



**Belfast City Council**

<b>Report to:</b>	Strategic Policy and Resources Committee
<b>Subject:</b>	<b>Financial Estimates and District Rate 2012/13</b>
<b>Date:</b>	20 January 2012
<b>Reporting Officer:</b>	Ronan Cregan, Director of Finance and Resources
<b>Contact Officer:</b>	Ronan Cregan, Director of Finance and Resources Mark McBride, Head of Finance and Performance

<b>1</b>	<b>Relevant Background Information</b>																								
1.1	<p>Members will recall that the following process has been followed for setting the district rate and agreeing the estimates for 2012/13.</p> <p><b>Agreed rate setting process for 2012/13</b></p> <table border="1"> <tr> <td>Apr</td> <td>Budget Panel and SP&amp;R</td> <td>Indicative rate, efficiency target and overview of efficiency programme</td> </tr> <tr> <td>Jun</td> <td>Budget Panel and SP&amp;R</td> <td>Year End Report Agree Efficiency Programme</td> </tr> <tr> <td>Aug</td> <td>Budget Panel and SP&amp;R</td> <td>Issue Guidance on estimates and medium term financial plan to Departments Q1 Finance Report</td> </tr> <tr> <td>Sep-Oct</td> <td>Budget Panel and SP&amp;R</td> <td>Update on Rates Position Update on Medium Term Financial Plan Capital Investment Programme</td> </tr> <tr> <td>Nov</td> <td>SP&amp;R</td> <td>Further update on rate to highlight key issues &amp; Scenario analysis Q2 Finance Report</td> </tr> <tr> <td>Dec</td> <td>Budget Panel and SP&amp;R</td> <td>Discuss and finalise options for rates position taking into account Medium Term Financial Plan, capital financing strategy and treasury management strategy</td> </tr> <tr> <td>Jan</td> <td>SP&amp;R Department Committees SP&amp;R</td> <td>Recommendation to Council on district rate and medium term financial plan,</td> </tr> <tr> <td>Feb</td> <td>Council</td> <td>Agree district rate Q3 Finance Report</td> </tr> </table>	Apr	Budget Panel and SP&R	Indicative rate, efficiency target and overview of efficiency programme	Jun	Budget Panel and SP&R	Year End Report Agree Efficiency Programme	Aug	Budget Panel and SP&R	Issue Guidance on estimates and medium term financial plan to Departments Q1 Finance Report	Sep-Oct	Budget Panel and SP&R	Update on Rates Position Update on Medium Term Financial Plan Capital Investment Programme	Nov	SP&R	Further update on rate to highlight key issues & Scenario analysis Q2 Finance Report	Dec	Budget Panel and SP&R	Discuss and finalise options for rates position taking into account Medium Term Financial Plan, capital financing strategy and treasury management strategy	Jan	SP&R Department Committees SP&R	Recommendation to Council on district rate and medium term financial plan,	Feb	Council	Agree district rate Q3 Finance Report
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<p>1.2</p> <p>1.3</p> <p>1.4</p> <p>1.5</p>	<p>So far the Strategic Policy and Resources Committee has agreed the following in relation to the revenue estimates and district rate 2012/13:</p> <ol style="list-style-type: none"> <li>1. The cash limit and the revenue estimates for the Strategic Policy and Resources Committee.</li> <li>2. The cash limits for the Health and Environmental Services, Parks and Leisure, Development and Town Planning Committees.</li> <li>3. A stepped increase of £1m for the waste plan.</li> <li>4. The general reserves will not be enhanced through the district rate in 2012/13.</li> <li>5. The Estimated Penny Product for 2011/12 should also be used for 2012/13.</li> </ol> <p>The departments' revenue estimates have all now been agreed by the relevant Standing Committees based on the cash limits agreed by the Strategic Policy and Resources Committee.</p> <p><b>The impact of these decisions means an overall increase in the estimates of £287k or 0.22% on the district rate is required.</b></p> <p><b>In order to finalise the district rate for 2012/13 Members also need to agree on the financing of their capital investment decisions as detailed in the Investment Programme 2012-15.</b></p>
<p><b>2</b></p>	<p><b>Key Issues</b></p>
<p>2.1</p> <p>2.2</p> <p>2.3</p>	<p><b>Capital Investment</b></p> <p>The capital investment detailed in the Investment Programme 2012-15 is as follows:</p> <ul style="list-style-type: none"> <li>• £75m in council facilities</li> <li>• £20m in partnership projects</li> <li>• £50m levered from sources outside of the council</li> <li>• £5m in smaller regeneration projects.</li> </ul> <p>This programme of physical investment will be financed and delivered through the following:</p> <ul style="list-style-type: none"> <li>• <b>Capital Programme</b> – used to pay for enhancements or new assets owned by the council and paid for through a mixture of loans, grants, capital receipts and one-off payments.</li> <li>• <b>City Investment Fund</b> – used to finance investment package schemes for non-council assets and paid for through cash generated from the rates or capital receipts. Currently, £3m from rates go into the fund every year. By 2014/15 there will be £11m in the fund net of current commitments.</li> <li>• <b>Local Investment Fund</b> – used to fund neighbourhood capital projects for non-council assets. There is currently £2.5m in the fund.</li> </ul> <p>The £75m investment in council facilities will be delivered through the capital programme. This programme can be financed through one-off cash payments, loans, receipts from the sales of assets and grants from other bodies. The capital budget already provides for £10.14m of capital financing and it is recommended that this budget is sufficient to cover the proposed capital programme commitments. The Prudential Indicators, which are the subject of a separate report on the agenda, demonstrate that the proposed level of capital financing is prudent, affordable and sustainable. <b>This means that there is no requirement to increase the district rate to support the capital programme.</b></p>

2.4 The £20m investment in partnership projects and the associated £50m leverage financing from other sources will be delivered through the City Investment Fund. This fund provides financial support to projects where the asset will not be owned by the council. It is currently financed through an annual £3m contribution from the rate and from capital receipts. The forecast for the fund is that by 2014/15 £11m would be available for financing partnership projects. This means there is a shortfall of £9m. Based on discussions at the Budget and Transformation Panel on 11 January, **it is recommended that this shortfall is met through a one-off increase in the district rate of 2.38%**. This means that the annual rate contribution to the city investment fund would be £6m. Financing the fund in this way avoids spikes in the district rate and provides for sustainable investment over the longer term.

2.5 The £5m investment in smaller projects will be financed through the Local Investment Fund. This fund currently has a balance of £2.5m. The fund has been created through the re-alignment of budgets and is not supported by the district rate. Members will recall that at the meeting of the Strategic Policy and Resources Committee on 18 November it was reported that there could be an opportunity to increase the fund to £5m over the next two years. Members are aware that waste management costs are due to increase by some £3.7m in 2014/15 when the arc21 Residual Waste Contract commences. The council has been planning for this increase in costs through a gradual increase in the rate in order to avoid a spike in the rate in 2014/15 and a further stepped increase of £1m has already been agreed for 2012/13. The money generated through the gradual increase in the rate is placed in a waste fund which is used to finance on a non-recurrent basis the implementation of waste management improvements. However, for 2012/13 and 2013/14, £1.25m is available to be allocated to other funds. **It is therefore recommended that £1.25m is allocated to the Local Investment Fund from the Waste Fund in 2012/13 and 2013/14 which will make available a total of £5m available to the fund.**

#### Summary of District Rate 2012/13

2.6 In summary, the overall impact of the recommendations is as follows:

- 0.22% district rate increase to support the running costs of the council,
- 2.38% district rate increase to support the Investment Programme 2012-15.

**This means the overall rate increase for 2012-13 is recommended to be 2.6%. Based on an EPP of £4,800,110 the domestic rate is recommended to be 0.3094p and the non-domestic rate to be 27.0237p.**

#### Impact on the Ratepayer

2.7 Table 1 below summarises the impact of the 2.6% district rate increase on the ratepayer. From the table it can be seen that the **average domestic rates bill will increase by 35 pence a week. For retail property the average rates bill will increase by £2.68 and for office property the increase is £3.33.**

2.8 **Table One: Impact on Ratepayer of 2.6% district rate increase** (includes regional rate increase of 2.2%)

PROPERTY	Rates Bill 2011/12	Rates Bill 2012/13	Increase in Rate Bill	Increase in Rate Bill
			Annual	Weekly
<i>Domestic Properties</i>	£	£	£	£
Terrace House	581.81	595.62	13.81	0.27
3-Bed Semi-Detached House	889.79	910.90	21.11	0.41
4-Bed Detached House	1,978.15	2,025.09	46.94	0.90
Apartment	561.31	574.63	13.32	0.26
Average Capital Value	774.18	792.55	18.37	0.35
<i>Non-Domestic Properties</i>				
Office Property	7,271.51	7,444.88	173.37	3.33
Retail Property	5,854.11	5,993.69	139.58	2.68

2.9	Members should note that the Chairs of the Strategic Policy and Resources and Development Committees and the Vice- Chair nominees met with members of the Business Alliance including representatives of the CBI, IOD, Northern Ireland Chamber of Trade and Commerce and the Centre of Competitiveness. The representatives of the business community expressed their support for an investment programme funded by a modest rate rise where operating costs were maintained at zero and money was used for capital and for creating job opportunities, particularly for the young.
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<b>3</b>	<b>Recommendations</b>
3.1	<p>Members are requested to note the contents of the report and agree:</p> <ul style="list-style-type: none"> <li>(a) To maintain the current capital financing budget at its current level of £10,145,676;</li> <li>(b) To increase the district rate by 2.38% in relation to the financing of the City Investment Fund;</li> <li>(c) To increase the district rate, in total, by 2.6% for 2012/13 based on the Estimated Penny Product of £4,800,110 which means that the domestic rate for 2012/13 is recommended to be 0.3094p and the non-domestic rate to be 27.0237p; and</li> <li>(d) To allocate £1.25m in 2012/13 and 2013/14 from the Waste Fund to the Local Investment Fund.</li> </ul>
<b>4</b>	<p><b>Decision Tracker</b>  Responsible Officers:  Director of Finance &amp; Resources</p>