



**Belfast City Council**

<b>Report to:</b>	Strategic Policy and Resources Committee
<b>Subject:</b>	<b>Rate Setting 2012/13</b>
<b>Date:</b>	21 October 2011
<b>Reporting Officer:</b>	Ronan Cregan, Director of Finance and Resources
<b>Contact Officer:</b>	Ronan Cregan, Director of Finance and Resources

<b>1</b>	<b>Relevant Background Information</b>																								
1.1	Members will recall that at the Strategic Policy and Resources Committee meeting in April the process for the setting of the rate was agreed as outlined in the chart below.																								
1.2	The purpose of this briefing is to outline progress made against the agreed timetable and to discuss the key issues which will need to be addressed as part of the rate setting process.																								
	<b>Agreed rate setting process for 2012/13</b>																								
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<b>2</b>	<b>Key Issues</b>
	<b>Progress to date</b>
2.1	<p>At the Strategic Policy and Resources Committee in April 2011 Members agreed that the department estimates should be compiled using the planning assumption that any required growth should be within the level of inflation as measured by the Consumer Price Index. Departments have now completed the first draft of the estimates and all budgets are well within the current CPI rate of 4.5%. The proposed budgets are currently being checked for completeness and accuracy. The next stage, in terms of the revenue estimates is to ensure that the budgets are aligned to the corporate priorities of the organisation. The outcomes from the Member planning workshops and the development of the stimulus package will be integrated with the financial plans in October and November. The first cut of the department estimates at a high level will be presented to the second Strategic Policy and Resources Committee in November.</p> <p>Members also agreed at the Strategic Policy and Resources Committee in April 2011 an efficiency target of £2m cash savings for 2012/13. I am pleased to report that officers have been able to identify and capture efficiencies which will meet the £2m target. A detailed report on the efficiency programme will be brought to the Strategic Policy and Resources Committee on 4 November.</p>
	<b>Key Issues for the Setting of the Rate 2012/13</b>
2.2	<p>As in previous years, Members will be faced with the challenge of balancing the conflicting priorities of keeping the rate at an acceptable level and at the same time providing sufficient finance to deliver their ambitions. The key factors which will need to be considered are outlined below.</p>
2.3	<p><b>Net Department Expenditure</b></p> <p>The key challenge will be to keep the revenue estimates as low as possible in the context of inflation and any growth proposals emanating from the corporate planning process. The efficiency programme will serve to reduce the estimates by the £2m target set by members.</p>
	<b>City Investment Fund</b>
2.4	<p>This fund is used to finance city projects where the asset is not owned by the council. It is currently financed through a £3m annual contribution from the rate and proceeds from the sale of council owned land or assets. At present, it is forecast that by 2014/15 the fund will have a balance of £11m. Members are currently prioritising a suite of potential projects which, by their nature, will require funding in part from the city investment fund. The delivery of these projects must be tested against affordability. The stimulus package report has already recommended that each proposed project will be reviewed by joint Member / officer teams and a key element of this work will be to determine the funding requirements. The findings of this work will be fed into the rate setting process in November and December. Members will then have to determine which projects they wish to fund and set a rate which supports the delivery of these projects.</p>

2.5	<p><b>Capital Programme</b></p> <p>The capital programme and capital finance relates to the council owned assets. The programme can be funded through loans, grants, asset sales and revenue contributions. Currently the programme is fully financed and any new capital schemes of a material value, such as the extension to the Waterfront Hall will require additional financing. Officers are currently working on ways to enhance the current financing arrangements and a further report will be brought to the Strategic Policy and Resources Committee in November.</p>
2.6	<p><b>Local Investment Fund</b></p> <p>This fund was created by Members to support the financing of smaller scale neighbourhood capital projects where the asset may not necessarily be owned by the council. £2.5m was allocated to the fund at the end of the last financial year. Members should note that the fund is not rate supported, in other words there is no agreed recurrent funding for the scheme. The development of the policy framework to support the fund will be discussed with Members at the People and Communities workshop in November.</p>
2.7	<p><b>Reserves</b></p> <p>The general reserve is currently sits at £10.4m which Members have agreed is an acceptable level. Members should note that it is recommended that reserves should not be used to finance recurrent expenditure and to do so would create sustainability issues for the council.</p>
2.8	<p><b>Rate Base</b></p> <p>The decision on the level of the district rate for 2012/13 will be dependent on the state of the rate base. When setting the rate for 2011/12 the estimate of rates income was reduced by £2.5m. Land and Property Services will provide the council with the first cut of the rates forecast for next year at the end of October. At this stage we have no indication of what the forecast will be but there are obvious concerns about the continuing impact of the recession on Belfast and the level of vacant properties in the city. Officers will be working very closely with LPS officials to ensure that the required rates information is provided to Members in a timely manner..</p> <p><b>Local Government Finance Act 2011</b></p>
2.9	<p>New local government finance arrangements will start from 1 April 2012. The key changes which will impact on the council are as follows:</p> <ul style="list-style-type: none"> <li>• It will provide new powers to councils in terms of borrowing. In short, the council will be able to decide what borrowing levels are appropriate. Members will required to approve a set of indicators known as Prudential Indicators which will cover affordability (have we the money?), prudence (are the risks acceptable?) and sustainability (can we afford it in the longer term?).</li> <li>• The Director of Finance and Resources will be required to submit a report to council on the robustness of the estimates.</li> </ul>

2.10	<ul style="list-style-type: none"> <li>• The Director of Finance and Resources must produce a written report on the adequacy of financial reserves.</li> <li>• The council will be required to agree a Treasury Management Strategy which will cover: <ul style="list-style-type: none"> <li>○ Capital finance plans</li> <li>○ Borrowing Strategy</li> <li>○ Debt management</li> <li>○ Investments.</li> </ul> </li> </ul> <p>Council officers have been working with the Chartered Institute of Finance and Public Accountancy (CIPFA), who are the leading experts in this field, on the implementation of the new Finance Act. A detailed report will be brought to Members at the second Strategic Policy and Resources Committee meeting in November.</p>
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<b>3</b>	<b>Resource Implications</b>
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<b>4</b>	<b>Equality and Good Relations Implications</b>
	None.

<b>5</b>	<b>Recommendations</b>
5.1	The Committee is requested to note the contents of the report.

<b>6</b>	<b>Decision Tracking</b>
	Ronan Cregan, Director of Finance and Resources November, 2011