



## Belfast City Council

<b>Report to:</b>	Strategic Policy and Resources Committee
<b>Subject:</b>	Rates and Financial Planning
<b>Date:</b>	17 October 2008
<b>Reporting Officer:</b>	Trevor Salmon, Director of Corporate Services
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<b>Relevant Background Information</b>						
<p>Members are about to embark on the rates setting process for 2009/10. In basic terms, there are two key factors in relation to the setting of the rate. These are:</p> <ul style="list-style-type: none"><li>• The level of net expenditure which the Council needs to deliver its priorities – this information is collected within the Council.</li><li>• An estimate of what income the Council will receive from rates – this estimate is provided by LPS.</li></ul> <p>It is critical that Members are provided with an accurate as possible estimate of the rates income as an over estimation may lead to a shortfall in income and an under estimation may lead to an unnecessarily high rate being set.</p>						
<b>Key Issues</b>						
<p>The IRRV, in their report, has suggested that the rates estimate (EPP) is not truly an estimate because it takes no account of potential changes to the rate base in the year for which the estimate is provided. As can be seen from the table below, this has resulted in large variances between estimated and actual rates income.</p>						
2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
£2.2m	£2.2m	£1.1m	£5.3m	£3.9m	- £0.6m	- £4.1m
<p>This shows that for the years 2001/02 – 2005/06 there was a significant underestimation of what the rates would yield. In 2006/07 and 2007/08, the reverse was the case and the Council owed DFP money. While it is acknowledged that the estimate can always only be an estimate, these figures show that Members are not being provided with a reasonable estimate of rates income. For example, in 2005/06, if Members had a more accurate estimation they could have decided to set the rate at 3%-4% lower than they did or they could have decided to set the same level of rate and to deliver on more priorities.</p>						

Members should note that for 2008/09 rate setting the Council, through the work of Building Control, identified a number of key business properties which were not on the valuation list but it was known that they would become rateable during 2008/09. An example of this is the IKEA store. LPS agreed to build these properties into the estimated rate income calculation and as a result the rate yield improved by 3%

The IRRV has indicated that this approach is a step in the right direction but does not go far enough. The report recommends that the Council should work with the LPS to develop a new estimating model for the calculation of the estimated rate income and forecasting of the outturn of the actual rate income.

The second key issue is that once the rate is set in February each year the Director of Corporate Services must wait another year and eight months to find out the level of rates collected. It is recommended that the LPS should provide a monthly update to the Council on the actual rates position.

Members should also note that the Rates Regulations (NI) 2007 does not include a specific requirement on DFP to provide local authorities with an estimate of rate income. Also, councils are not obliged to use the estimate provided by LPS. The IRRV report recommends that the Council should lobby the Minister to amend the regulations to include a specific requirement on DFP to provide local authorities with an estimated rate income. It is further recommended that DFP should have a duty to undertake revised calculations during the year and to notify local authorities of any major variations to the estimated rate income, whether lesser or greater than the estimate, that are likely to occur.

With regards to the final outturn figure for the actual rate income, it is recommended the regulations should require notification should be given to local authorities by 30<sup>th</sup> June following the end of the financial year. This date is in line with the statutory timetable for completing the Council's annual accounts.

## **Recommendations**

The Committee is requested to agree :

1. The Council should work with the LPS to develop a new estimating model for the calculation of the estimated PRP and forecasting of the outturn of the actual PRP.
2. The LPS should be requested to provide the Council with a monthly update on the actual rates position.
3. The Council should lobby the Minister to amend the regulations to include:
  - a. A specific requirement on DFP to provide local authorities with an estimated PRP.
  - b. The DFP to have a duty to undertake revised calculations during the year and to notify local authorities of any major variations to the estimated PRP, whether lesser or greater than the estimate, that are likely to occur.
  - c. The final outturn figure for the actual PRP should be required to be notified to local authorities by 30<sup>th</sup> June following the end of the financial year