



12 February 2024

Dear Councillor

You are invited to attend a meeting of the Special Council to be held in The Chamber, Dungannon and by virtual means at Council Offices, Circular Road, Dungannon, BT71 6DT on Monday, 12 February 2024 at 19:00 to transact the business noted below.

A link to join the meeting through the Council's remote meeting platform will follow.

Yours faithfully

Adrian McCreesh  
Chief Executive

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## AGENDA

### OPEN BUSINESS

1. Notice of Recording  
This meeting will be webcast for live and subsequent broadcast on the Council's You Tube site [Live Broadcast Link](#)
2. Apologies
3. Declarations of Interest  
Members should declare any financial and non-financial interests they have in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.
4. Chair's Business

### Matters for Decision

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| 5. Minimum Revenue Provision Policy (MRP)   | 3 - 6   |
| 6. Robustness of Rates Estimates 2024/25  | 7 - 12  |
| 7. Adequacy of Reserves 2024/25   | 13 - 16 |
| 8. Rates Estimates 2024/25  | 17 - 30 |
| 9. Approval of Rates Estimates 2024/25<br>(i) Authorisation of the expenditure included in the rates estimates; |         |

(ii) Fixing for the financial year beginning 1 April 2024 the amount to be raised by means of rates and striking the domestic and non-domestic rate for 2024/25.

Matters for Information

**Items restricted in accordance with Section 42, Part 1 of Schedule 6 of the Local Government Act (NI) 2014. The public will be asked to withdraw from the meeting at this point.**

Matters for Decision

Matters for Information

<b>Report on</b>	Minimum Revenue Provision Policy
<b>Date of Meeting</b>	Monday 12 February 2024
<b>Reporting Officer</b>	Strategic Director of Corporate Services and Finance
<b>Contact Officer</b>	Strategic Director of Corporate Services and Finance

<b>Is this report restricted for confidential business?</b>	Yes	
If 'Yes', confirm below the exempt information category relied upon	No	x

<b>1.0</b>	<b>Purpose of Report</b>
1.1	To provide Members with an update in relation to Council's 2024/25 Minimum Revenue Provision Policy.
<b>2.0</b>	<b>Background</b>
2.1	Members will recall that Council considered and adopted a Minimum Revenue Provision (MRP) Policy as part of the process of striking its Rate for the financial year 2021/22.
2.2	<p>This report is prepared to facilitate Council's duty under Regulation 6 of the Local Government (Capital Accounting and Finance) Regulations (Northern Ireland) 2011 which states:</p> <p>"During the financial year beginning on 1st April 2012 and every subsequent financial year, a council shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent and—</p> <p>(a) shall charge to the general fund that minimum revenue provision for that financial year; and</p> <p>(b) may charge to the general fund any amount in addition to that minimum revenue provision,</p> <p>in respect of the financing of capital expenditure incurred by the council in that year or in any financial year prior to that year."</p>
<b>3.0</b>	<b>Main Report</b>
3.1	Council previously adopted a MRP policy in 2021/22 which confirmed the basis of calculating MRP for inclusion in the Rate estimates.
3.2	Prior to striking the 2016/17 Rate, the officers, having reflected on the adequacy and appropriateness of its original (2015/16) policy which specifically calculated the estimated useful lives of relevant asset categories, e.g.

	<ul style="list-style-type: none"> <li>• Land and buildings – 25 years</li> <li>• Vehicles – 8 years</li> <li>• ICT – 5 years</li> <li>• Assets under construction – not applicable,</li> </ul> <p>considered that the policy should also allow Council to match its MRP with associated loan principal repayment schedules where it is deemed appropriate.</p>
3.3	Council accepted the officers' recommendation to amend the 2015/16 MRP Policy prior to striking the 2016/17 Rate. This amended MRP Policy was reconfirmed by Council prior to striking the Rate in subsequent years.
3.4	The officers would remind Members that, due to the forthcoming introduction of IFRS 16 – Leases (which will now be effective for the 2023/24 (current year) accounting period), it amended its MRP policy in 2021/22 to include provision that MRP charges for leases will be calculated as being equal to the relevant lease payment in that year.
3.5	As the officers continue to be satisfied that the amendment to the 2020/21 MRP policy is sufficient to enable Council to fund its capital programme on a consistent and prudent basis, they therefore recommend that the 2024/25 MRP Policy replicate the Council's current (2021/22) MRP Policy.
3.6	The draft proposed Rate estimates have been prepared on the basis of this recommendation.
3.7	Members should, however, note that the officers have recommended that discussions be held to facilitate and encourage active Member participation in the formulation of the Council's Medium Term Financial Plan (MTFP). These discussions will include consideration of the financial consequences of capital investment decisions (the Capital Plan and annual Capital Programme) and the funding thereof. This will include consideration and potential revision of the Council's MRP Policy. Meeting(s) will be scheduled in early course.
<b>4.0</b>	<b>Other Considerations</b>
4.1	<b>Financial, Human Resources &amp; Risk Implications</b>
	Financial: See above
	Human: N/A
	Risk Management: N/A
4.2	<b>Screening &amp; Impact Assessments</b>
	<u>Equality &amp; Good Relations Implications:</u> Screening of the proposed Rate estimates and associated district Rate has not identified and significant negative impacts
	<u>Rural Needs Implications:</u> Screening of the proposed Rate estimates and associated district Rate has not identified and significant negative impacts
<b>5.0</b>	<b>Recommendation(s)</b>
5.1	That Council confirms its existing MRP policy as being appropriate for the financial year 2024/25.
<b>6.0</b>	<b>Documents Attached &amp; References</b>

	N/A
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<b>Report on</b>	Robustness of 2024/25 Rate Estimates
<b>Date of Meeting</b>	12 February 2024
<b>Reporting Officer</b>	Chief Financial Officer (Chief Executive)
<b>Contact Officer</b>	Strategic Director of Corporate Services and Finance

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

<b>1.0</b>	<b>Purpose of Report</b>
1.1	To provide Members with a report in relation to the robustness of the 2024/25 Rate estimates.
<b>2.0</b>	<b>Background</b>
2.1	This report is prepared to facilitate Council's duty under Section 4 of the Local Government Finance Act (Northern Ireland) 2011 which states:
2.2	<p>"4—(1) The chief financial officer of a council shall submit to the council a report on the robustness of the estimates.</p> <p>(2) A council shall have regard to that report when considering the estimates under section 3(2)(a).</p> <p>(3) In this section "the estimates" means the estimates submitted to the council under section 3(1).</p>
<b>3.0</b>	<b>Main Report</b>
3.1	The 2024/25 Rate estimates have been prepared, in so far as practicable and having regard to the officers' expectations in relation to the general economic climate and financial pressures relevant to the 2024/25 financial year, using the 2023/24 budgets as a baseline. This means that every proposed budget movement from the 2023/24 budget has been fully discussed with the relevant director and, where appropriate, individual budget holder.
3.2	In preparing the Rate estimates the officers have concluded that, notwithstanding the recent Land and Property Services (LPS) estimates in relation to the Council's Penny Product and the revaluation of non-domestic hereditaments (effective 1 April 2023), the Council's wealth as measured by the capacity of its Rate base to generate Rates income should not be considered 'unshakeable' given the continuing economic challenges. As more fully explained in the Rates update report which was considered by the Policy and Resources Committee at its

	<p>meeting held on Thursday, 8 February, the officers have 'moderated' or adjusted the combined EPP to a figure which reflects a 2.29% increase on the 2023/24 EPP on the grounds that is much more likely to be delivered than the 5.72% increase initially suggested by LPS. This moderation is line with actions known to have been taken by at least one other district council; the other council decided to moderate its combined EPP to reflect a zero percent increase from 2023/24.</p>
3.3	<p>The amounts included within the Rate estimates have regard to the officers' best estimates of known and foreseeable financial pressures and the resource requirements of continuing to deliver Council services in 2024/25.</p>
3.4	<p>The officers also note the recently communicated reduction in Rate Support Grant (RSG) for 2023/24. The reduction to £4.9m from the previously anticipated £15.865m, together with the reduction in the Council's share of RSG (from 20% to 16% for 2023/24 and to 11.77% for 2024/25 et seq.), introduces significant uncertainty into the 2024/25 Rate estimates process.</p>
3.5	<p>The officers have also considered the ongoing cost of living crisis and its potential implications for the 2024/25 National Pay Negotiations (NPN); the NPN are outside the Council's control but have the potential to materially impact on the robustness of the estimates. The Rate estimates have been prepared on the basis of a National Pay award equivalent to a 4% increase on the Council's aggregate wage roll.</p>
3.6	<p>Inflation, although reduced from the highs of recent times, generally continues to present at a relatively high level. This is impacting directly upon contract terms, many of which are expressly linked to CPI or CPI + formulae. The officers, in so far as practicable, have sought to ensure that the Rate estimates make appropriate provision for unavoidable inflationary increases, such as those which are relevant to waste management (recycling), and IT/telecommunications contracts.</p>
3.7	<p>As in previous years, the Rate estimates make no provision for capital contracts beyond those to which the Council is already committed.</p>
3.8	<p>Typically, capital projects are funded via the Council making a Minimum Revenue Provision (MRP) which seeks to fund the cost of borrowing (or replenishing cash reserves used in lieu of borrowing) over a period equivalent to the estimated life of the capital asset being funded. The MRP is calculated in accordance with the MRP policy adopted by Council (see separate report considered at item 4 of the Agenda for this meeting).</p>
3.9	<p>The Rate estimates recommended to Council would result in Council striking district non-domestic and domestic Rates for 2024/25 which will be 7.40% and 7.39% higher than the 2023/24 district non-domestic and domestic Rates respectively.</p>
3.10	<p>The recommended Rate(s) maintain the current recurrent funding of capital projects (£1.1m (reduced from £1.5m in 2023/24)) and the Mid-South West Growth Deal (£700,000 (reduced from £1m in 2023/24)).</p>



3.11	<p>Council's cash position continues to be excellent. This has resulted from a combination of sound revenue and capital budgetary management and the fact that Council has benefited from positive Rate finalisations in recent years and the very significant RSG windfall, which arose as a consequence of the Court of Appeal decision in September 2018. It is further anticipated that the Council will shortly receive approximately £3m deriving from the Leisure Services VAT claim against HMRC, a sector-wide claim which has been pursued by the Council on behalf of all eleven district councils since 2009.</p>
3.12	<p>The Rate estimates proposed recommend that the Council apply a further £1.8m of its cash reserves towards minimising the 2024/25 district Rate. This proposal results from the Council's decision to apply a balance of £2.4m in 2023/24 and is part of the total reserves of £6m that were committed in the original decision. Members will be aware that the application of a balance when striking the Rate in any year makes it possible for the Council to strike a lower Rate than it would if it did not apply a balance. However, it is essential that the Council continues to have regard to the fact that the application of a balance must be redressed in one or more future years in order to prevent the Council jeopardising its solvency and liquidity.</p>
3.13	<p>The officers are of the opinion that further application of cash balances in excess of the £6m (which was the consequence of applying a £2.4m balance in 2023/24) could significantly increase the risk of the Council's reserves becoming inadequate.</p>
3.14	<p>Members should also note that the proposed Rate estimates have been prepared on the basis of assumptions and information provided to Council by third parties such as the Department for Communities (DfC) and LPS (for example the Estimated Penny Product (EPP)) which has previously been discussed at length with the Policy and Resources Committee</p>
3.15	<p>In conclusion, subject to the aforementioned:</p> <ul style="list-style-type: none"> <li>• Uncertainties surrounding the Council's future Rate base;</li> <li>• Future RSG allocation;</li> <li>• The outworking of national negotiations in relation to pay award;</li> <li>• Inflation generally; and</li> </ul> <p>the Council's ability to adopt actions to either reduce recurrent revenue expenditure or increase income in 2024/25 and future years necessary to deliver savings and minimise financial pressures, the officers are satisfied that the proposed Rate estimates are sufficiently robust to enable Council to deliver its services in 2024/25.</p>
<b>4.0</b>	<b>Other Considerations</b>
<b>4.1</b>	<b>Financial, Human Resources &amp; Risk Implications</b>
	Financial:

	<p>The reduced level of RSG income (approximately £1.754m) in 2023/23 arising from the reduced level of RSG (£4.9m) allocated by the DfC will impact on the Council's cash and reserves in 2023/24. 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"> <li>• Deplete cash and reserves thereby diverting funds from other commitments and ambitions. The application of £2.4m of reserves as detailed in section 3 (above) committed the Council to an aggregate £6m reduction in reserves – a balance of £1.8m is applied in the 2024/25 Rate estimates, making a total of reserves used to support the Rate £4.2m to date with a further £1.8m in total to be applied when striking the 2025/26 and 2026/27 district Rate; and</li> <li>• 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</li> </ul>
	<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"> <li>• 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)</li> <li>• 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</li> </ul>
<p><b>4.2</b></p>	<p><b>Screening &amp; Impact Assessments</b></p>

	<p>Equality &amp; Good Relations Implications:  Screening of the proposed Rate estimates and associated district Rate has not identified and significant negative impacts</p>
	<p>Rural Needs Implications:  Screening of the proposed Rate estimates and associated district Rate has not identified and significant negative impacts</p>
<b>5.0</b>	<b>Recommendation(s)</b>
5.1	That Members have regard to the Chief Financial Officer's comments in relation to the robustness of the estimates when considering the Rate estimates
<b>6.0</b>	<b>Documents Attached &amp; References</b>
6.1	N/A



<b>Report on</b>	Adequacy of Reserves
<b>Date of Meeting</b>	12 February 2024
<b>Reporting Officer</b>	Chief Financial Officer (Chief Executive)
<b>Contact Officer</b>	Strategic Director of Corporate Services and Finance

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

<b>1.0</b>	<b>Purpose of Report</b>
1.1	To provide Members with a report in relation to the adequacy of Council's projected reserves for 2024/25.
<b>2.0</b>	<b>Background</b>
2.1	<p>This report is prepared to facilitate Council's duty under Section 6 of the Local Government Finance Act (Northern Ireland) 2011 which states:</p> <p>"6—(1) Regulations may make provision requiring a council to maintain financial reserves in accordance with the regulations.</p> <p>(2) The chief financial officer of a council shall submit to the council a report on the adequacy of any proposed financial reserves for a financial year.</p> <p>(3) A council shall have regard to that report when considering the estimates for that year under section 3(2)(a)."</p>
<b>3.0</b>	<b>Main Report</b>
3.1	Previous Department of Environment (now superseded by Department for Communities (DfC)) guidance issued in December 2009 specified that district councils should hold a District Fund balance which equates to a minimum of 5% of the council's net operating expenditure, but this guidance was superseded by guidance which no longer specifies a minimum level of reserves.
3.2	Although the 2023/24 financial outturn is not yet known, and despite the recently communicated reduction in 2023/24 RSG (to £4.9m from the previously anticipated £15.865m), which will result in a loss in income to the Council in 2023/24 of approximately £1.754m, the officers estimate that that the Council's reserves at 31 March 2024 will not be materially reduced from the opening balance at 1 April 2023.
3.3	The officers' view that the Council's reserves will not be materially reduced is informed by the fact that the Council has yet to apply the amounts included within its Rate income that are intended to fund future capital expenditure (£1.1m (reduced from £1.5m when striking the 2023/24 district Rate) is included within the Council's annual Rate income) and the Council's commitments in relation to the Mid-South West Growth Deal (£0.7m (reduced from £1m when striking the 2023/24 district Rate) is similarly included). The reserves at 31 March 2024 will also be bolstered by investment income from temporary cash surpluses. The level of investment income depends on both the cash balance throughout

	<p>the year and the interest rate(s) available to the Council from sources that have previously been agreed as appropriate to the Council's risk appetite.</p>
3.4	<p>If the original departmental guidance (see above) continued to be extant, the Council's reserves at 1 April 2024 should equate to a minimum of 5% of its 2023/24 net operating expenditure; having regard to information currently in the possession of the officers, the officers are of the opinion that the Council will deliver and exceed (for the reasons detailed above) the formerly recommended 'best practice' minimum reserves.</p>
3.5	<p>Unfortunately, however, as the officers have previously explained, the requirement to hold usable reserves which equates to any percentage of net operating expenditure is fundamentally flawed. This is because usable reserves are not necessarily cash reserves.</p>
3.6	<p>The officers note that traditional financial district council funding models suggested that a council should aim to hold a cash reserve which equates to 1/12 of its net operating expenditure. This was to ensure that a council could fund a month's expenditure if it did not receive its Rate income in any month for any reason. In the case of this Council, 1/12 of net operating expenditure is approximately £5 million (being approximately £60 million divided by 12). With a cash balance currently in excess of £35m, the Council is currently satisfying the traditional rule of thumb.</p>
3.7	<p>Members will be aware that the Council has a range of commitments against its current cash balance. These include supporting its General Fund balance (currently approximately £6.9m – this effectively equates to the £5m referred to above), Mid-South West Growth Deal and General Power of Competence aspirations/commitments (£3.7m and £700k respectively), maintenance of closed landfill sites (approximately £2m), etc.</p>
3.8	<p>These commitments are further increased by the reduced RSG income (approximately £1.754m) in 2023/24 (which was intended to fund revenue expenditure in 2023/24), and the proposed application of £1.8m reserves in the 2023/24 Rate estimates (£2.4m was applied in the 2023/24 Rate estimates) – the application of the £2.4m in 2023/24 committed the Council to a £6m cash reduction over the four years that it is planned to include the original £2.4m recurrent revenue expenditure within the Council's Rate estimates.</p>
3.9	<p>Although the Council has to date used its cash reserves to fund capital expenditure and will continue to do so in the future (albeit to a lesser extent as its cash balances reduce), it is now foreseeable that the Council will commence funding capital expenditure by borrowing within the next term of the Council (and potentially in the latter year(s) of the current term).</p>
3.10	<p>When the Council will commence borrowing will depend, inter alia, on future RSG allocations, the potential for in-year surpluses arising from whatever cause, and the Council's ability to adopt actions to either reduce recurrent revenue expenditure or increase income in 2024/25 and future years.</p>
3.11	<p>Having regard to information available, including the uncertainties detailed in the Robustness of Rates Estimates report (item 7 on the Agenda for this meeting), the officers are satisfied that the Council's reserves are adequate.</p>
<b>4.0</b>	<b>Other Considerations</b>
<b>4.1</b>	<b>Financial, Human Resources &amp; Risk Implications</b>

	<p>Financial:</p> <p>The reduced level of RSG income (approximately £1.754m) in 2023/23 arising from the reduced level of RSG (£4.9m) allocated by the DfC will impact on the Council's cash and reserves in 2023/24. 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"> <li>• Deplete cash and reserves thereby diverting funds from other commitments and ambitions. The application of £2.4m of reserves as detailed in section 3 (above) committed the Council to an aggregate £6m reduction in reserves – a balance of £1.8m is applied in the 2024/25 Rate estimates, making a total of reserves used to support the Rate £4.2m to date with a further £1.8m in total to be applied when striking the 2025/26 and 2026/27 district Rate; and</li> <li>• 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</li> </ul>
	<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"> <li>• 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)</li> <li>• 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</li> </ul>
<p><b>4.2</b></p>	<p><b>Screening &amp; Impact Assessments</b></p> <p>Equality &amp; Good Relations Implications: Screening of the proposed Rate estimates and associated district Rate has not identified and significant negative impacts</p> <p>Rural Needs Implications:</p>

	Screening of the proposed Rate estimates and associated district Rate has not identified and significant negative impacts
<b>5.0</b>	<b>Recommendation(s)</b>
5.1	That Members have regard to the Chief Financial Officer's comments in relation to the adequacy of the reserves when considering the Rate estimates
<b>6.0</b>	<b>Documents Attached &amp; References</b>
6.1	N/A



<b>Report on</b>	2024/25 Rate estimates
<b>Date of Meeting</b>	12 February 2024
<b>Reporting Officer</b>	Strategic Director of Corporate Services and Finance
<b>Contact Officer</b>	Strategic Director of Corporate Services and Finance

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

<b>1.0</b>	<b>Purpose of Report</b>
1.1	<p>To provide Members with sufficient information to enable the Council to discharge its duties under Section 3 of the Local Government Finance Act (Northern Ireland) 2011 (the Act) as follows:</p> <p><b>“Annual budget</b></p> <p><b>3—</b>(1) In each financial year a council shall cause to be submitted to it estimates of the income and expenditure of the council during the next financial year.</p> <p>(2) A council, before the prescribed date in each year—</p> <p>(a) shall consider the estimates for the next financial year;</p> <p>(b) may revise the estimates in such manner as the council thinks fit;</p> <p>(c) shall approve the estimates, subject to any revision under paragraph (b);</p> <p>(d) shall authorise the expenditure included in the estimates; and</p> <p>(e) shall fix for the next financial year the amount estimated to be required to be raised by means of rates made by the council.”</p> <p>.</p>
<b>2.0</b>	<b>Background</b>
2.1	Members will be aware that the Council is required to set its annual budget for 2024/25 and strike its district Rate by the prescribed date (Thursday, 15 <sup>th</sup> February 2023).
2.2	The Strategic Director of Corporate Services and Finance (SDCSF) last reported to the Policy and Resources Committee in relation to this matter at the Committee’s meeting on Thursday, 8 <sup>th</sup> January 2024).

<b>3.0</b>	<b>Main Report</b>
3.1	As in previous years, the officers have worked to bring forward proposals in respect of the 2024/25 Rate estimates through the Policy and Resources Committee (the Committee). A copy of the most recent report to the Committee is attached at 6.1 below.
3.2	The officers are pleased to report that, having considered information available to them and having regard to the current and anticipated future financial commitments associated with the delivery of the Council's statutory duties and other objectives together with the need to maintain the Council's financial stability, they have formulated a proposed budget, which if approved by the Council will enable the Council to deliver its Council's statutory duties and other objectives in 2024/25.
3.3	However, the officers draw Members attention to the fact that the proposed budget is based on assumptions and judgments, which the officers consider appropriate. These assumptions and judgments have previously been discussed at length with the Committee.
3.4	Members should note that the Chief Executive discharges his statutory duties under Sections 4 and 6 of the Act in relation to the robustness of the estimates and the adequacy of the reserves in the reports listed at items 6 and 7 on the agenda for the meeting respectively.
3.5	Members' attention is also drawn to the report listed at item 5 on the agenda for the meeting, which addresses the Council's responsibility under Regulation 6 of the Local Government (Capital Accounting and Finance) Regulations (Northern Ireland) 2011 to determine the amount of Minimum Revenue Provision (MRP) to be charged to the General Fund in 2024/25.
3.6	Consideration of the most significant issues relevant to the proposed Rate estimate for 2024/25 are detailed in the most recent report to the Committee (the Committee report) (see 6.1 below).
3.7	<p>The Committee report notes that, on the basis of relevant assumptions, the officers consider that the Council could reasonably expect to be able to deliver upon its statutory responsibilities and achieve its other objectives by striking a domestic district Rate in the amount of 0.4039, which reflects an increase of 7.39%* from the 2023/24 domestic district Rate of 0.3761. In such circumstances, the 2024/25 non-domestic Rate would be 27.3266, which similarly reflects a 7.40%* increase from the 2023/24 figure of 25.4449.</p> <p>(*reflects calculation rounding – final recommended increases will be 7.40%)</p>
3.8	The schedule which is attached to the Committee report also demonstrates that, if Council strikes a domestic rate in the amount of 0.4039, an 'average' rate payer will see the district council element of their Rates bill increase by 67 pence per week.

3.9	<p>Of course, the district council element of a Rates bill is only part of the total Rates bill. The total Rates bill also includes an element for regional Rates. It is not yet know what, if any, increase there will be in the regional Rate in 2024/25. The schedule illustrates that, if the regional Rate increases by 5%, the average rate payer will see that element of their Rates bill increase by 58 pence per week. Combining these 2 (as yet hypothetical) amounts would result in an average rate payer seeing their total Rates bill increase by £1.25 per week.</p>
3.10	<p>As reported in the Committee report, Members should also note that the net pressures of £3,728,000** have been calculated on the basis of the officers' taking a 'calculated risk' (or 'fairly' optimistic view) of what certain expenditure increases will be in 2024/25. In short, the officers would be reluctant to further reduce the amounts included within the figure of £3,728,000**. In addition, Members may wish to reflect upon the aforementioned discussions with the SDCSF and the Chief Executive when it was confirmed that the 2024/25 net pressures figure makes no provision for an increase in Minimum Revenue Provision (MRP), i.e., funding of capital expenditure. This means that the Council's planned future total capital expenditure is effectively capped at an absolute amount, which will be funded by a capped amount of borrowing in the future. If the Council does not include an increase in either the 2024/25 or a future year's Rate estimates for additional MRP, once the Council has committed the fixed amount of borrowing that its Rate income will fund, the Council will not be able to undertake any further capital funding that is not funded by either grant, unplanned revenue surplus, or unanticipated windfall of whatever nature.</p> <p>(** the Committee report references £3,718,000 which was understated due to an earlier transposition error in the amount of £10,000. This error was corrected subsequent to the Committee report being issued to the Committee)</p>
3.11	<p>The proposed revenue budget for 2024/25 is calculated as £59,383,371 (2023/24: £55,655,370). This reflects net financial pressures in the amount of £3,728,000 (see schedule attached at 6.2 below).</p>
<b>4.0</b>	<b>Other Considerations</b>
<b>4.1</b>	<p><b>Financial, Human Resources &amp; Risk Implications</b></p> <p>Financial: Failure to set an appropriate budget and strike the associated district Rate will impact on the Council's ability to deliver its statutory services and other duties and could potentially undermine the financial resilience of the Council.</p> <p>Human: N/A</p> <p>Risk Management: Refer to "Financial" above</p>
<b>4.2</b>	<b>Screening &amp; Impact Assessments</b>

	<p>Equality &amp; Good Relations Implications: The SDCSF has screened the proposed recommendation and confirms that the screening exercise has not identified any significant adverse equality or good relations implications.</p>
	<p>Rural Needs Implications: The SDCSF has screened the proposed recommendation and confirms that the screening exercise has not identified any significant adverse rural need implications</p>
<b>5.0</b>	<b>Recommendation(s)</b>
5.1	<p>That the Council considers the above and accepts the officers' recommendation that it:</p> <p>(1) Strike a non-domestic and domestic rate of 27.3266 and 0.4039 respectively;  (2) Approve the Rate estimates as presented by the officers and authorise the associated expenditure in the amount of £59,383,371  (3) Authorise the Chief Executive to vire such amounts between budget headings as he deems necessary to secure Council's objectives in 2024/25.</p>
<b>6.0</b>	<b>Documents Attached &amp; References</b>
6.1	Copy of report circulated to Policy and Resources Committee in advance of its meeting on Thursday, 8 <sup>th</sup> February 2024
6.2	Draft high level summary of the officers' current proposals in respect of Mid Ulster District Council's 2024/25 Rate estimates

<b>Report on</b>	2024/25 Rate estimates update
<b>Date of Meeting</b>	8 February 2024
<b>Reporting Officer</b>	Strategic Director of Corporate Services and Finance
<b>Contact Officer</b>	Strategic Director of Corporate Services and Finance

<b>Is this report restricted for confidential business?</b>		Yes	X
If 'Yes', confirm below the exempt information category relied upon		No	
X	Information relates to financial or business affairs of a person (including the council)		

<b>1.0</b>	<b>Purpose of Report</b>
1.1	To provide Members with an update in relation to the Council's 2024/25 Rate estimates process.
<b>2.0</b>	<b>Background</b>
2.1	Members will be aware that the Council is required to set its annual budget for 2024/25 and strike its district Rate by the prescribed date (Thursday, 15 <sup>th</sup> February 2023).
2.2	The Strategic Director of Corporate Services and Finance last reported to the Committee in relation to this matter at the Committee's meeting on Thursday, 11 <sup>th</sup> January 2024).
<b>3.0</b>	<b>Main Report</b>
3.1	Since the Committee meeting held on Thursday, 11 <sup>th</sup> January 2024, the Senior Management Team (SMT) have met on several occasions to critically review the (thus far) identified financial pressures and opportunities for potential savings in 2024/25. Following a request at the January Committee meeting, schedules of information summarising the then current position were circulated to Party Group leaders and the independent Members. Separate meetings were subsequently held with the Party Group Leaders and the independent Members to discuss the previously circulated schedules.
3.2	The meetings were productive and provided Members with insight into how the officers were tackling the issue of identifying a proposed district Rate, which would allow the Council to deliver upon its statutory responsibilities and achieve its other objectives while still being affordable to the rate payer.
3.3	Since the meetings, the officers have made further refinements to the estimated net pressures for 2024/25. Although these refinements have been relatively

modest, the officers have now reached the point where further reductions may make it difficult to confirm (as the Chief Executive will have to formally do prior to the Council setting its annual budget for 2024/25 and striking its district Rate) that the estimates are robust and that the Council's reserves following the striking of the 2024/25 district Rate are adequate. However, the officers are content that the current proposed district Rate, if settled upon by the Council, will allow the Chief Executive to so confirm.

3.4

The schedule attached at 6.1 (below) presents a high level summary of the key issues currently in play. These are summarised as follows:

- The current estimated amount to be raised (via district Rates, de-rating grant and transferred functions grant) (CEAR) is £55,716,060
- The CEAR assumes that:
  - The Council will deliver upon the 'commitment' made when its struck its 2023/24 district Rate to fund the 2023/24 balance applied (£2.4m) over a 4 year period – the CEAR reflects a further (reduced) balance applied of £1.8m;
  - The Department for Communities (DfC) will ultimately confirm an aggregate Rate Support Grant (RSG) allocation in the amount of £15.865m to be shared between eligible district councils. Although £15.865m is significantly higher than the actual amount of RSG allocated in 2022/23 (£8.924m) and 2023/24 (£4.9m) respectively, it is equal to the minimum amount previously distributed by DfC (and its predecessor Department for Environment (DoE)) in each of the 23 years preceding 2022/23 – the CEAR reflects an RSG receipt in the amount of £1,867,311; and
  - The combined Estimated Penny Product (EPP) is £2,038,895. This amount is 2.29% higher than the 2023/24 combined EPP of £1,993,210. The EPP is an estimate and it is not possible to guarantee that the number used in the calculation of the district Rate will equal the Actual Penny Product (APP) that will only be known after the end of the 2024/25 financial year. The Department of Finance's (DoF) Land and Property Services (LPS) provides each district council with an EPP (which forms part of the combined EPP) prior to the council's striking their district Rates. These LPS EPP are based on assumptions and estimates, which include, for example how much debt owed by rate payers is actually written off by the DoF in the forthcoming financial year. Although LPS provide each council with an EPP, the responsibility for deciding what amount to use as the combined EPP remains with each council. The consequence of using a combined EPP that is higher than the APP is that LPS will 'claw back' 2024/25 Rate income paid to the Council in 2024/25 by way of a reduction to its 2025/26 Rate income. The LPS EPP provided to the Council for 2024/25 is £1,844,280 which if included in the combined EPP would result in the combined EPP being £2,107,170 or 5.72%

(as opposed to 2.29%) higher than the 2023/24 combined EPP. The officers do not consider it prudent to use a combined EPP of this magnitude for 2024/25 because of the continuing economic uncertainty that is impacting domestic and non-domestic rate payers. Consequently, the officers have 'moderated' or adjusted the combined EPP to the figure included in the CEAS on the basis that a 2.29% increase is much more likely to be delivered than a 5.72% increase at this time and more in line with previous increases in EPP notified by LPS.

- 3.5 The schedule illustrates that, on the basis of the above assumptions, the officers consider that the Council could reasonably expect to be able to deliver upon its statutory responsibilities and achieve its other objectives by striking a domestic district Rate in the amount of 0.4039, which reflects an increase of 7.39% from the 2023/24 domestic district Rate of 0.3761.
- 3.6 The schedule also demonstrates that, if Council strikes a non-domestic rate in the amount of 0.4039, an 'average' rate payer will see the district council element of their Rates bill increase by 67 pence per week.
- 3.7 Of course, the district council element of a Rates bill is only part of the total Rates bill. The total Rates bill also includes an element for regional Rates. It is not yet know what, if any, increase there will be in the regional Rate in 2024/25. The schedule illustrates that, if the regional Rate increases by 5%, the average rate payer will see that element of their Rates bill increase by 58 pence per week. Combining these 2 (as yet hypothetical) amounts would result in an average rate payer seeing their total Rates bill increase by £1.25 per week.
- 3.8 The officers advise that the net pressures in the amount of £3,718,000 include a modest increase of £130,000 (from the 2023/24 budget figure of £770,000) for additional community grants. This amount has been introduced following discussion with Members and Members should be aware that this element of the Council's expenditure is 'discretionary' and not a statutory obligation.
- 3.9 Members should also note that the net pressures of £3,718,000 have been calculated on the basis of the officers' taking a 'calculated risk' (or 'fairly' optimistic view) of what certain expenditure increases will be in 2024/25. In short, the officers would be reluctant to further reduce the amounts included within the figure of £3,718,000. In addition, Members may wish to reflect upon the aforementioned discussions with the Strategic Director of Corporate Services and the Chief Executive when it was confirmed that the 2024/25 net pressures figure makes no provision for an increase in Minimum Revenue Provision (MRP), i.e., funding of capital expenditure. This means that the Council's planned future total capital expenditure is effectively capped at an absolute amount, which will be funded by a capped amount of borrowing in the future. If the Council does not include an increase in either the 2024/25 or a future year's Rate estimates for additional MRP, once the Council has committed the fixed amount of borrowing that its Rate income will fund, the Council will not be able to undertake any further capital funding that is not funded by either grant, unplanned revenue surplus, or unanticipated windfall of whatever nature.

3.10	<p>Members may recall from the aforementioned discussions that the officers have been working on a draft Medium Term Financial Plan (MTFP) that will extend over the next 4 financial years. The MTFP will be based upon significant assumptions in relation to both revenue and capital expenditure in the relevant years. As the MTFP will reflect the anticipated financial consequences of both operational and strategic decisions in the global economic context, the officers would recommend that the Members engage in discussions with the officers (similar to those aforementioned in relation to the 2024/25 Rate estimates) prior to a formal draft MTFP being presented to the Committee and/or Council for consideration and adoption. The officers will seek to schedule these discussions in the near future.</p>
<b>4.0</b>	<b>Other Considerations</b>
<b>4.1</b>	<p><b>Financial, Human Resources &amp; Risk Implications</b></p> <p>Financial: Failure to set an appropriate budget and strike the associated district Rate will impact on the Council’s ability to deliver its statutory services and other duties and could potentially undermine the financial resilience of the Council.</p> <p>Human: N/A</p> <p>Risk Management: Refer to “Financial” above</p>
<b>4.2</b>	<p><b>Screening &amp; Impact Assessments</b></p> <p>Equality &amp; Good Relations Implications: The SDCSF has screened the proposed recommendation and confirms that the screening exercise has not identified any significant adverse equality or good relations implications.</p> <p>Rural Needs Implications: The SDCSF has screened the proposed recommendation and confirms that the screening exercise has not identified any significant adverse rural need implications</p>
<b>5.0</b>	<b>Recommendation(s)</b>
5.1	That the Committee notes the contents of the report.
<b>6.0</b>	<b>Documents Attached &amp; References</b>



6.1	Draft high level summary of the officers' current proposals in respect of Mid Ulster District Council's 2024/25 Rate estimates
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**Draft high level summary of the officers' current proposals in respect of Mid Ulster District Council's 2024/25 Rate estimates**

		2024/25 £	Increase	2023/24
Total estimated amount to be raised 2023/24 (per 2023/24 General Estimate of Rate Return)		55,665,370		
Reduced by estimated Rate Support Grant 11.77% of assumed Rate Support Grant allocation of	15,865,000	(1,867,311)		
Minus balance applied 75% of balance applied in 2023/24	2,400,000	(1,800,000)		
Estimated net pressures 2024/25		3,718,000		
Estimated amount to be raised (via District Rates, De-rating Grant & Transferred Functions Grant) 2024/25		<b>A</b> 55,716,060		
Estimated Combined Penny Product		<b>B</b> 2,038,895	<b>2.29%</b>	1,993,210
<b>Proposed non-domestic district Rate</b>	<b>A divided by B</b>	<b>C</b> 27.32660		
	Rounded	<b>C1</b> 27.3266	<b>7.40%</b>	25.4449
Council specific conversion factor (per The Rates (Making and Levying Different Rates) Regulations (NI) 2003		<b>D</b> 0.014781		
<b>Proposed domestic district Rate</b>	<b>C1 multiplied by D</b>	<b>E</b> 0.403914		
	Rounded	<b>E1</b> 0.4039	<b>7.39%</b>	0.3761

**Potential impact on "average" domestic rate payer**

	District Rate	Regional Rate	Combined Rate
Proposed Rate 2024/25	0.004039	0.005090	0.009129
Actual Rate 2023/24	0.003761	0.004848	0.008609
Proposed increase in Rate	0.000278	0.000242	0.000520
Average capital value	£125,000	£125,000	125,000
Additional Rates payable per annum	£34.75	£30.30	£65.05
Additional Rates payable per week	£0.67	£0.58	£1.25
Regional Rate 2023/24	0.004848		
Assumed % increase in Regional Rate 2024/25	5.00%		

## Appendix 2

### Draft high level summary of the officers' current proposals in respect of Mid Ulster District Council's 2024/25 Rate estimates

£

#### Corporate Services & Finance

Balance applied	600,000	
Application of uncommitted prior provision	(550,000)	
Insurance	170,000	
Realignment of leisure income budget post COVID	1,032,000	
IT - inflationary pressures and increased systems	100,000	
IT - increased cyber security	50,000	
Transformation	100,000	
Gross salaries and wages (entire Council)	1,620,000	
	3,122,000	3,122,000

#### Environment

Prior year pressures yet to be funded		740,000
Environmental Services		
Recycling contract increases	140,000	
Educational Programmes	30,000	
Grounds Maintenance	100,000	
Health & Safety (PPE)	25,000	
Reduced car parking enforcement costs	(50,000)	
Increased income from recyclates	(167,000)	
	78,000	78,000
Property Services		
Vehicle maintenance - fuel	100,000	
Vehicle maintenance - repairs & maintenance	150,000	
	250,000	250,000

Professional fees	15,000	
Property repairs & maintenance	300,000	
		<u>1,383,000</u>

### Communities & Place

Central Government funding cuts - assume nil due to restoration of Assembly	0	
Increases in SLA	50,000	
Increase in rents	3,000	
Playpark maintenatnce	50,000	
Events - to 'standstill' (maintain current events programme)	75,000	
Facility operations - prior year (2022/23) overspend was £100,000	50,000	
Pool Chemicals	20,000	
Cleaning Materials	5,000	
Pitches Strategy revenue costs	16,000	
Env Health Sampling	8,000	
Connecting Pomeroy revenue costs - Council committed	115,000	
Community Wealth Building Framework - Council committed	20,000	
Poverty Plan & Community Wellbeing	40,000	
Uncontrollable pressures	120,000	
Community Grants	130,000	
		<u>702,000</u>

#### Less savings:

Affordable Warmth	(25,000)	
Realignment of leisure income budget post COVID	(900,000)	
Additional leisure income re leisure VAT claim	(300,000)	
Reduction in energy costs	(200,000)	
Review of arts & cultural venue fees and charges	(34,000)	
Review of leisure fees and charges	(50,000)	
		<u>(1,509,000)</u>

### Strategy, Performance and Organisational Development

30,000

Planning	0
Chief Executive's Department	0
	<hr/>
<b>Total Net Pressures</b>	<b>3,728,000</b>

