



Report to: Shadow Strategic Policy and Resources Committee

Subject: Rate Setting 2015/16

Date: 28 November 2014

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1	Relevant Background Information
1.1	This report provides Members with an update on the progress being made to develop the revenue estimates and to set a district rate for 2015/16.
2	Key Issues
2.1	The following paragraphs outline the key issues for each of the factors which Members are required to consider as part of the rate setting process.
	Department Estimates
2.2	The key driver of growth in the revenue estimates is the impact of the boundary changes. All departments have completed first draft budgets based on service delivery plans incorporating the new areas. After a detailed challenge process approximately £9.3m of uncontrollable costs have been identified. These mainly relate to staff costs, waste management and Members' Allowances.
2.3	Further work is now being carried out to test the remainder of the departments' funding requests. The details of each department's estimates will be reported to the Committee in December 2014.
2.4	The estimates do not include the financial impact of any organisational restructuring arising from the organisational design of the new Council as these are unknown at this stage. At a later stage in the process the estimates will be realigned to reflect the new governance and organisational structure.
	Capital Programme
2.5	The capital programme is used to pay for enhancements to existing Council assets or for the provision of new assets owned by the Council. The capital programme is financed through a core annual capital financing budget which is currently £10.14m.
2.6	A separate half year capital programme report will be presented to both Strategic Policy and Resources Committees in December 2014. This will provide an update on the capital programme, Belfast Investment Fund and Local Investment Fund together with the capital financing position associated with these streams and the impact on the 2015/16 rate setting process, including the level of non recurrent financing available and

	the transfer of outstanding loans from Lisburn and Castlereagh.
2.7	Members should note that the Strategic Policy and Resources Committee agreed in June 2013 that £2.0m from the transferring rate base should allocated as part of the capital financing of the leisure transformation programme.
2.8	Transferring Functions A separate report on the due diligence work being carried out at a regional level to assess the level of funding being proposed by central government to support the delivery of transferring functions is included on the Committee's agenda.
2.9	Officers are currently drafting a first cut of the revenue estimates for the Planning and Car Parking Functions and they are also assessing the impact of the transfer of community planning powers. This will enable any funding gaps to be identified.
2.10	Members are asked to note that there are a number of key issues with the financing of the transferring functions. These include: <ol style="list-style-type: none"> 1. It is likely that the final financial settlement with central government including the potential impact of government cut backs will not be known until the middle of January 2015. This gives very little time for officers and Members to address any funding gaps. 2. There is uncertainty about the nature of the financial settlement with central government. It was originally agreed that level of funding at the point of transfer would be guaranteed for future years and aligned to the level of district rate set. There is now a risk that the level of funding will be agreed on an annual basis which means that funding levels will not be guaranteed.
	Rates Income
2.11	The first cut Estimated Penny Product (EPP) provided by Land and Property Services for the new rate base together with supporting schedules of estimated income and losses have been reviewed by Finance Officers with the support of the Institute of Revenues Rating and valuation (IRRV).
2.12	The first cut EPP indicates that the new rate base will deliver increase rates income of approximately rate £12.4m. It should be noted that Land and Property Services have advised that their recent work on the EPP indicates that the second draft of the EPP which is due in mid December 2014 will show a reduction in the projected rates income. The details of the revised EPP will be reported to the Shadow Strategic Policy and Resources Committee at its December meeting.
2.13	Members should note that the Finance Minister has announced the details of the Rates Convergence Scheme and this is subject to a separate report. There will also be a report on the outcome of the non-domestic revaluation exercise.
	Inflation
2.14	As part of the Investment Programme Members gave a commitment to keep any district rate increase at or below inflation for three years. CPI inflation currently stands at 1.2% with the latest forecast from the Bank of England indicating that this is likely to remain close to 1% over the next 12 months.
	Regional Rate
2.15	The Finance Minister has advised that the regional rate will be set at the level of inflation. In 2013/14 and 2014/15 the regional rate was set at 2.7%.

2.16	<p>Non Recurring Costs</p> <p>As part of the revenue estimates process departments also submitted proposals for non recurring expenditure arising from the boundary change aspects of local government reform and other corporate priorities. These proposals excluded non-recurring costs associated with the transferring functions, as these will be subject to a separate phase of the estimates process. Table 1 below summarises these costs.</p> <p style="text-align: center;">Table 1 Departmental Non Recurrent Revenue Expenditure Proposals</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Category</th> <th style="text-align: center;">Amount</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Asset Related</td> <td style="text-align: right;">£2,896,585</td> </tr> <tr> <td style="text-align: center;">Other Costs</td> <td style="text-align: right;">£1,000,206</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right;">£3,896,791</td> </tr> </tbody> </table>	Category	Amount	Asset Related	£2,896,585	Other Costs	£1,000,206	Total	£3,896,791
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2.17	<p>Assets Revenue: An analysis of the £2,896,585 of asset related costs has been included as Appendix 1. These comprise of costs associated with transferring assets from Castlereagh and Lisburn, leisure transformation mobilisation costs and one off repairs to existing leisure centres. This category also includes £140,000 of non recurring costs for Girdwood Creative Hub and £12,000 for new street signs.</p>								
2.18	<p>Other Costs: The £1,000,206 of costs in the “Other” category includes non asset related LGR costs such as ICT licences, branding and grant support.</p>								
2.19	<p>In addition to the above, there may also be the need to provide one-off funding for expenditure relating to:</p> <ul style="list-style-type: none"> • the transfer of functions from central government • accommodation and City Hall accommodation works • temporary staffing arrangements. 								
2.20	<p>The Strategic Policy and Resources Committee, at its meeting on the 21 November 2014, agreed that approximately £3.3m of in year under spends arising from departments and the in year rates settlement, be ring fenced to fund part of the above non-recurring costs.</p>								
2.21	<p>A detailed report on the proposed allocation of non-recurrent funding and expenditure will be presented to the Committee in January.</p>								

3	Recommendations
3.1	The Committee is asked to note the contents of this report.