure will result in a weekly saving to the average ratepayer of 2p.

Options for Further Cost Reductions 2009/10

If Members decide that notwithstanding the issues faced by the council, the imperative remains a further reduction in the rate, options for further cost reductions are outlined below. These options are the easier to realise as they do not impact directly on front line service provision and do not involve reductions in staff numbers.

- **Civic Hospitality** –reduce the Civic Hospitality budget by **£20,000**, however, this may limit the council's ability to respond to new requests.
- **Proms in the Park** – Included within the estimate of expenditure for Major Events 2009/10 is £80,000 for the annual "Proms in the Park" event. To date the BBC has not committed this year's event to Belfast and it appears that they are keen to share the event in different locations outside Belfast. Members could decide to remove the budget from the Major Events programme, saving **£80,000**, and advise the BBC that we are unable to hold the event in 2009 due to current financial pressure.
- **Hire of External Rooms** – reduce this budget by **£30,000** by prioritising use of council facilities for internal meetings. This reduction would still facilitate use of external venues for appropriate local public meetings, for example, DPP meetings.
- **Members Training** – a review of the Members training budget for 2008/09 has shown a significant under spend. It is recommended that the budget is reduced by **£20,000**. Members should note that the officer training budget has already been reduced by 8.5%.
- **New Initiatives** - the Corporate Plan contains a new budget heading for corporate thematic working totalling £500,000. This covers cross cutting priorities on areas like safety, older and younger people. Members could consider reducing this budget by **£75,000**. A reduction in the budget would not mean that the initiatives would stop but rather the pace and / or scale of implementation would have to be reconsidered and processes examined to ensure maximum efficiency.
- **Hospitality** - the estimated cost of providing the trolleys / functions catering service in terms of consumables is £87,073. It is recommended that Members cap the level spent on catering consumables to £62,000 in 2009/10. **This will produce savings of £25,000**. It is not viable to reduce spending any more in this area unless Members are willing to consider reducing staffing levels.

If Members agree to accept these reductions in expenditure totalling £250,000 then the revised rates position for 2009/10 is an increase in the district rate of **6.93% which is the equivalent of a 2.86% increase to the domestic ratepayer when the regional rate element is included. For the average household in Belfast this will result in an annual rates rise of £23.26– 45p a week.** Appendix One provides details of the impact of the rates increase on the main household types. This increase is just below the current rate of inflation and compares favourably to the average council tax bill increase in England of 3.5%.

The following is a list of options which would yield further savings but will have an impact on front line service delivery and staff numbers / pay levels.

- **Summer Fun Days** - last year 15 fun days were staged in 15 different venues across the city. A total of 2600 children attended. No commitment has been made towards these as yet i.e. no advertisement of dates/venues. These would normally be advertised in the What's On booklet over the next couple of months. Members could decide to cancel the Fun Days which would save £30,000.

- **Refurbishment of Playgrounds** – a rolling programme of refurbishment of has been planned for 28 playgrounds across the city throughout 2009/10. £75,000 would be saved if Members agreed to two playgrounds being excluded from the 2009/10 programme.
- **Local Area Working** – the council is committed to integrating its services at a local level. Consultation with areas will start this year on a 21 area basis. Members could consider redefining this initiative in the context of the economic climate and reduce the budget by £75,000.
- **Cleansing Services - reduction in overtime** - Overtime budgets in Cleansing Services have already been reduced by £34,000. A further reduction of £37,000 (approximately 2,450 hours) could be achieved by reducing operative hours on the street across the Waste Collection, Priority Waste and Street Cleansing services. This will almost certainly lead to employee relations problems for the Service and the Council.
- **Cleansing Services – equipment and operational supplies** – a reduction in the available operational equipment and supplies across to support the cleansing service delivery could yield £7,000 of savings. This option may impact on the consistency of service delivery across the city.
- **Building Control - reduction in overtime** – a reduction of £10,000 in overtime costs could be achieved if Members decided to remove the building regulation inspection service currently available on Saturday mornings and the summer service on Tuesday, Wednesday and Thursday evenings. This will mean that the current facility to book a same day inspection up until 5.00pm will be no longer available.
- **Environmental Health - reduction in overtime** - overtime budgets in Environmental Health have already been reduced by £12,100. A further reduction in overtime of £2,500 could be achieved by limiting the out of hours services in areas such as safety and night time noise cover.

Strategic Approach to Efficiency

Over the past four years the base budget of the council has been reduced by £6.7m. The council has achieved this through savings in areas such as advertising costs, training, procurement and better use of ICT. The savings have been delivered without Members having to make difficult decisions about changing the organisation and front line services have not been affected. The next few years are going to be tough for the council at a time when we have reached the point where the potential return from quick wins and short term gains is diminishing.

This means that the council can no longer plan its efficiency programme on the basis of purely transactional type savings. A new more strategic approach to efficiency is required. This means that the efficiency programme needs not just to be couched in terms of targets but also in the context of how efficiency gains will be used to support the priorities of the council. In basic terms the council needs to move its efficiency programme from a transactional nature to transformation.

There are three broad methods for creating transformational efficiency savings. These are:

- **Internal methods** which involve reviews of and challenges to existing structures, processes, practices and finances.

- **Mutual methods** which would require the council to work with other councils in areas like procurement and shared services.
- **External methods** involve outsourcing and joint ventures.

The council will need to decide which methods or combination of methods it wishes to pursue. Irregardless of method Members and officers will be required to make some tough decisions over the next few years. Councils in England have developed a mechanism to support Members fulfil this difficult role. The mechanism is known as a Budget and Transformation Panel. Its role is to provide scrutiny and oversee the identification and implementation of transformation projects. Members are reminded that it has already been acknowledged that this role should be undertaken within a three year planning context. This Panel is usually supported by some form of independent external assistance. An example of a transformation project is the “review of the centre” which the organisation is currently undertaking. This will challenge existing structures and staffing levels but will potentially deliver savings over a number of years. The working of the Panel should be reviewed in March 2010. The Panel would consist of ten Members and be representative of the current political make-up of the council. The Panel would report to the Strategic Policy and Resources Committee on an advisory basis.

Key Messages

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

It is recommended that these should be:

1. **We have worked extremely hard to achieve an overall effect on the citizens of Belfast of a rates increase of 2.??per cent. The figure will result in an average increase across households in Belfast of less than 50p per week or £25 per year.**
2. **This has been achieved against a backdrop of the toughest post – war economic climate and a significant fall in rate and revenue income.**
3. **Without our commitment to efficiencies which has realised saving of around £6.7m over the past three years we would have been looking at doubling the rates burden.**
4. **The council must show responsible leadership by achieving the balance between investing in the city and providing efficient value for money services.**

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

Recommendations

Members are requested to:

1. To consider the options for setting the rate 2009/10 outlined in this report.
2. To recommend a domestic and non-domestic district rate for the special council meeting being held on 12 February 2009.
3. To agree to the establishment of a Budget and Transformation Panel to oversee and scrutinise a base review of the budgets and the identification and implementation of transformation projects.
4. Agree the key messages for the announcement of the rate.

BELFAST CITY COUNCIL

Average Rates Bill based on

a

6.93% will mean:

PROPERTY	Rates Bill 2008/09	Rates Bill 2009/10	Annual increase in Rate Bill	Weekly increase in Rate Bill
<i>Domestic Properties</i>	£	£	£	£
Terrace House	531.34	546.55	15.21	0.29
3-Bed Semi-Detached House	812.60	835.86	23.26	0.45
4-Bed Detached House	1,806.55	1,858.26	51.71	0.99
Apartment	512.61	527.29	14.68	0.28
Average Capital Value	707.02	727.26	20.24	0.39

* Regional Rate frozen for Domestic Properties in
2009/10

This page has been intentionally left blank.