



**Belfast City Council**

<b>Report to:</b>	<b>Strategic Policy and Resources Committee</b>
<b>Subject:</b>	<b>District Rate 2008/09</b>
<b>Date:</b>	<b>25 January 2008</b>
<b>Reporting Officer:</b>	<b>Trevor Salmon, Director of Corporate Services</b>
<b>Contact Officer:</b>	<b>Trevor Salmon, Director of Corporate Services</b>

**Purpose**

The purpose of this report is to update Committee on the progress made in relation to agreeing the District Rate for 2008/09 since the special Strategic Policy and Resources Committee meeting held on 8 January 2008.

**Relevant Background Information**

At the Special Policy and Resources Committee on 8 January the Director of Corporate Services presented the Revenue Estimates 2008/09 and recommended a District Rate increase of 5.81%. The committee noted the progress which had been achieved in relation to the production of the Revenue Estimates for the 2008/2009 financial year but directed that the Members work with the officers at a corporate level, through both the Party Group Leaders, Committee Chairman and the Council Improvement Board, in order to examine the possibility of identifying further potential savings which could be made.

This report will outline the further progress that has been made.

**Key Issues**

Members are requested to note that each Departmental Revenue Estimate 2008/09 has now been agreed by the relevant committee.

The Party Group Leaders met with the Chief Executive and Director of Corporate Services on 16 January to discuss potential options for further corporate savings. At the outset it was agreed that the savings were being discussed in the context of reaching consensus across the party groups on the level of District Rate increase. The following options were considered:

- **Improve the Product of a 1p Rate (PPR)**

The Director of Corporate Services requested the Land and Property Services Agency (LPSA) to re-run the PPR calculation and the result was that the PPR had marginally declined because the Richardsons site had been declassified from the industrial valuation listing. This option is therefore not available to the Council.

- **Events Expenditure**

The 2008/09 budget includes growth of £600,000 for events as follows:

	£
Tall Ships	400,000
Nodamic Restoration Fund	100,000
World Irish Dancing Championships	100,000

It was suggested that one or all three of these events could be funded from reserves. After discussion, however, this option was rejected by the Party Group Leaders. It was agreed, however, that the future funding and nature of events should be considered in the context of an events strategy which is aligned to the corporate priorities.

- **Reprofile Financing of the City Investment Strategy**

The Party Group Leaders requested the Director of Corporate Services to provide a number of options on how the financing of the City Investment Strategy could be reprofiled with the effect of reducing the rate burden element in 2008/09. The Party Group Leaders agreed to consider these options at a meeting on 24 January and to table a recommendation on the setting of the District Rate 2008/09 at the Strategic Policy and Resources Committee meeting which will held the following day.

The table below outlines the cash flow for the City Investment Strategy. From the table it can be seen that currently 1% of the proposed District Rate increase is dedicated to the City Investment Strategy.

<b>City Investment Strategy – Cash Flow Analysis</b>					
	Year				Total
Source of Funding	2007	2008	2009	2010	
	£m	£m	£m	£m	£m
<b>Reserves</b>	<b>1.0</b>				<b>1.0</b>
<b>Boucher Road Receipt</b>		<b>1.5</b>			<b>1.5</b>
<b>Rental</b>	<b>1.0</b>				<b>1.0</b>
<b>1% Rate Increase</b>		<b>1.0</b>	<b>2.0</b>	<b>3.0</b>	<b>6.0</b>
<b>Capital Receipts</b>		<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>18.0</b>
<b>Efficiency Programme</b>		<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>1.5</b>
<b>Borrowing</b>					<b>0.0</b>
<b>Total</b>	<b>2.0</b>	<b>9.0</b>	<b>8.58</b>	<b>9.5</b>	<b>29.0</b>

The Director of Corporate Services will present the following options to the Party Group Leaders on 24 January.

<b>Options</b>	<b>City Investment Strategy Rate Increase 2008/09</b>	<b>City Investment Strategy Rate Contribution 2008/09</b>	<b>City Investment Strategy Financing Shortfall 2008/09</b>	<b>District Rate Increase 2008/09</b>
		£	£	
1	1%	1,000,000	0	5.81%
2	0.5%	500,000	500,000	5.32%
3	0.15%	150,000	850,000	4.97%
4	0%	0	1,000,000	4.83%

The table below shows the cumulative impact of the options over the two year period 2009/10– 2010/11. The Director of Corporate Services has indicated that it would not be sustainable to finance these funding deficits from reserves.

<b>Options</b>	<b>City Investment Strategy Rate Increase 2008/09</b>	<b>City Investment Strategy Funding Shortfall 2009/10– 2010/11</b>
		£
1	1%	0
2	0.5%	1,000,000
3	0.15%	1,700,000
4	0%	2,000,000

Members therefore must give consideration to the impact of the options not only in terms of setting the District Rate for 2008/09 but also over the lifespan of the City Investment Strategy. The main issue when deciding on an option will therefore be the Council's ability to finance the funding shortfall associated with each option from sources other than reserves. The key determinant of this will be the future rates position.

At present the rate finalisation for 2007/08 is unknown. The LPSA has indicated that a provisional finalisation may be available in May 2008. This would be substantially earlier than previous years. If the finalisation position was to be favourable the City Investment Strategy could be revisited and the additional income received could be earmarked for the City Investment Strategy and therefore ease the funding shortfall. Members, however, should be aware that the finalisation for 2006/07 has been received and resulted in the Council paying back £600,000.

In terms of 2008/09, the Council is aware of a number of properties which are not included in the current PPR calculation but will generate rate income during 2008/09. The prime example being Victoria Square. This would indicate that the Council may be in a healthier position by the end of 2008/09 but consideration must also be given to areas which may have a negative impact on the rate. For example, the Odyssey Complex is currently applying for rates exemption with the Land Tribunal. Also, there may be a negative impact from potential future changes to rating policy such as the loss of rate income from universities if it is agreed to exempt them from rates.

In summary, at face value the rates position during 2008/09 looks healthier for the

Council but because of the number of variables which are outside the control of the Council and the difficulty in obtaining timely information, the Director of Corporate Services is not at this point able to provide Members with a definitive position.

The other major factor which needs to be considered is the Council's ability to realise capital receipts through the rationalisation of assets. The Director of Improvement is currently preparing a shortlist of asset rationalisation opportunities for presentation to Members. The Director of Corporate Services will review the financing options for the City Investment Strategy in the context of capital receipts being realised.

### **Key Messages**

**The Head of Corporate Communications will discuss the key messages for the setting of the District Rate with the Party Group Leaders on 24 January. He will provide a press release, a questions and answers sheet for Members and more detailed messages for inclusion in City Matters. These will also be provided to the Committee on 25 January 2008.**

### **Recommendations**

Members are requested to note the contents of the report and agree to accept a tabled recommendation in relation to the setting of the District Rate 2008/09.