



Report to: Shadow Strategic Policy & Resources Committee

Subject: **Rate Setting 2015/16**

Date: 23 June 2014

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1	Relevant Background Information
1.1	Two of the key tasks for the Shadow SP&R Committee will be setting the district rate and agreeing the revenue and capital budgets for 2015/16.
1.2	This will be a complicated process with many issues needing to be addressed. The purpose of this report is to propose a process to support Members financial decision-making and to outline the key factors which they will be required to be considered.
2	Key Issues
2.1	Table 1 below summarises the key issues relating to the rate setting process for 2015/16. The top half of the table deals with the revenue and capital estimates and the bottom half addresses the factors which will determine how much income will be raised through the rates base.
2.2	Business as Usual: The recurring net cost of Council operations including front line, back office and infrastructure costs which is influenced by factors such as inflation, staff costs, staff numbers and new Member priorities.
2.3	Boundary Convergence: The cost of the delivering front line services to residents in the new Council boundary area. This will be driven by the costs of staff transferring, the costs of running and maintaining transferring assets and standards at which services are to be delivered. Given the complexities outlined above, departments started in April 2014 to develop and cost models of service delivery to the new boundary areas.
2.4	Transferring Functions: The cost of providing continuity of service to customers and citizens for those of services and functions which will transfer to the council from central government. Council officers are currently working with government officials to determine staffing levels, accommodation needs, ICT requirements, and so on.

	Table One:
	<p style="text-align: center;">Key Factors in the Rate Setting Process for 2015/16</p> <div style="text-align: center;"> <p>Business as Usual + Boundary Convergence +</p> <p>Transferring Functions +</p> <p>Leisure Transformation +</p> <p>Organisational Design Impact +</p> <p>Capital Programme +</p> <p>Balance Sheet Impact -</p> <p>Efficiency Target</p> <hr style="border-top: 1px dashed blue;"/> <p>New Rate Base +</p> <p>Rate Funding for Transferred Functions +</p> <p>Rates Convergence Scheme +</p> <p>Leisure Financing Commitment (£2m) +</p> <p>Non Domestic Property Revaluation +</p> <p>Members Rates Target</p> </div>
2.5	Leisure Transformation: The creation of revised Parks and Leisure budgets following the decision to create a Leisure Trust.
2.6	Organisational Design Impact: The creation of the new council will have an impact on departmental and corporate budgets through revised organisation structures, back office arrangements and accommodation requirements.
2.7	Capital Programme: The capital financing and revenue implications of the 2015/16 –

	2017/18 Capital Programme which will include capital projects incorporating the new boundary area and capital expenditure strands of transferred functions.
2.8	Balance Sheet Impact: The revenue implications of movements in the council's balance sheet resulting from the transfer of assets and liabilities associated with service convergence and transferred functions.
2.9	Efficiency Target: The level of cash savings agreed by the council to be removed from the baseline estimates.
2.10	New Rate Base: The expanded rates base for the new council area which will include the gross rate income less losses (including allowances, vacancies, irrecoverables and cost of collection). The output will be an Estimated Penny Product for the new council Area. Council officers are currently working with LPS and the Institute of Revenue, Rating and Valuation to estimate the likely levels of rates income associated with the new rates base.
2.11	Rates Funding for Transferred Functions: The combined settlement agreed with Government Departments which will be converted to a virtual NAV and collected through the district rate. Council officers are conducting a due diligence exercise for each of the transferring functions. A report on this work in relation to the transfer of regeneration powers will be presented to Members at this committee meeting.
2.12	Rates Convergence Scheme: The terms of the final DFP Scheme which will provide £30m of rates relief for ratepayers transferring to Belfast. Consultation on the scheme has commenced and is subject to a separate report on the committee's agenda.
2.13	Leisure Financing Commitment: The commitment by Members to ring fence £2m of rates income from the new rate base to contribute to the capital financing of the Leisure Estate Investment.
2.14	Non Domestic Property Revaluation: The impact of the rebalancing of non domestic property rate base following the revaluation of all non domestic properties.
2.15	Elected Members Rates Target: The target district rates agreed by members as part of the rate setting process and which will drive the affordability of cash limits. For 2015/16 the level of district rate set will only be able to be compared against the level of rate paid by a Belfast ratepayer in 2014/15.
	Proposed Rate Setting Process for 2015/16
2.16	Table Two below summarises the rates and revenue and capital budget setting process. The process will commence in detail with Members in August and continue through to February 2015. In addition to the formal committee meetings, briefings will also be provided to Party Groups and a financial induction programme is being arranged for Members.
2.17	Members should note that although the Transition and Transformation Committees will be dealing with boundary convergence and strategic transferring function issues, any decisions made by these committees which have financial implications for the council will need to be referred to the Shadow SP&R Committee for consideration.

Table Two: Proposed Rate Setting Process for 2015/16

June 14	Budget Panel and Shadow SP&R	Year end Report Agree Rate Setting Process and Timetable for 2015/16
Aug 14	Budget Panel and Shadow SP&R	Update on:- <ul style="list-style-type: none"> • Convergence Estimates • Transfer of Functions Due Diligence • Converged Rate Base • Non Domestic Revaluation • Rates Convergence • External Financial Pressures • Efficiency Target
Sept 14 / Oct 14	Budget Panel and Shadow S P&R	Update on:- <ul style="list-style-type: none"> • Leisure Transformation Impact • Capital Programme • Transferring Assets Impact • Transfer of Functions Potential Funding Settlements and Issues • Rates Convergence Scheme • Non Domestic Revaluation Impact
Nov 14	Budget Panel and Shadow SP&R	Update on Rates position and options for District Rate
Dec 14	Budget Panel and Shadow SP&R	Discuss and finalise options for Rates position taking into account the Medium Term Financial Plan, Capital Financing Strategy and Treasury Management Strategy
Jan 15	Shadow SP&R Shadow Committees	Recommendations to Council on District rate and Medium Term Financial Plan
Feb 15	Council	Agree District rate

3	Recommendations
	<p>Members are asked to:-</p> <ol style="list-style-type: none"> 1. Note the report on the rate setting process for 2015/16. 2. Agree the timetable for reporting timetable outlined in table 2 of this report.

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Decision Tracker

Responsible Officers:
Director of Finance & Resources