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| Report on | Rate Estimates 2021/22 |
| Date of Meeting | Monday 1 st March 2021 |
| Reporting Officer | Director of Finance |
| Contact Officer | Director of Finance |

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

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| 1.0 | Purpose of Report |
| 1.1 | To provide Members with an update in relation to the Rates Estimates process for 2021/22. |
| 2.0 | Background |
| 2.1 | Members will recall previous discussions in relation to progress being made in the preparation of 2021/22 Rates Estimates. |
| 2.2 | This report has been prepared in accordance with Council's previously agreed timetable for information and discussion in relation to the 2021/22 Rates Estimates process. |
| 2.3 | The report is intended to provide Members with sufficient information to make informed judgements in relation to Council's statutory responsibilities concerning its estimates of income and expenditure for the financial year 2020/21 and to enable Council to strike its District Rate at its Special Meeting, which is (following the legislative deferral of the statutorily "prescribed date") scheduled to be held on Monday, 1 March 2021. |
| 2.4 | Council's responsibilities in relation to its 2021/22 Rate Estimates are governed by Section 3 of the Local Government Finance Act (Northern Ireland) 2011 which states: "Annual budget 3 (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. (2) A council, before the prescribed date in each year— (a) shall consider the estimates for the next financial year; (b) may revise the estimates in such manner as the council thinks fit; (c) shall approve the estimates, subject to any revision under paragraph (b); |

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| | <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>(3) No expenditure shall be incurred by or on behalf of a council unless—</p> <p>(a) previously authorised in accordance with the estimates approved by the council; or</p> <p>(b) otherwise previously authorised by the council; or</p> <p>(c) if not so authorised, necessarily incurred in circumstances of emergency; but any expenditure under paragraph (c) shall, as soon as reasonably practicable, be reported to the council with a view to being approved by the council.” (emphasis added)</p> <p>2.5 As the “prescribed date” referred to in Section 3(2) (above) would normally be expected to be 15th February 2021, Council had made arrangements to strike its district Rate by 15th February 2021. The timetable (agreed at the November 2020 Council meeting) for the 2021/22 Rate estimates process previously approved by Council provides for the striking of the district Rate by 15 February.</p> <p>2.6 However, following discussions between SOLACE, ALGFO and the Departments for Community (DfC) and Finance (DoF), it was agreed that legislative amendments would be made to postpone the 2021/22 prescribed date to 1st March 2021. This potential change was previously reported to Members at the January 2021 Policy and Resources Committee, where it was recommended that, pending confirmation of dates, etc., the Council would continue to work towards striking its district Rate for 2021/22 at a Special Meeting of Council scheduled to be held on Monday, 8 February 2021.</p> <p>2.7 Council is also required to approve its Minimum Revenue Provision (MRP) policy for 2021/22. However, it is proposed that Council will simply continue to apply its existing policy.</p> <p>2.8 Members may be interested to learn that the implementation of IFRS 16, the MRP consequences of which had been anticipated when the Council approved its MRP policy for 2020/21, has been deferred until 1 April 2022.</p> |
| 3.0 | Main Report |
| 3.1 | <p>Prior to considering the estimates for 2021/22 and striking the Rate, Council is required to have regard to the report submitted by the Chief Executive under section 4 (1) of the Local Government Finance Act (Northern Ireland) 2011 (the 2011 Act) on the robustness of the estimates when considering the estimates under section 3(2)(a) of the 2011 Act.</p> |

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| 3.2 | Similarly, section 6(3) of the 2011 Act requires Council to have regard to the report submitted by the Chief Executive under section 6(2) of the 2011 Act on the adequacy of any proposed financial reserves for a financial year. |
| 3.3 | The reports to be submitted by the Chief Executive under sections 4(1) and 6(2) of the 2011 Act (above) are included as part of the agenda for this meeting. |
| 3.4 | <p>Council has also a 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> |
| 3.5 | Consequently, Council shall, prior to considering the estimates for 2021/22, reflect on its minimum revenue provision (MRP) policy and consider its appropriateness. |
| 3.6 | A report seeking approval of the officer recommended MRP policy, which is to be considered prior to the Council’s consideration of the 2021/22 Rate estimates, is also included as part of the agenda for this meeting. |
| 3.7 | In order to expedite Members’ assimilation of information relevant to the 2021/22 Rate estimates, the officers have attached a supplementary paper (Appendix A – see attachment 6.1), which provides a more comprehensive analysis of the issues. The paper follows a similar format to the main report, which it is hoped will assist Members to ascertain the key points. |
| 3.8 | As a consequence, the officers have decided to only present the key issues within the body of this report. |
| 3.9 | As Members will appreciate, the Minister of Finance’s recent announcement (that there will be no increase in regional Rate in 2021/22) means that, unlike in previous years, the Council is not ‘in the dark’ about what the regional rate will be in 2021/22. |
| 3.10 | This means (for a welcome change) that, as the Council inevitably receives all the criticism for <u>all</u> the Rate increase borne by ratepayers despite 58% of the total domestic rates (54% of the total non-domestic rates) collected going to Stormont as opposed to the Council to fund services in the Mid Ulster district, the Council should benefit from a slight publicity benefit from the mathematical impact on the |

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| | <p>aggregate (district and regional) Rate (payable by individual ratepayers) of the increase in regional Rate being nil. This will result in ratepayers seeing a slightly lower aggregate Rate (which is what they actually pay) than what the district Rate increase would result in them paying if that was the only Rate in play (which it never is).</p> |
| 3.11 | <p>The effect of the regional Rate being frozen (on the aggregate Rate payable by individual ratepayers) is explained in the attached paper (Appendix A).</p> |
| 3.12 | <p>The presentation attached (Appendix B - see attachment 6.2) was delivered (by TEAMS) to all party political groupings and independent Members since the date of the January Committee meeting as part of the ongoing engagement with Members in relation to the Rate estimates process; the presentation sets the current Rate estimates process in the context of the Council's current reserves and cash balances, the thus far relative inability of the Council to effect significant recurrent savings from a considerable portion of the Council's budgets due to the relative inflexibility and often uncontrollable nature of elements of those budgets, and the officers' efforts to date in analysing anticipated future service needs and the major savings and pressures identified during the officers' efforts to present an affordable Rate to Committee for recommendation to Council.</p> |
| 3.13 | <p>Subsequent to the most recent engagement with Members, the officers have reflected on Members' comments and, in particular, Members' desire to strike as an affordable Rate as possible for all its ratepayers.</p> |
| 3.14 | <p>In reflecting on Members' comments, the officers have had due regard to three points in particular, i.e. the recent additional £517,704 RSG allocated by the Minister on 10 February 2021 for 2020/21, the amounts specifically discussed with Members relating to anticipated financial pressures in 2021/22, and the recently announced legislative "discretion", which allows councils, for the first time to strike a district domestic Rate that is completely independent of its non-domestic Rate.</p> |
| 3.15 | <p>In relation to these considerations, the officers would recommend that:</p> <ol style="list-style-type: none"> 1. As the additional RSG relates to 2020/21 and they have been advised by the DfC that the uplift to the "normal" RSG allocation will not be repeated in 2021/22, defraying part of the 2021/22 Rate increase by application of these funds, would both be technically inappropriate and result in an unfunded deficit going forward into 2021/22 and beyond; 2. Having reviewed the individual anticipated financial pressures, they do not think that, having identified such pressures, it would be prudent to simply "airbrush" them out of existence; and 3. The Council does <u>not</u> exercise its discretion to strike two separate independent Rates. This recommendation reflects several concerns that the officers have in relation to the newly advised discretion: <ol style="list-style-type: none"> a. Although the discretion was foreshadowed to some extent by the previous two (apparently currently in stasis) business rates consultation exercises issued by the DoF, its introduction has not |

neither consulted upon or supplemented by any departmental guidance;

- b. Informal discussion with DfC officers suggest that the DoF did not fully discuss the legislative change with the DfC prior to its introduction; this has manifested in apparent uncertainty within the DfC in relation to how the two independent Rates will be reported to the DfC as the current reporting template is constructed on the basis of the previous statutorily connected Rates;
- c. The officers are concerned that Members may not be sufficiently apprised of the financial consequences of redistributing the rate burden between the non-domestic and domestic sectors;
- d. The discretion is based on an apparent “devaluation” of the statutory conversion factor, which currently provides the link between the non-domestic and domestic Rates. Being independently calculated under statute by the DoF, the conversion factor provides a proved and tested methodology that affords all sections of the rate base transparency and equity in relation to how their district Rate is calculated; in this regard, the officers are uncertain as to whether the new legislative discretion has been equality assessed and rural proofed by the DoF. It is the officers’ opinion that, if the Council were to wish to exercise the discretion, it would first have to subject the proposal to equality screening under section 75 of the Northern Ireland 1998 Act and, thereafter potentially subject it to an equality impact assessment, which would require a formal consultation exercise; and
- e. As the statutory conversion factor underpins the statutory formula governing the distribution of the RSG, the officers are concerned that the apparent “devaluation” could signal the end of the statutory conversion factor, which would, if effected, lead to the end of the current methodology for distributing RSG (on which the Council is financially dependent) between eligible councils.

3.16 However, being mindful of the Members’ desire to strike an affordable Rate, and having regard to the Members’ and officers’ previously stated desire to identify and effect real cash releasing efficiencies through transformation of the Council’s entire expenditure profile, the officers consider it both appropriate and motivational, to quantify a financial target for cash releasing efficiencies in 2021/22 that can, with effort, be realised as s a minimum.

3.17 In quantifying this minimum target, the officers are mindful of the Council’s statutory obligation to strike a balanced budget and the risks associated with applying balances, something that this Council has, in the officers’ opinion, wisely resisted to date.

3.18 Accordingly, the officers recommend that the Council settles upon a cash releasing efficiency target of £200,000.

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| 3.19 | If accepted, the recommended target would result in the officers reducing the previously reported 2.05% increase in district Rate to 1.59%. |
| 3.20 | Further to the analysis in Appendix A, the officers would advise Members that, if the Council strikes a district Rate for 2021/22 that reflects a 1.59% increase from the 2020/21 district Rate, domestic and non-domestic ratepayers will experience a 0.68% and 0.73% respectively increase in the rates payable (prior to any Rate relief that may be available). |
| 3.21 | In practical terms, as explained above, a domestic ratepayer in a property with an average capital value of £125,000, would therefore see their annual rates bill increase by £6.75 (68p per month, if paid by direct debit). |
| 3.22 | As referenced in Appendix A, the Council will be aware of the significant uncertainties pertaining to the financial effects of the continuing pandemic. In particular, the Members will be aware that the Rate estimates have been prepared on the assumption that the DfC and other central government departments will continue to provide sufficient financial support during 2021/22 to compensate the Council for financial losses associated with the pandemic (income losses currently estimated at £1,032,217 with potential additional costs unquantified). |
| 3.23 | The Rate estimates before the Council also reflect the uncertainty, as estimated by the University of Ulster's Economic Policy Centre (in a specially commissioned analysis) to potentially see the Council suffer a loss of non-domestic rate income during 2021/22 in the amount of £1,045,216. |
| 3.24 | Unfortunately, it is simply impracticable for the Council to attempt to insulate itself against a potential loss of rate income in the order of £1,045,216. Instead, it will be reliant upon the continued support of the DfC and other central government departments. |
| 3.25 | Although there is no official correspondence to the Council in relation to continued financial support, the officers are encouraged by the ongoing discussion between the Association of Local Government Officers (ALGFO) and SOLACE, which appear to suggest that sufficient financial support will be made available to councils in 2021/22 to enable them to sustain the financial pressures associated with the pandemic. |
| 3.26 | <p>As detailed in paragraph 2.4 above, in order to strike a district Rate, the Council must first:</p> <ul style="list-style-type: none"> • Approve the estimates; • Authorise the expenditure included in the estimates; and • Fix for the next financial year (2021/22) the amount estimated to be required to be raised by means of rates made by the Council. |
| 3.27 | Accordingly, notwithstanding the uncertainties referred to above, the officers recommend that the Council: |

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| | <ul style="list-style-type: none"> • Approve the estimates as presented (both previously and as amended in the current report) to the Members, a summary of which is attached at Appendix C (see 6.3 below); • Authorise the expenditure within the estimates (gross expenditure £57,276,592, net expenditure £47,456,366); • Fix for 2021/22 the amount of £38,971,712 as the amount estimated to be required to be raised by means of rates made by the Council; and • Strike non-domestic and domestic Rates of 23.8484 and 0.3427 respectively, reflecting a 1.59% increase on the Rates struck in 2020/21. |
| 4.0 | Other Considerations |
| 4.1 | Financial, Human Resources & Risk Implications |
| | Financial: See above |
| | Human: N/A |
| | Risk Management: See above re continuance of ongoing NI Assembly financial support for losses due to the Covid 19 pandemic and RSG |
| 4.2 | Screening & Impact Assessments |
| | Equality & Good Relations Implications: N/A |
| | Rural Needs Implications: N/A |
| 5.0 | Recommendation(s) |
| 5.1 | That Members consider the above and that the Council: <ol style="list-style-type: none"> 1. Approve the estimates as presented; 2. Authorise the expenditure within the estimates; 3. Strike non-domestic and domestic Rates which will reflect a 1.59% increase respectively from the equivalent 2020/21 district Rates; 4. Authorise the Chief Executive to vire such amounts between budget headings as he deems necessary to secure Council's objectives in 2021/22. |
| 6.0 | Documents Attached & References |
| 6.1 | Appendix A – Supplementary paper supporting the recommendations included within the report |

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| 6.2 | Appendix B - Presentation to Members regarding financial issues pertaining to the 2021/22 Rate estimates and associated district Rate |
| 6.3 | Appendix C – Summary Rate estimates schedule detailing major savings and pressures identified during the officers’ efforts to present an affordable Rate to Members |