



Report to: Strategic Policy & Resources Committee

Subject: Rate Setting 2012/13

Date: 5 December 2011

Reporting Officer: Ronan Cregan, Director of Finance and Resources

Contact Officer: Ronan Cregan, Director of Finance and Resources

1	Relevant Background Information																		
1.1	<p>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.</p> <p>Agreed rate setting process for 2012/13</p> <table border="1"> <thead> <tr> <th>Month</th> <th>Activity</th> </tr> </thead> <tbody> <tr> <td>Apr</td> <td>Budget Panel and SP&R; Indicative rate, efficiency target and overview of efficiency programme</td> </tr> <tr> <td>Jun</td> <td>Budget Panel and SP&R; Year End Report Agree Efficiency Programme</td> </tr> <tr> <td>Aug</td> <td>Budget Panel and SP&R; Issue Guidance on estimates and medium term financial plan to Departments; Q1 Finance Report</td> </tr> <tr> <td>Sep-Oct</td> <td>Budget Panel and SP&R; Update on Rates Position; Update on Medium Term Financial Plan; Capital Investment Programme</td> </tr> <tr> <td>Nov</td> <td>SP&R; Further update on rate to highlight key issues & Scenario analysis; Q2 Finance Report</td> </tr> <tr> <td>Dec</td> <td>Budget Panel and SP&R; Discuss and finalise options for rates</td> </tr> <tr> <td>Jan</td> <td>SP&R; Department Committees; Recommendation to Council on district rate and medium term financial plan</td> </tr> <tr> <td>Feb</td> <td>Council; Agree district rate; Q3 Finance Report</td> </tr> </tbody> </table>	Month	Activity	Apr	Budget Panel and SP&R; Indicative rate, efficiency target and overview of efficiency programme	Jun	Budget Panel and SP&R; Year End Report Agree Efficiency Programme	Aug	Budget Panel and SP&R; Issue Guidance on estimates and medium term financial plan to Departments; Q1 Finance Report	Sep-Oct	Budget Panel and SP&R; Update on Rates Position; Update on Medium Term Financial Plan; Capital Investment Programme	Nov	SP&R; Further update on rate to highlight key issues & Scenario analysis; Q2 Finance Report	Dec	Budget Panel and SP&R; Discuss and finalise options for rates	Jan	SP&R; Department Committees; Recommendation to Council on district rate and medium term financial plan	Feb	Council; Agree district rate; Q3 Finance Report
Month	Activity																		
Apr	Budget Panel and SP&R; Indicative rate, efficiency target and overview of efficiency programme																		
Jun	Budget Panel and SP&R; Year End Report Agree Efficiency Programme																		
Aug	Budget Panel and SP&R; Issue Guidance on estimates and medium term financial plan to Departments; Q1 Finance Report																		
Sep-Oct	Budget Panel and SP&R; Update on Rates Position; Update on Medium Term Financial Plan; Capital Investment Programme																		
Nov	SP&R; Further update on rate to highlight key issues & Scenario analysis; Q2 Finance Report																		
Dec	Budget Panel and SP&R; Discuss and finalise options for rates																		
Jan	SP&R; Department Committees; Recommendation to Council on district rate and medium term financial plan																		
Feb	Council; Agree district rate; Q3 Finance Report																		

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 final outcome is that £713,000 less will be required than for 2011/12.</p>
2.2	<p>This reduction is mainly due to two 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.
2.3	<p>The reduction in departmental estimates has been achieved despite significant financial pressures on departmental running costs including increased employers superannuation contributions, the impact of inflation (currently 5%) and the loss of external income in areas such as electricity generation at North Foreshore.</p>
2.4	<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 2014/15. For 2012/13, a stepped increase of £1m will be required.</p>
2.5	<p>The net impact of the department estimates and the waste plan is that an additional £284,000 is required to cover revenue costs in 2012/13. This is the equivalent of a 0.22% increase in the rate.</p>
2.6	<p>This provides Members with a one-off opportunity to dedicate any rate increase over and above 0.22% to capital investment and the delivery of the stimulus programme, if they so choose.</p>
2.7	<p>Capital Investment</p> <ul style="list-style-type: none"> • Capital Programme – used to pay for enhancements or new assets owned by the council and paid for through a mixture of loans, grants, capital receipts and one-off payments. 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 and paid for through cash generated from the rates or capital receipts. 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 number of schemes which can be delivered as part of the stimulus package will be limited by the amount of cash in this fund.

	<ul style="list-style-type: none"> • 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. 																														
2.8	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.																														
2.9	Rate Base – Land and Property Services (LPS) have provided the council with their final forecast of what the rates will yield for next year. The advice is that there will be zero growth. Council officers have challenged the figures provided by LPS as far as is reasonably possible given the limited access we have to LPS data.																														
2.10	Members should note that the forecast for the total rates collected in 2011/12 is a claw back of £1.54m. It has already been agreed that this will be paid using the in-year underspend. A further update on the 2011/12 position will be provided to the council on 19 December 2011.																														
	<p>Summary</p> <p>The table summarises the rates position taking into account all the key factors already discussed. The 0.22% scenario shows the base line position without additional capital investment. The further three scenarios show the impact of a 1%, 2%, and 3% rate increase on additional capital investment.</p> <table border="1"> <thead> <tr> <th>Scenarios</th> <th>Average Annual Increase in Rates Bill</th> <th>Average Weekly Increase in Rates Bill</th> <th>Additional Revenue</th> <th>Additional City Investment per annum</th> <th>City Investment by 2014/15</th> </tr> </thead> <tbody> <tr> <td>0.22%</td> <td>£10.21</td> <td>19p</td> <td>£284k</td> <td>£0</td> <td>£11.00m</td> </tr> <tr> <td>1%</td> <td>£12.85</td> <td>24p</td> <td>£284k</td> <td>£1.00m</td> <td>£14.00m</td> </tr> <tr> <td>2%</td> <td>£16.30</td> <td>31p</td> <td>£284k</td> <td>£2.25m</td> <td>£17.75m</td> </tr> <tr> <td>3%</td> <td>£19.75</td> <td>38p</td> <td>£284k</td> <td>£3.50m</td> <td>£21.50m</td> </tr> </tbody> </table>	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	0.22%	£10.21	19p	£284k	£0	£11.00m	1%	£12.85	24p	£284k	£1.00m	£14.00m	2%	£16.30	31p	£284k	£2.25m	£17.75m	3%	£19.75	38p	£284k	£3.50m	£21.50m
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																										
0.22%	£10.21	19p	£284k	£0	£11.00m																										
1%	£12.85	24p	£284k	£1.00m	£14.00m																										
2%	£16.30	31p	£284k	£2.25m	£17.75m																										
3%	£19.75	38p	£284k	£3.50m	£21.50m																										

3	Recommendations
3.1	<p>In order to prepare the rates report for the 6th January 2012 Strategic Policy and Resources Committee, Members are requested to agree the following:</p> <ol style="list-style-type: none"> 1. Officers prepare the department cash limits report based on a reduction of £713,000 as discussed in paragraph 2.1 above; 2. A stepped increase of £1m for the waste plan as discussed in paragraph 2.4 above; 3. Base rate calculations on zero growth in the Estimated Penny Product as discussed in paragraph 2.9 above; and 4. Agree the capital investment element of the rate at the Strategic Policy and Resources meeting on 6 January 2012.
4	<p>Decision Tracker</p> <p>Responsible Officers: Director of Finance & Resources</p>

Appendix 1: Rate Impact by House Type

PROPERTY	0.22%		1%		2%		3%	
	Annual Increase in Rates Bill	Weekly Increase in Rates Bill	Annual Increase in Rates Bill	Weekly Increase in Rates Bill	Annual Increase in Rates Bill	Weekly Increase in Rates Bill	Annual Increase in Rates Bill	Weekly Increase in Rates Bill
Domestic Properties	£	£	£	£	£	£	£	£
Terrace House	7.67	0.15	9.66	0.19	12.25	0.24	14.85	0.29
3-Bed Semi-Detached House	11.73	0.23	14.77	0.28	18.73	0.36	22.70	0.44
4-Bed Detached House	26.08	0.50	32.84	0.63	41.65	0.80	50.47	0.97
Apartment	7.40	0.14	9.32	0.18	11.82	0.23	14.32	0.28
Average Capital Value	10.21	0.20	12.85	0.25	16.30	0.31	19.75	0.38