



**Belfast City Council**

<b>Report to:</b>	Strategic Policy and Resources Committee
<b>Subject:</b>	<b>Rate Setting 2013/14</b>
<b>Date:</b>	14 December 2012
<b>Reporting Officer:</b>	Ronan Cregan, Director of Finance and Resources
<b>Contact Officer:</b>	Mark McBride, Head of Finance and Performance

<b>1.0</b>	<b>Relevant Background Information</b>
1.1	<p>This report provides an update for Members and considers final options for the 2013/14 revenue estimates, in line with the summary of the rate setting process for 2013/14 outlined in figure 1 below.</p> <p style="text-align: center;"><b>Agreed rate setting process for 2013/14</b></p> <p>The diagram illustrates the agreed rate setting process for 2013/14, spanning from April to February. Key milestones include:</p> <ul style="list-style-type: none"> <li><b>Apr:</b> Budget Panel and SP&amp;R; Indicative rate, efficiency target and overview of efficiency programme.</li> <li><b>Jun:</b> Budget Panel and SP&amp;R; Year End Report Agree Efficiency Programme.</li> <li><b>Aug:</b> Budget Panel and SP&amp;R; Issue Guidance on estimates and medium term financial plan to Departments Q1 Finance Report.</li> <li><b>Sep-Oct:</b> Budget Panel and SP&amp;R; Update on Rates Position Update on Medium Term Financial Plan Capital Investment Programme.</li> <li><b>Nov:</b> SP&amp;R; Further update on rate to highlight key issues &amp; Scenario analysis Q2 Finance Report.</li> <li><b>Dec:</b> Budget Panel and SP&amp;R; Discuss and finalise options for rates position taking into account Medium Term Financial Plan, capital financing strategy and treasury management strategy.</li> <li><b>Jan:</b> SP&amp;R; Department Committees; Recommendation to Council on district rate and medium term financial plan.</li> <li><b>Feb:</b> Council; Agree district rate Q3 Finance Report.</li> </ul>

2.0	<b>Key Issues</b>
2.1	<p>At the meeting of the Strategic Policy and Resources Committee on the 23 November 2012, Members considered two scenarios for the setting of the 2013/14 District Rate. These were:-</p> <p><b>Scenario 1 - District Rate increase of 0.86%</b> A net increase of £1.1m in the revenue estimates based on the estimates prepared by departments and the removal of £2.1m of efficiencies from departmental budgets.</p> <p><b>Scenario 2 - District Rate increase of 0%</b> This report details how this scenario can be achieved.</p>
2.2	<p><b>Scenario 2: Zero District Rate</b></p> <p><b>Revenue Estimates</b></p> <p>Since the report to Committee in November 2012, the following adjustments to the Revenue Estimates have been made:</p> <ol style="list-style-type: none"> <li>1. The council has been advised by the Department of Finance and Personnel on the 5 December 2012 of an increase in the de-rating grant for Belfast amounting to £317,000.</li> <li>2. The decision of the Strategic Policy and Resources Committee to allocate the waste fund balance to specified reserves has enabled department estimates for 2013/14 to be reduced by £394,000.</li> <li>3. Further detailed work on future waste costs has also been completed which indicates that the stepped increase in the waste fund contribution could be reduced further by £400,000.</li> </ol> <p><b>Investment Programme Commitments</b></p> <p><b>Capital Programme</b></p> <p>This is used to pay for enhancements to existing council assets or for the provision of new assets owned by the council. The capital programme is financed through an annual budget of £10.14m and this budget is sufficient to meet the £75m spending commitment included in the council's investment programme.</p> <p><b>Belfast Investment Fund</b></p> <p>This is used to finance investment package schemes for non-council assets. As part of the rate setting process in 2012/13, the annual contribution to the fund was increased from £3m to £6m to ensure that £20m of Belfast Investment Programme funding is available by 2014/15. <b>There is therefore no requirement to increase the current level of contribution to the Belfast City Investment Fund during 2013/14.</b></p> <p><b>Local Investment Fund</b></p> <p>This is used to fund neighbourhood capital projects for non-council assets. The £5m fund has been fully financed and there is <b>therefore no requirement to make additional contributions through the District Rate during 2013/14.</b></p>
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<p>2.6</p> <p>2.7</p> <p>2.8</p> <p>2.9</p>	<p><b>Reserves</b></p> <p>The council's <b>general reserves position at the year end is forecast to be at least £13.6m by the end of 2012/13</b>. As this is above the minimum requirement of £10m, as set out in the council's reserve strategy, there is no requirement to include an additional contribution to general reserves in the District Rate for 2013/14.</p> <p><b>Rate Base</b></p> <p>As advised to the Committee in November 2012, there is ongoing work with LPS to determine the risks and trends associated with the rate base for the city in advance of confirmation of the final Estimated Penny Product (EPP) which will be used for the calculation of the District Rate for 2013/14.</p> <p>Given the current economic environment, ongoing rates appeals and the level of outstanding debt and write offs, the risk of a decline in the rate base remains high. However, the vacant property work being undertaken by the council's Building Control service, has proved to be invaluable in mitigating the risk of reduced income by adding around £3m to the collectable rate over the past two years.</p> <p><b>Taking into account all of these factors, it is concluded that the rate base of the City is expected to have no growth in 2013/14.</b></p>
<p>2.10</p>	<p>In summary a zero rate for 2013/14 is deliverable in the context of:</p> <ol style="list-style-type: none"> <li>1. Meeting the running costs of the organisation.</li> <li>2. Delivering the financial commitments detailed in the Investment Programme.</li> <li>3. The Estimated Penny Product (rate base) remaining at the 2012/13 level.</li> <li>4. Appreciating that any additional capital financing, such as the leisure estate, could only be delivered in the context of future efficiency savings and the realignment of current capital investment programmes.</li> </ol>

<p><b>3.0</b></p>	<p><b>Impact on Ratepayer</b></p>																																		
<p>3.1</p>	<p>A rates bill in Belfast is made up of 55% Regional Rate and 45% District Rate. The Regional Rate, subject to Executive approval, is due to increase by 2.7%. If the council sets a zero rate, this means the ratepayer's total bill will increase by 1.49%. The table below shows the monetary impact on average property types.</p>																																		
<table border="1"> <thead> <tr> <th data-bbox="327 1473 992 1608">PROPERTY</th> <th data-bbox="992 1473 1179 1608">Annual increase in rates bill</th> <th data-bbox="1179 1473 1364 1608">Weekly increase in rates bill</th> </tr> </thead> <tbody> <tr> <td colspan="3" data-bbox="327 1608 1364 1653"><b>Domestic Properties</b></td> </tr> <tr> <td colspan="3" data-bbox="327 1653 1364 1686" style="text-align: center;">£</td> </tr> <tr> <td data-bbox="327 1686 992 1720">Terrace House</td> <td data-bbox="992 1686 1179 1720" style="text-align: center;">8.86</td> <td data-bbox="1179 1686 1364 1720" style="text-align: center;">0.17</td> </tr> <tr> <td data-bbox="327 1720 992 1753">3-Bed Semi-Detached House</td> <td data-bbox="992 1720 1179 1753" style="text-align: center;">13.56</td> <td data-bbox="1179 1720 1364 1753" style="text-align: center;">0.26</td> </tr> <tr> <td data-bbox="327 1753 992 1787">4-Bed Detached House</td> <td data-bbox="992 1753 1179 1787" style="text-align: center;">30.13</td> <td data-bbox="1179 1753 1364 1787" style="text-align: center;">0.58</td> </tr> <tr> <td data-bbox="327 1787 992 1821">Apartment</td> <td data-bbox="992 1787 1179 1821" style="text-align: center;">8.55</td> <td data-bbox="1179 1787 1364 1821" style="text-align: center;">0.16</td> </tr> <tr> <td data-bbox="327 1821 992 1865">Average Capital Value</td> <td data-bbox="992 1821 1179 1865" style="text-align: center;">11.79</td> <td data-bbox="1179 1821 1364 1865" style="text-align: center;">0.23</td> </tr> <tr> <td colspan="3" data-bbox="327 1865 1364 1910"><b>Non-Domestic Properties</b></td> </tr> <tr> <td data-bbox="327 1910 992 1955">Office Property</td> <td data-bbox="992 1910 1179 1955" style="text-align: center;">108.14</td> <td data-bbox="1179 1910 1364 1955" style="text-align: center;">2.08</td> </tr> <tr> <td data-bbox="327 1955 992 1998">Retail Property</td> <td data-bbox="992 1955 1179 1998" style="text-align: center;">87.06</td> <td data-bbox="1179 1955 1364 1998" style="text-align: center;">1.67</td> </tr> </tbody> </table>			PROPERTY	Annual increase in rates bill	Weekly increase in rates bill	<b>Domestic Properties</b>			£			Terrace House	8.86	0.17	3-Bed Semi-Detached House	13.56	0.26	4-Bed Detached House	30.13	0.58	Apartment	8.55	0.16	Average Capital Value	11.79	0.23	<b>Non-Domestic Properties</b>			Office Property	108.14	2.08	Retail Property	87.06	1.67
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<b>4.0</b>	<b>Recommendations</b>
4.1	<p>In order to prepare the rates report for the 11<sup>th</sup> January 2013 Strategic Policy and Resources Committee, Members are requested to agree the following:</p> <ol style="list-style-type: none"><li>1. Officers prepare the department cash limits report based on a zero district rate as discussed in Section 2 above;</li><li>2. Base rate calculations on zero growth in the Estimated Penny Product as discussed in paragraph 2.9 above;</li></ol>

<b>5.0</b>	<b>Decision Tracking</b>
	<p>Responsible Officer Director of Finance and Resources</p>