



Belfast City Council

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| Report to: | Shadow Strategic Policy and Resources Committee |
| Subject: | Managing Convergence of District Rates |
| Date: | 28 November 2014 |
| Reporting Officer: | Ronan Cregan, Director of Finance and Resources |
| Contact Officer: | Mark McBride, Head of Finance and Performance |

| 1.0 | Relevant Background Information | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-------------|--|---------------|------------------|------------------|---------------|------------------|--|--|---------------|---------------|-------|---------------|---------------|-------|---------|---------|---------|------------------|---------|---------|------------------|-------------|---------|---------|----------------|---------|---------|------------------|---------|---------|---------|----------------|---------|---------|------------------|
| 1.1 | This report provides summary of the District Rates Convergence Scheme announced by the Finance Minister, Simon Hamilton MLA on the 20 November 2014. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.2 | <p>Rates Convergence Impact on the New Boundary Area</p> <p>Domestic and non domestic rate bills are made up of two parts.</p> <ul style="list-style-type: none"> • The District Rate, which is set by the Council and represents 44% of the rates bill. • The Regional Rate, which is set by the Executive and represents 56% of the rates bill. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.3 | <p>Table 1 below illustrates the effect of rates convergence on a domestic rate payer with a property capital value of £150,000 transferring into the new Belfast area from Castlereagh and Lisburn, based on 2014/15 district and regional rates and prior to the application of any rates convergence relief.</p> <p style="text-align: center;">Table 1 Domestic Property: Capital value £150,000</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">Pre Convergence</th> <th colspan="3">Post Convergence</th> </tr> <tr> <th>Regional Rate</th> <th>District Rate</th> <th>Total</th> <th>Regional Rate</th> <th>District Rate</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Belfast</td> <td style="text-align: right;">£597.90</td> <td style="text-align: right;">£464.10</td> <td style="text-align: right;">£1,062.00</td> <td style="text-align: right;">£597.90</td> <td style="text-align: right;">£464.10</td> <td style="text-align: right;">£1,062.00</td> </tr> <tr> <td>Castlereagh</td> <td style="text-align: right;">£597.90</td> <td style="text-align: right;">£326.40</td> <td style="text-align: right;">£924.30</td> <td style="text-align: right;">£597.90</td> <td style="text-align: right;">£464.10</td> <td style="text-align: right;">£1,062.00</td> </tr> <tr> <td>Lisburn</td> <td style="text-align: right;">£597.90</td> <td style="text-align: right;">£400.35</td> <td style="text-align: right;">£998.25</td> <td style="text-align: right;">£597.90</td> <td style="text-align: right;">£464.10</td> <td style="text-align: right;">£1,062.00</td> </tr> </tbody> </table> <p>Castlereagh Increase: £137.70 (14.90%) Lisburn Increase: £63.75 (6.39%)</p> | | Pre Convergence | | | Post Convergence | | | Regional Rate | District Rate | Total | Regional Rate | District Rate | Total | Belfast | £597.90 | £464.10 | £1,062.00 | £597.90 | £464.10 | £1,062.00 | Castlereagh | £597.90 | £326.40 | £924.30 | £597.90 | £464.10 | £1,062.00 | Lisburn | £597.90 | £400.35 | £998.25 | £597.90 | £464.10 | £1,062.00 |
| | Pre Convergence | | | Post Convergence | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Regional Rate | District Rate | Total | Regional Rate | District Rate | Total | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Belfast | £597.90 | £464.10 | £1,062.00 | £597.90 | £464.10 | £1,062.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Castlereagh | £597.90 | £326.40 | £924.30 | £597.90 | £464.10 | £1,062.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Lisburn | £597.90 | £400.35 | £998.25 | £597.90 | £464.10 | £1,062.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

- 1.3 Table 2 below illustrates the effect of rates convergence on a non domestic rate payer with an NAV of £15,000 transferring into the new Belfast area from Castlereagh and Lisburn, based on 2014/15 district and regional rates and prior to the application of rates convergence relief or any other applicable relief.

**Table 2
Non-Domestic Property: NAV £15,000**

| | Pre Convergence | | | Post Convergence | | |
|-------------|-----------------|---------------|------------------|------------------|---------------|------------------|
| | Regional Rate | District Rate | Total | Regional Rate | District Rate | Total |
| Belfast | £5,086.50 | £4,053.54 | £9,140.04 | £5,086.50 | £4,053.54 | £9,140.04 |
| Castlereagh | £5,086.50 | £2,714.09 | £7,800.59 | £5,086.50 | £4,053.54 | £9,140.04 |
| Lisburn | £5,086.50 | £3,055.50 | £8,142.00 | £5,086.50 | £4,053.54 | £9,140.04 |

Castlereagh Increase: £1,339.45 (17.17%)

Lisburn Increase: £998.04 (12.26%)

- 1.4 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.
- 1.5 In August 2014, the Committee considered a consultation document issued by the Department of Finance and Personnel outlining potential options for a transitional relief scheme and the Council submitted its views a preferred option for the scheme.
- 1.6 The scheme announced by the Finance Minister on the 20 November 2014 matches the preferred option of the council and the detail of this is outlined below.

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| 2.0 | Key Issues |
| 2.1 | The scheme will come into effect on 1 April 2015 to coincide with the creation of the new larger councils |
| 2.2 | The scheme is an outworking of the Executive's decision to provide up to £30 million of support for the effects of District Rate Convergence on ratepayers (i.e. the result of district councils coming together or boundary changes). The subsidy will be applied automatically by the Land and property Service (LPS) and therefore ratepayers do not need to claim this support. |
| 2.3 | The scheme consists of phased relief on the increase over a four year period as follows: <ul style="list-style-type: none"> • Year 1: 80% Relief • Year 2: 60% Relief • Year 3: 40% Relief • Year 4: 20% Relief |

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| 2.4 | The Department of the Finance and Personnel have advised that the next stage is the calculation of the various District Rate Discounts that will be applied to rate bills in each of the affected areas over the life of the scheme, to implement the policy. These will be published by DFP in the coming weeks. |
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| 3.0 | Resource Implications |
| 3.1 | The Department of Finance and Personnel estimate that the cost of the scheme comes very close to the maximum funding of £30m made available by the Executive. |
| 3.2 | As a result the Department will be monitoring actual spend carefully for the mid-term review which is planned in advance of the 2017/18 rating year, to establish if any adjustment to the scheme will be required in the latter years. The Department is already required to do this under statute in line with the provisions of the Local Government Finance Act (Northern Ireland) 2014. |

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| 4.0 | Equality and Good Relations Implications |
| | There are no equality and good relations implications associated with the report. |

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| 5.0 | Recommendation |
| | Members are asked to note the report. |

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| 6.0 | Key to Abbreviations |
| | DFP: Department of Finance and Personnel NAV: Net Annual Value |

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| 7.0 | Documents Attached |
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