



Belfast City Council

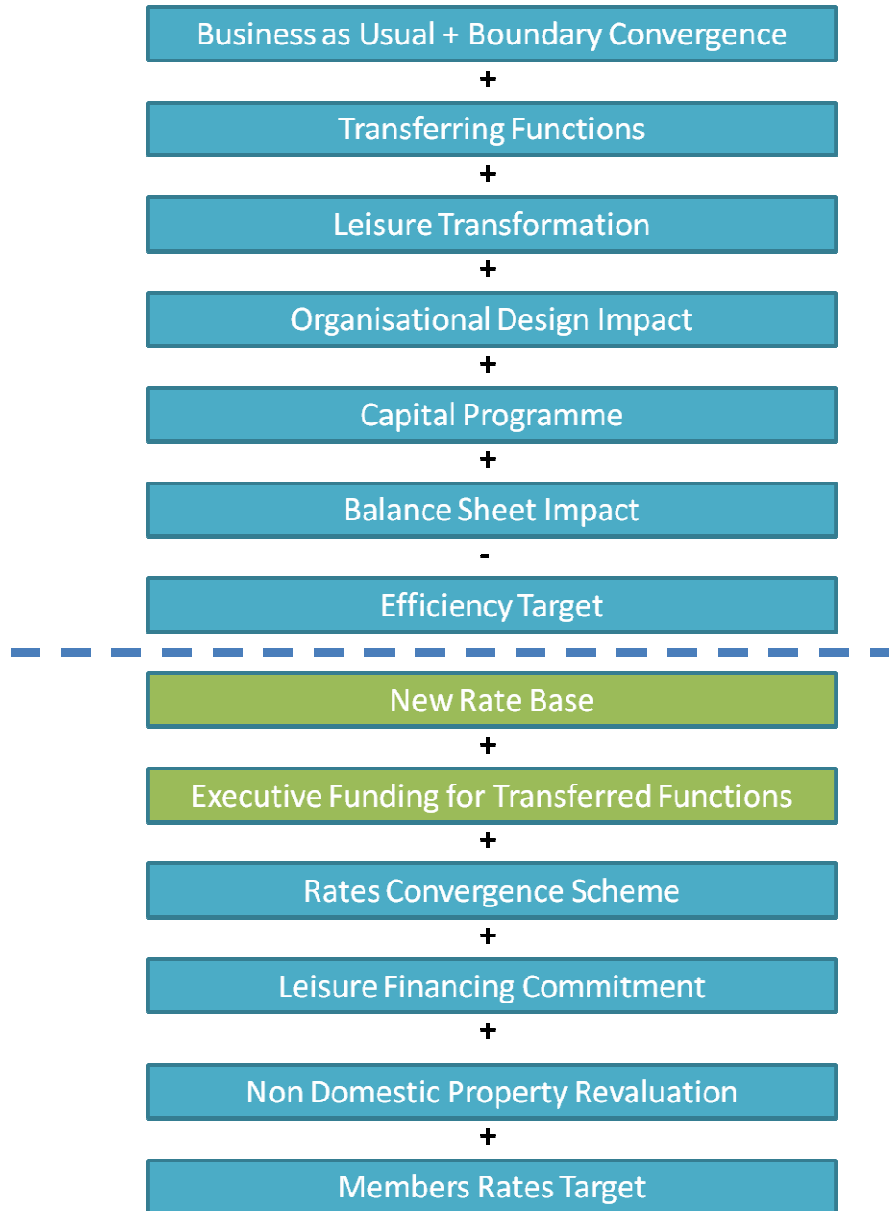
Report to:	Shadow Strategic Policy and Resources Committee
Subject:	Validation of the New Belfast City Council Rate Base
Date:	19 December 2014
Reporting Officer:	Ronan Cregan, Director of Finance and Resources
Contact Officer:	Mark McBride, Head of Finance and Performance

1.0	Relevant Background Information
1.1	This report provides an update for Members on the validation of the new Belfast City Council rate base as part the rate setting process for 2015/16.

2.0	Key Issues
2.1	Figure 1 below outlines the key factors in the rate setting process for 2015/16.
2.2	<p>The two main income streams which require validation before the district rate for 2015/16 can be struck, are highlighted in Figure 1. These are:</p> <ul style="list-style-type: none">• The level of funding which will be provided by the Executive at the point of transfer of functions to the Council from the relevant Government Departments.• The level of income which it is estimated will be generated from the rate base of the new Belfast City Council area as compared to the 2014/15 rate base.
2.3	<p>Transfer of Functions Funding</p> <p>Departmental officials have indicated that the decision of the NI Executive on the financial settlement for Councils in relation to transferring functions is unlikely to be made until around the third week in January 2015. At this stage it is estimated that there will be a shortfall in what is needed to efficiently run the new and what will be transferred.</p>

2.4 If this is the case, Members will not be in a position to agree the departmental cash limits and the district rate in January and a special meeting of the Shadow Strategic Policy and Resources Committee will be required in February 2015 ahead of the statutory deadline of the 15 February 2015 by which the district rate must be struck.

**Figure 1
Key Factors in the Rate Setting Process for 2015/16**



New Rate Base

2.5 As part of the rate setting process the Land and Property Service (LPS) provide an Estimated Penny Product (EPP) to the Council which forecasts the amount of money that would be collected if the rate poundage was set at 1 penny.

2.6 This is used by the Council, as part of its financial planning to calculate the likely impact of the district rate on the level of income which will be generated through the rate base.

2.7	The final EPP is arrived at after review and engagement with the Council finance officers who challenge and validate the assumptions used by the LPS in arriving at the EPP.						
2.8	The EPP for 2015/16 includes the expected income arising from the new Council boundary area and given the complexity and importance of this assessment the Council has used the Institute of Revenue Rating and Valuation (IRRV) to provide additional validation of the EPP which will be used to set the district rate.						
2.9	<p>Estimated Penny Product (EPP)</p> <p>The EPP for the new rate base for 2015/16 is £5,614,650. The impact of the EPP in terms of the income generated through the rate base is shown in Table 1 below.</p> <p style="text-align: center;">Table 1 Estimated Income from Belfast City Council Rate Base (Based on a Zero District Rate Increase)</p> <table border="1" data-bbox="507 869 1230 972"> <tr> <td>2014/15 BCC Rate Base</td> <td>£129,716,358</td> </tr> <tr> <td>2015/16 BCC Rate Base</td> <td>£141,957,663</td> </tr> <tr> <td>Increase in Rates Income</td> <td>£12,241,305</td> </tr> </table>	2014/15 BCC Rate Base	£129,716,358	2015/16 BCC Rate Base	£141,957,663	Increase in Rates Income	£12,241,305
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2.10	The additional income from the rate base of £12,241,305 is due to the rates income from the new boundary areas and general growth in the value of the overall rate base. It should be noted that as part of the rate setting process for 2013/14 and 2014/15 Members agreed that there should be no allowance for growth in the EPP to safeguard against the risks arising from the continuing difficult economic conditions and local government reform. The estimated growth in the rate base, not related to the boundary changes, therefore covers a three year period.						
2.11	<p>An analysis of the increase in estimated rate income for the city is shown in Table 2 below.</p> <p style="text-align: center;">Table 2 Estimated Income from Belfast City Council Rate Base (Based on a Zero District Rate Increase)</p> <table border="1" data-bbox="507 1547 1230 1650"> <tr> <td>New Areas</td> <td>£11,126,637</td> </tr> <tr> <td>General Rate Base Growth</td> <td>£1,114,668</td> </tr> <tr> <td>Increase</td> <td>£12,241,305</td> </tr> </table>	New Areas	£11,126,637	General Rate Base Growth	£1,114,668	Increase	£12,241,305
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2.12	Members should note that the EPP is based on the new non-domestic values arising from the recent non-domestic rating revaluation. It is expected that a number of businesses will submit a valuation appeal. If an appeal is successful this will impact on the level of rates income received by the Council in the future. Appeals cannot be submitted until April 2015 and at this stage it is not possible to estimate the potential loss of rates income. For this reason, it is recommended that rather than adjusting the EPP to take account of the risk of non domestic revaluation appeals, the position should be considered at the year end with the potential ring fencing of an element of existing reserves to allow for this risk.						

3.0	Resource Implications
3.1	The rate base currently provides 75% of the Council's Income.

4.0	Equality and Good Relations Implications
	There are no equality and good relations implications associated with the report.

5.0	Recommendations
	<p>Members are asked to:</p> <ul style="list-style-type: none"> • Note that the financial settlement for the transfer of functions to local government is unlikely to be agreed until late January 2015. • Agree that an EPP of £5,614,650 is used for 2015/16. • Agree that the ring fencing of a portion of existing Council reserves to safeguard against the risk from non domestic revaluation appeals will be considered at the year end. • Note that further report on the revenue estimates and capital programme will be submitted to the meeting of the Shadow Strategic Policy and Resources Committee on the 16 January 2015.

6.0	Decision Tracking
	The Democratic Services Manager will arrange the special Committee meeting and council meeting if approved.

7.0	Documents Attached