

# Corporate Services Department

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Your reference ---  
Our reference TS/lk  
Date 31 July 2008

Mr John Wilkinson  
Land & Property Services  
Queen's Court  
56-66 Upper Queen Street  
BELFAST  
BT1 6FD

Dear John

I am writing in response to Arthur Scott's letter dated 9 July 2008 regarding the provisional notification of the Actual Penny Product 2007/08.

Let me first of all thank you for the earlier than usual notification of the APP. This is a positive step in helping with the financial planning of the Council. I am however extremely disappointed at the result of the APP. A shortfall of over £4m was totally unexpected and will have a serious impact on the financial position of the Council. As you are aware the spending plans of the Council for 2007/08 were based on the Estimate Penny Product provided by the LPS. These spending plans have been implemented and community and Member expectations have been established. The current year's spending intentions will now need to be revised in line with the finalisation figure and this may have serious implications for the delivery of front line services and the outcomes which the Members are expecting to be achieved.

As the Director of Corporate Services, I am responsible for providing a medium term plan to finance the delivery of the Members' ambitions for Belfast as expressed in the Council's corporate plan. The district rate represents 74% of the Council's income. It is therefore essential for me to have a reasonable forecast for this income stream. The fluctuation in the APP over the past number of years makes it difficult / almost impossible to plan with any degree of certainty either in the short or medium term. The 2007/08 finalisation figure provokes even more questions about both the rates estimating process and the performance of LPS in collecting rates income. I am about to embark on the 2009/10 planning cycle with Members at a time of significant financial pressure. I am therefore keen to have a clear understanding of the key issues which have impacted on the EPP and APP 2007/08 and their implications for the APP 2008/09 and EPP 2009/10.

Trevor K. Salmon B.Sc(Hons), F.C.C.A., C.P.F.A., M.A.A.T.  
Director of Corporate Services

**Belfast City Council**, Corporate Services Department,  
Adelaide Exchange, 24-26 Adelaide Street, Belfast, BT2 8GD  
Tel: 028 9032 0202 Textphone: 028 9027 0405  
Email: [salmont@belfastcity.gov.uk](mailto:salmont@belfastcity.gov.uk)

Given the significance of the 2007/08 finalisation figure I would urge you to immediately review the estimating process. The IRRV, in their report for Belfast City Council on the Penny Rate Product made a number of recommendations in relation to the calculation of the EPP. The review would also need to include a detailed analysis of the losses and the impact of rating reforms on these. I would welcome your comments on the IRRV report and the opportunity to meet to discuss how LPS and BCC can work together to improve the EPP model. I would ask you to treat this request as a matter of urgency so that a revised EPP for 2008/09 is available for the Members in September 2008 together with a forecast of the potential year end position. You will appreciate that a further shortfall in the finalisation for 2008/09 could have disastrous consequences for the Council both in terms of our financial stability and our ability to implement the corporate plan.

The alarming increase in the loss of rate income through vacant properties is a major worry. As you are aware the Council's Building Control Section inspected 11,000 properties defined as vacant on the valuation list and found that in fact 52% of these properties were in fact occupied. The Council Members will require a detailed briefing on vacant properties and I would ask you to respond to the following:

- An explanation for the increase in rate losses due to vacant domestic and non-domestic properties.
- Details of all properties which contributed to the vacant losses in 2007/08.
- Details of all properties which contributed to the vacant losses in 2007/08 and were found to be occupied by Building Control.
- The current position in terms of processing rate bills for the properties found to be occupied by Building Control.
- Details of work done by LPS to validate vacant property records for 2007/08.
- The amount of rates income included in the 2007/08 finalisation arising from the Building Control vacant property work.
- The amount of rates income which will be included in the 2008/09 finalisation arising from the Building Control vacant property work and its impact on the 2009/10 EPP.
- Can we be assured that the efforts which have been made in February / March 2008 to validate the vacant property listings will be maintained in the future?
- Details of all properties given exclusions from NDVR.

I note the level of irrecoverables (debt written off) appears remarkably low compared to the LPS collection rate of 85.2% for 2007/008 and the level of outstanding debt which we believe to be over £40m. What is the current rates debt profile for Belfast City Council and can you outline what work is being done to recover this debt? Are irrecoverables likely to increase for the APP 2008/09 and EPP 2009/10? I understand that little debt enforcement work has been undertaken in recent times. Can we be reassured that all efforts will be made to collect monies due.

I note the refund of £931,694.30 in relation to Housing Benefit administration. Would it be possible to explain the circumstances giving rise to this refund, the period it relates to and will this change to the Penny Rate calculation have an impact on the APP 2008/09 and EPP 2009/10?

The Members have indicated that they would like you to attend a meeting of the Strategic Policy and Resources Committee in August. As well as the 2007/08 finalisation, Members will want to discuss other rates issues such as the development of an SLA between BCC and LPS, the cost of collection and an update on other work which you are presently progressing. No date as yet has been agreed but I will let you know as soon as one becomes available.

I regret having to write to you in these terms and acknowledge that some of these issues will require significant work and judgement but I am sure you will appreciate the difficult position we are facing in the current economic climate.

Yours sincerely

A handwritten signature in black ink, appearing to read 'T. Salmon', written in a cursive style.

Trevor Salmon  
**DIRECTOR OF CORPORATE SERVICES**

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