

Report on	2023/24 Rate Estimates
Date of Meeting	6 February 2023
Reporting Officer	Strategic Director of Corporate Services and Finance
Contact Officer	Strategic Director of Corporate Services and Finance

Is this report restricted for confidential business? If 'Yes', confirm below the exempt information category relied upon	Yes	
	No	X

1.0	Purpose of Report
1.1	To provide Members with sufficient information in relation to the Council's 2023/24 Rate Estimates process to enable the Council to strike its 2023/24 district Rate and agree a budget for that financial year.
2.0	Background
2.1	The Council is scheduled to strike its 2023/24 district Rate at a Special Council meeting on Monday, 6 th February 2023 to strike the 2023/24 Rate.
2.2	Members will be aware from previous discussions with officers that the SMT understand that all eleven district councils are experiencing an extremely challenging Rate estimates process.
2.3	The cost of living crisis, global energy crisis, and continuing high levels of inflation are some of the factors contributing to the financial challenges presenting at this time.
3.0	Main Report
3.1	The Department for Communities has confirmed the statutorily prescribed date for district councils to strike their 2023/24 district Rate to be 15 th February 2023.
3.2	Financial pressures relevant to the 2023/24 Rate estimates include very significant increases in payroll, energy costs, waste management, fuel, insurance costs, and continuing reduced income levels following the Covid 19 pandemic.
3.3	Although the former Minister for Communities confirmed, prior to vacating office, that councils may use any amounts (allocated in 2020/21 and 2021/22) not yet utilised for Covid 19 purposes (Mid Ulster District Council's unapplied balance is approximately £2.5m) to continue to support recovery in the context of increased operating costs as a result of the cost of living crisis, councils have received no further support from the Department for Communities (DfC).

3.4	In the absence of an Executive, DfC officials were unable to commit resources in the current (2022/23) financial year until the Secretary of State set the NI budget for 2022/23. Subsequent to the Secretary of State's Written Statement on 24 th November 2022 which confirmed the NI budget, DfC notified eligible councils of the 2022/23 Rate Support Grant (RSG) allocation on 22 nd December 2022.
3.5	The 2022/23 RSG allocation, at £8.924m, is significantly reduced from previous years. The reduction (from the anticipated £15.865m) will cause the Council to receive approximately £1.388m (the Council currently receives 20% of the aggregate allocation) less income in 2022/23 than it budgeted to receive when it struck its 2022/23 district Rate. This is obviously extremely disappointing.
3.6	In addition, the recent non-domestic Revaluation undertaken by Land and Property Services (LPS) to update the valuations of non-domestic rateable hereditaments has also impacted on the council's share of the 2023/24 RSG (the level of RSG in 2023/24 is currently unknown). The Revaluation (effective from 1 April 2023) will cause the council's share of RSG to reduce from 20% to 16%.
3.7	Notwithstanding the uncertainty surrounding the level of the 2023/24 RSG allocation – will it be £15.865m, £8.924m, or some other amount – it exceeded £20m in both 2020/21 and 2021/22, the reduction from 20% to 16% is a major unavoidable problem that has a significant impact on the Council's 2023/24 district Rate.
3.8	RSG is fundamental to the delivery of Council services. In the absence of compensatory cost reductions (or new income streams), reductions in RSG received will have to be passed on the rate payers via an increased district Rate.
3.9	Prior to the DfC's notification of the 2022/23 RSG allocation, the Council expected to receive 20% of £15.865m in 2022/23. The officers were also proposing that the Council continue to assume that the 2023/24 RSG allocation would be no lower than £15.865m, which was the grant allocation in 2019/20, i.e., prior to the Covid 19 pandemic. The RSG allocation in both 2020/21 and 2021/22 exceeded £20m (2020/21: £22.3m, and 2021/22: £21.924m).
3.10	The 2022/23 allocation suggests that there may be a significant risk of the 2023/24 RSG allocation being less than £15.865m. In striking the 2023/24 Rate, the Council should therefore reflect upon the potential for this risk to materialise and whether any such reduction will be reversed in future years.
3.11	The attached paper outlines the officers' deliberations and efforts to date to produce and recommend an affordable 2023/24 Rate to the Council.
3.12	The paper includes a proposal that the Council apply £2.4m of its reserves balances towards minimising the 2023/24 district Rate. This proposal is contingent upon the Members understanding that the application of reserves is a temporary measure that only "kicks the can down the road".
3.13	If the Council applies £2.4m (or any other amount) of reserves to reduce the 2023/24 district Rate, the district Rate will have to be increased in subsequent years to generate sufficient recurrent Rate income to fund £2.4m of annual

	<p>expenditure (that is not being funded in the year that the reserves are applied). The attached paper proposes that the £2.4m be funded over a 4 year period (2024/25 to 2027/28) by way of an additional (estimated) 1.4% increase in the district Rate in <u>each</u> of those years.</p> <p>3.14 Members should also note that, if the Council decides to fund the £2.4m over 4 years, reducing amounts of reserves will also have to be applied in these years (over and above the original £2.4m). The paper illustrates that a decision to apply £2.4m of reserves (funded equally over the subsequent 4 years) will result in an aggregate £6m reduction in reserves (cash).</p> <p>3.15 The officers therefore recommend that the Council carefully reflects upon any decision to apply reserves to fund recurrent annual expenditure that would otherwise be funded by the district Rate. Any such decision will impact directly upon the report that the Chief Executive (as Chief Financial Officer) is required to make to the Council under Section 6 of the Local Government Finance Act (Northern Ireland) 2011 (adequacy of reserves).</p> <p>3.16 The Chief Executive’s report in relation to the adequacy of reserves (as at the date of issue) is included at item 8 on the Agenda for this meeting (to strike the Rate).</p> <p>3.17 The Council must consider the reports included for information under Agenda items 7 (robustness of the estimates) and 8 (adequacy of reserves) as part of their deliberations in relation to the striking of the 2023/24 district Rate and the agreeing of the 2023/24 budget.</p>
4.0	Other Considerations
4.1	<p>Financial, Human Resources & Risk Implications</p> <p>Financial:</p> <p>The reduced level of RSG income (approximately £1,388m) in 2022/23 arising from the reduced level of RSG (£8.924m) allocated by the DfC will impact on the Council’s cash and reserves in 2022/23. The reduction may signal that the Council’s current funding assumptions (i.e., that the RSG will not fall below £15.865m) could be inappropriate going forward.</p> <p>Implementation of <u>any</u> proposal to spread already identified unavoidable recurrent cost pressures over future years will:</p> <ul style="list-style-type: none"> • Deplete cash and reserves (application of reserves in the amount of £2.4m as proposed in the attached report is estimated to reduce reserves in the amount of £6m) thereby diverting funds from other commitments and ambitions; and • Result in rate payers bearing higher district Rate increases in future years – however, this will not result in them paying more Rates in total if the entire period (the year in which the Rate is reduced and all the years in

	<p>which the Rate is increased to fund the previously unfunded revenue expenditure) is considered</p>
	<p>Human: N/A</p>
	<p>Risk Management:</p> <p>The level of future RSG funding remains uncertain. As the Council requires RSG funding to deliver its services without levying an unaffordable Rate on rate payers, future reductions in RSG will directly impact on the services delivered and/or the affordability of the Council's district Rate in the future.</p> <p>Implementation of <u>any</u> proposal to spread the district Rate impact of already identified unavoidable annual cost pressures over future years will:</p> <ul style="list-style-type: none"> • Result in a significant reduction in cash reserves (in excess of the balance originally applied due to the need to continue to apply reducing amounts of reserve until such time as the initially unfunded recurrent revenue expenditure is fully funded by the district Rate) • Result in rate payers bearing higher district Rate increases in future years – however, this will not result in them paying more Rates in total if the entire period (the year in which the Rate is reduced and all the years in which the Rate is increased to fund the previously unfunded revenue expenditure) is considered
<p>4.2</p>	<p>Screening & Impact Assessments</p> <p>Equality & Good Relations Implications: N/A</p> <p>Rural Needs Implications: N/A</p>
<p>5.0</p>	<p>Recommendation(s)</p>
<p>5.1</p>	<p>That the Council notes the contents of the report and attachment and resolves to:</p> <ul style="list-style-type: none"> • Confirm the Council's adoption of each recommendation (in relation to expenditure and income) proposed by the officers in the attached report as the means of delivering the Council's services in 2023/24 within the expenditure within the estimates. <p>In particular, the Council confirms:</p> <ul style="list-style-type: none"> • Implementation of measures agreed with the 2022/23 Rate estimates, i.e., closure of all public conveniences within the district (expenditure

	<p>budget reduction of -£220,000) and introduction of car parking charges in Cookstown (income budget increase of £100,000);</p> <ul style="list-style-type: none"> • 39.2% (-£220,000) reduction across 5 community grant programmes - <i>Festive Lights, Strategic Festive, Capital Sports, Strategic Sports & Strategic and Small arts grants</i>); • 41.0% (-£202,242) reduction across the Communities & Place programming budgets - <i>Arts, OM, SHHP, Minority Languages, Sports, Leisure and Environmental Health</i>; • 10.8% (-£27,000) reduction from the corporate events budget - <i>resulting in the removal of Tefelta and Coalisland Summer programme from the annual programme</i>; • 31.5% (-£75,369) reduction across the Communities & Place marketing, mileage and stock replenishment budgets; • 28.5% (£224,750) increase in the earned and grant income targets across the Health and Development functions; • Rationalisation of Waste recycling centres following significant investment in Magherafelt, Dungannon and Cookstown – programme of planned closures at Draperstown, Castledawson, Fivemiletown, Moneymore, Coalisland; • Increased income targets across Building Control and sale of recyclables; • Reduced revenue expenditure through savings in event management, use of red Derv, contractor costs regarding paint recycling and hire costs; and • Reduced contractor costs by cessation of grass verge cutting <ul style="list-style-type: none"> • Approve the estimates as presented; • Authorise the (net) expenditure (£54,005,870) (2022/23: £49,529,866) within the estimates; and • Strike non-domestic and domestic Rates which will reflect a 5.86% and 8.90% increase from the equivalent 2022/23 district non-domestic and domestic Rates respectively, i.e., non-domestic district Rate 25.8214 (2022/23: 24.3910) and domestic district Rate 0.3817 (2022/23: 0.3505); • Authorise the Chief Executive to vire such amounts between budget headings as he deems necessary to secure Council's objectives in 2023/24
6.0	Documents Attached & References
6.1	Supplementary paper regarding 2023/24 Rate estimates