



## Belfast City Council

<b>Report to:</b>	Shadow Strategic Policy and Resources Committee
<b>Subject:</b>	Managing Convergence of District Rates
<b>Date:</b>	29 August 2014
<b>Reporting Officer:</b>	Ronan Cregan, Director of Finance and Resources
<b>Contact Officer:</b>	Mark McBride, Head of Finance and Performance

<b>1.0</b>	<b>Relevant Background Information</b>
1.1	This report outlines the draft response to the DFP Consultation on the “Review of Public Administration – Managing Convergence of District Rates, May 2014.
1.2	A copy of the consultation document proposing options for the structure of the transitional scheme to manage rates convergence between those council areas coming together as a result of local government reform was presented to the Shadow Strategic Policy and Resources Committee at its meeting on the 23 June 2014.
1.3	As the closing date for comments on the consultation document was the 18 August 2014, a draft submission, based on this report, was considered by the Chair and Vice Chair of the Shadow Strategic Policy and Resources Committee and the Budget and Transformation Panel in early August 2014 and submitted to DFP. The Department were advised that the submission would be considered at the meeting of the Shadow Strategic Policy and Resources Committee on the 29 August 2014 and that any issues raised at the meeting would be communicated to DFP following the meeting.
1.4	<p><b>Rates Convergence Impact on the New Boundary Area</b></p> <p>Domestic and non domestic rate bills are made up of two parts.</p> <ul style="list-style-type: none"> <li>• The District Rate, which is set by the Council and represents 44% of the rates bill.</li> <li>• The Regional Rate, which is set by the Executive and represents 56% of the rates bill.</li> </ul>
1.5	The local nature of the district rate means that it varies from council to council and ratepayers who transfer to another council area, as the result of the boundary changes arising from local government reform, will see the district element of their rates bills affected.

1.6	This is particularly relevant for those residents who will transfer into the Belfast area from Castlereagh, Lisburn or North Down.																
1.7	Table 1 and 2 below illustrates the potential impact on the <b>district rate element</b> of the rates bill for a domestic property with a capital value of £150,000 and a non domestic property with an NAV of £15,000 based on the 2014/15 district rates above and prior to any relief.																
<p><b>Table 1</b>  <b>District Rate Element of Annual Rates Bill</b>  <b>(Domestic Property - Capital Value of £150k)</b></p> <table border="1" data-bbox="354 663 1324 837"> <thead> <tr> <th></th> <th>Pre Convergence</th> <th>Post Convergence</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>Castlereagh to Belfast</td> <td>£326.40</td> <td>£464.10</td> <td>£137.30</td> </tr> <tr> <td>Lisburn to Belfast</td> <td>£400.35</td> <td>£464.10</td> <td>£63.75</td> </tr> <tr> <td>North Down to Belfast</td> <td>£438.45</td> <td>£464.10</td> <td>£25.65</td> </tr> </tbody> </table>			Pre Convergence	Post Convergence	Difference	Castlereagh to Belfast	£326.40	£464.10	£137.30	Lisburn to Belfast	£400.35	£464.10	£63.75	North Down to Belfast	£438.45	£464.10	£25.65
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1.8	The Executive has set aside £30m to fund a transitional relief scheme for those ratepayers who incur an increase in the district rate element of their rate bill as a result of local government reform. The transitional relief will be applied directly to the rates bill before any other existing reliefs are applied.																
1.9	This paper considers the options for the transitional relief scheme outlined in the consultation document issued by DFP.																

<b>2.0</b>	<b>Key Issues</b>
2.1	<p>As part of the transitional relief scheme, DFP are proposing that a specified discount be applied to the 2015/16 District Rate for both domestic and non-domestic properties. The consultation document outlines three options for consideration.</p> <ul style="list-style-type: none"> <li>• <b>Option 1:</b> Duration 3 Years. (Annual Relief - Yr1 100%, Yr2 66%, Yr3 33%)</li> <li>• <b>Option 2:</b> Duration 3 Years. (Annual Relief - Yr1 80%, Yr2 50%, Yr3 30%)</li> <li>• <b>Option 3:</b> Duration 4 Years: (Annual Relief - Yr1 80%, Yr2 60%, Yr3 40%, Yr4 20%)</li> </ul>

2.2	The consultation document includes examples of the likely relief under each option using a notional domestic and non domestic district rates for a domestic property with capital value of £150,000 and a non-domestic property with a Net Annual Value (NAV) of £15,000.
2.3	To assist the Council in assessing the preferred option, the examples included within the consultation document have been updated with the actual domestic and non domestic rate factors for Belfast, Lisburn, Castlereagh and North Down and these are included in appendix 1. It should be noted that there are no non-domestic properties transferring from North Down to Belfast.
2.4	The analysis included, as appendix 1 shows, that option 2 would provide the lowest level of rates relief for those properties transferring into Belfast in comparison with the other two options.
2.5	Options 1 and 3 provide a similar level of relief, with option 3 being slightly higher than option 1. The major difference being that in option 1 the relief is spread over 3 years whereas in option 3 the relief is spread over 4 years.
2.6	Option 1 provides 100% relief in year 1. The advantage of this is that in the first year of the new Council those transferring ratepayers would see no increase in their rates bill as the consequence local government reform. The disadvantage of this option is that the first rates bill increase in year 2 could be perceived as being levied by Belfast City Council rather than as a result of Local Government Reform.
2.7	<p><b>Preferred Option</b></p> <p>Option 3 appears to represent the best option for the Council and those ratepayers transferring from Lisburn, Castlereagh and North Down for the following reasons.</p> <ul style="list-style-type: none"> <li>• Option 3 provides the highest level of support for transferring domestic and non-domestic ratepayers.</li> <li>• Option 3 phases the relief in over the lifetime of the first 4 year term of the new Council allowing time for the longer term transformation programmes and resultant efficiencies to be delivered.</li> <li>• Option 3 commences with 80% relief in year 1 and reduces by 20% each year. It is therefore easy to understand and the staged conversion increase commences in year 1.</li> </ul>
2.8	<p><b>Draft Response</b></p> <p>The consultation document includes a number of questions in relation to the scheme. The Council's draft response to these questions is included as appendix 2 and a copy of the NILGA consultation response has also been included as appendix 3.</p>
2.9	It should be noted that the Council's draft response differs from the NILGA draft response in relation to the notion that there may be an acceptable level of rates increase that ratepayers should bear before relief is applied.
2.10	The Council believe that relief should be applicable to any increase that arises exclusively from local government reform and notes the principal stated in the consultation document that "the transitional relief scheme has been designed to ensure that downward adjustments to rates are made to mitigate the impact of

	convergence alone”.
2.11	The Council does not therefore accept the suggestion that the scheme should include an arbitrary amount for “normal increase” before relief is applied. Belfast City Council has set a zero increase in the district rate for the past two financial years and if the Shadow Council strikes a district rate for Belfast at the same level as the domestic rate in 2014/15, then any increase in the district rate element of domestic rate bills will be due to convergence alone. The inclusion of an arbitrary “normal increase” threshold as part of the scheme would render the scheme fundamentally flawed and could unfairly penalise those ratepayers transferring from Castlereagh, Lisburn and North Down.
2.12	As referred to above, the draft response from Belfast City Council was submitted to DFP before the closing date of the 19 August 2014, after consideration by the Budget and Transformation Panel on the 15 August 2014. Any issues raised by the Committee will be notified to DFP.

<b>3.0</b>	<b>Resource Implications</b>
3.1	The Executive has agreed to allocate up to £30m to fund transitional arrangements to manage rates convergence. The scheme will adjust the district rate bills of those ratepayers facing increases as a result of this major reorganisation.

<b>4.0</b>	<b>Equality and Good Relations Implications</b>
	There are no equality and good relations implications associated with the report.

<b>5.0</b>	<b>Recommendation</b>
	Members are asked to agree the draft response from the Shadow Council attached as appendix 2.

<b>6.0</b>	<b>Key to Abbreviations</b>
	DFP: Department of Finance and Personnel NAV: Net Annual Value

<b>7.0</b>	<b>Documents Attached</b>
	Appendix 1: Illustrative Analysis of the Consultation Options Appendix 2: Draft Shadow Council Response Appendix 3: NILGA Response