



Report to: Strategic Policy & Resources Committee

Subject: **Rate Setting 2012/13**

Date: 18 November 2011

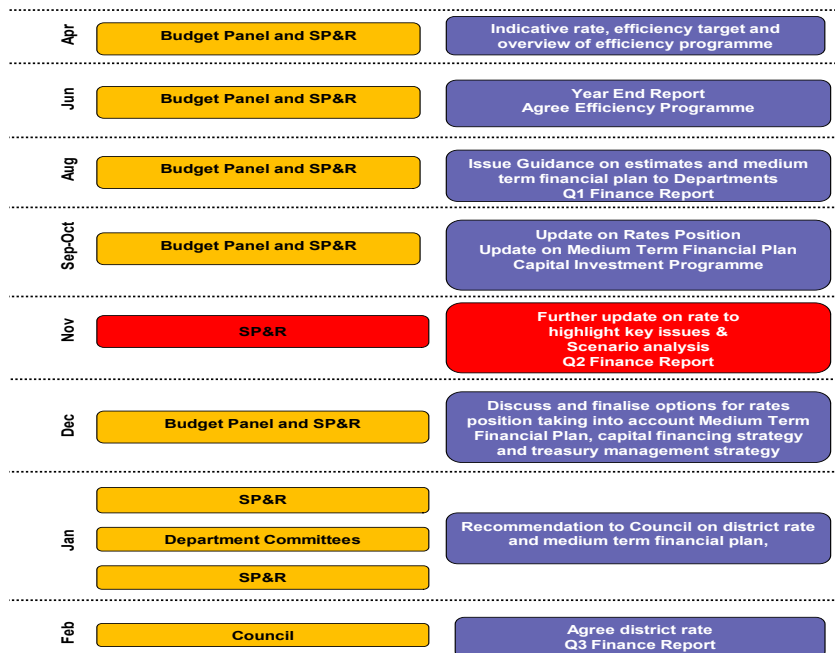
Reporting Officer: Ronan Cregan, Director of Finance and Resources

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1 Relevant Background Information

1.1 Members will recall that the Strategic Policy and Resources Committee in April agreed the process for setting the rate as outlined in the chart below. The purpose of this report is to outline progress made against the agreed timetable and to discuss the key issues which will need to be considered as of the rate setting process.

Agreed rate setting process for 2012/13



2	Key Issues
2.1	<p>Departmental Estimates – This is the money required by departments to deliver services and typically covers expenditure on headings such as salaries, supplies and services. The departments have all completed their estimates for 2012/13 and the outcome is that £630,000 less will be required than for 2011/12. This reduction is due to 2 factors:</p> <ul style="list-style-type: none"> • £2.3m efficiencies have been taken out of the budgets as agreed by the Strategic Policy and Resources Committee on 4 November 2011. • A pay rise has not been factored into the budgets for the third year running.
2.2	<p>Waste Plan – waste management costs are due to increase by some £3.7m in 2014/15 when the arc21 Residual Waste Contract commences. The council has been planning for this increase in cost through a gradual increase in the rate so to avoid a spike in the rate in 2014/14. For 2012/13, a stepped increase of £1m will be required.</p>
2.3	<p>The net impact of the department estimates and the waste plan is that an additional £360,000 is required to cover revenue costs in 2012/13. This is the equivalent of a 0.29% increase in the rate. This means that this provides Members with a one-off opportunity to dedicate the bulk of any rate increase to capital investment, if they so choose.</p>
2.4	<p>Capital Investment</p> <ul style="list-style-type: none"> • Capital Programme – used to pay for enhancements or new assets owned by the council. The current capital programme is financed through an annual budget of £10m .This budget is sufficient to meet the current capital spending plans of the council which will peak in 2015/16. • City Investment Fund – used to finance investment package schemes for non-council assets. Currently, £3m from rates go into the fund every year. By 2014/15 there will be £11m in the fund net of current commitments. The fund will require additional finance to be built up if schemes included in the investment package are to be delivered. • Local Investment Fund – used to fund neighbourhood capital projects for non-council assets. There is £2.5m in the fund. There is an opportunity to add £2.5m to the fund over the next two years without increasing the rate.
2.5	<p>Reserves – are forecast to be at least £10.3m by the end of 2011/12. This is line with the council’s reserve strategy which requires general reserves to be at a minimum of £10m.</p>
2.6	<p>Rate Base – council officers are currently working with the LPS on the rates forecast (EPP) for 2012/13. At this stage we are not in a position to provide an accurate figure but it is likely that the rate base will not be showing growth. Members should note that the Budget and Transformation Panel met with LPS officials on 8 November. A note of the meeting is provided as part of the Budget and Transformation Panel minutes.</p>

2.7	<p>Regional Rate – the latest information we have is that the regional rate will be increased by 2.2% for 2012/13. This means that ratepayers will face a 1.21% increase in their rates bill even if the council agreed a 0% rate settlement. This is because the regional rate represents 55% of the rates bill.</p>																														
2.8	<p>Inflation – the latest Consumer Price Index shows inflation to be 5.2%.</p>																														
2.9	<p>Scenarios The table below provides 4 rate setting scenarios ranging from 0.29 to 3% rate increases. The calculations are based on no change to the rate base and a 2.2% increase in the regional rate. From the table, Members can assess the impact on</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Scenarios</th> <th style="text-align: right;">Average Annual Increase in Rates Bill</th> <th style="text-align: right;">Average Weekly Increase in Rates Bill</th> <th style="text-align: right;">Additional Revenue</th> <th style="text-align: right;">Additional City Investment per annum</th> <th style="text-align: right;">City Investment by 2014/15</th> </tr> </thead> <tbody> <tr> <td>0.29%</td> <td style="text-align: right;">£10.08</td> <td style="text-align: right;">19p</td> <td style="text-align: right;">£370k</td> <td style="text-align: right;">£0</td> <td style="text-align: right;">£11m</td> </tr> <tr> <td>1%</td> <td style="text-align: right;">£12.50</td> <td style="text-align: right;">24p</td> <td style="text-align: right;">£370k</td> <td style="text-align: right;">£1m</td> <td style="text-align: right;">£14m</td> </tr> <tr> <td>2%</td> <td style="text-align: right;">£17.80</td> <td style="text-align: right;">34p</td> <td style="text-align: right;">£370k</td> <td style="text-align: right;">£2m</td> <td style="text-align: right;">£17m</td> </tr> <tr> <td>3%</td> <td style="text-align: right;">£21.90</td> <td style="text-align: right;">42p</td> <td style="text-align: right;">£370k</td> <td style="text-align: right;">£3m</td> <td style="text-align: right;">£20m</td> </tr> </tbody> </table> <p>the ratepayer and the benefit in terms of additional city investment.</p>	Scenarios	Average Annual Increase in Rates Bill	Average Weekly Increase in Rates Bill	Additional Revenue	Additional City Investment per annum	City Investment by 2014/15	0.29%	£10.08	19p	£370k	£0	£11m	1%	£12.50	24p	£370k	£1m	£14m	2%	£17.80	34p	£370k	£2m	£17m	3%	£21.90	42p	£370k	£3m	£20m
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2.10	<p>Next Steps SP&R 9 December – Report on rate base position and impact on scenarios. SP&R 6 January – Set department cash limits and capital investment options. SP&R 20 January – Propose rate settlement for consideration by full council.</p>																														

3	Recommendations
3.1	<p>Members are requested to:</p> <ul style="list-style-type: none"> • Note the contents of the report.
4	<p>Decision Tracker Responsible Officers: Director of Finance & Resources</p>