

Report on	Rate Estimates 2018/19
Reporting 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

1.0	Purpose of Report
1.1	To provide Members with an update in relation to the Rates Estimates process for 2018/19.
1.2	Although a considerable portion of this report has been extracted from the report which was issued to the Policy and Resources Committee for consideration at its meeting on Thursday, 8 February 2018, Members may find it useful to refer to the not previously circulated Rate Estimates Booklet which is included as an attachment to this report.
2.0	Background
2.1	<p>Members will recall previous discussions in relation to progress being made in the preparation of 2018/19 Rates Estimates.</p> <p>This report has been prepared in accordance with Council's previously agreed timetable for information and discussion in relation to the 2018/19 Rates Estimates process.</p> <p>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 2018/19 and to enable Council to strike its District Rate at its Special Meeting, which is scheduled to be held on Monday, 12 February 2018.</p> <p>Council's responsibilities in relation to its 2017/18 Rate Estimates are governed by Section 3 of the Local Government Finance Act (Northern Ireland) 2011 which states:</p> <p>"Annual budget</p> <p>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.</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>(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;</p> <p>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.</p> <p>As the “prescribed date” referred to in Section 3(2) (above) is 15th February 2018, Council is required to strike its district Rate by 15th February 2018. The timetable for the 2018/19 Rate estimates process previously approved by Council provides for the striking of the district Rate by 15 February.</p> <p>Council is also required to approve its Minimum Revenue Provision (MRP) policy for 2018/19. However, it is proposed that Council will simply continue to apply its existing policy.</p>
3.0	Main Report
3.1	Council has not yet received any formal indication of the amount of Rates Support Grant that will be payable in 2018/19.
3.2	As was the case in December, the continued absence of an Assembly is resulting in there being little indication as to what the regional rate will be in 2018/19.
3.3	<p>As previously reported to Members, at its simplest, the most significant figures included within the calculation to strike the district Rate will be the:</p> <ul style="list-style-type: none"> • Estimated net cost of Council services in 2018/19; • Rate Support Grant (RSG) allocated by the Department for Communities (DfC) to Council; • Estimated Penny Product (EPP); and • De-rating Grant (DRG).
3.4	Of the above figures, the most significant uncertainty attaches to the RSG that is likely to be allocated to Council. This is due to the fact that, as there is currently no Northern Ireland Executive to agree a budget for Northern Ireland from which a Minister for the Department of Communities could reserve a RSG budget, eligible councils cannot be certain that there will be any RSG budget, let alone what their share of the total budget will be. In the absence of an Assembly, there is unlikely to be a definitive quantification of the total amount of RSG that will be allocated between eligible councils prior to councils striking their district Rates.
3.5	At the present time, and in the light of information circulating in the local government sector in relation to the potential RSG allocation that eligible councils may receive in 2018/19, the officers consider that the most likely outcome is that Department officials will set an interim budget for Northern Ireland’s finances which will see the total amount of RSG set at

£12,121,920 (being 75% of £16,162,560 which would reflect an 8% reduction in the 2017/18 total of £17,568,000 million). Pending further information, the officers can only assume that if the Executive which will assume responsibility for the 2018/19 NI budget is not restored in the foreseeable future, one possibility is that Departmental officials will ultimately confirm the 2018/19 NI budget at 90% of the reduced (by 8%) 2017/18 budget.

3.6 Although Council did not, in similar circumstances last year, strike a district Rate which provide for a significant reduction in RSG as it considered that such an action might signal an unintended tacit consent to such a reduction, the officers feel that provision for some reduction should be made this year because of the significance that an allocation lower than budget would have on Council's reserves and ability to deliver upon its statutory obligations and other aspirations.

3.7 The officers consider that, having regard to all the potential outcomes, Council should consider striking its Rate on the basis of the 2017/18 RSG allocation being reduced by 8%. This produces a financial pressure in the amount of approximately £325,000.

3.8 Internal discussions subsequent to Committee's last consideration of the matter have resulted in the officers being able to reduce the estimated net cost of Council services in 2018/19 to £42,193,372 (from the previously advised amount of £43,193,372). This reduction has been brought about by close scrutiny of budget lines by Directors and other budget holders with a view to, in so far as practicable, eliminating instances of avoidable costs and seeking operational efficiencies, etc. which will reduce Council's net cost of services in 2018/19.

3.9 The attached paper presents an analysis of the major pressures contributing to the quantification of the estimated net cost of services for 2018/19. The estimated net cost of services reflects both financial pressures and a number of cost savings.

3.10 Significantly, the reduction referred to in paragraph 3.8 above, also reflects the application of £300,000 (recurrently) from Council's Rate income, which had previously been earmarked to fund opportunities/issues that might present throughout any given year.

3.11 As previously requested, officers will be in attendance at the Committee meeting to discuss, if required, the proposed budget provision.

3.12 The analysis below illustrates how the monies raised to fund the £42,193,372 estimated net cost of services are intended to be applied in 2018/19:

Estimated net cost of services		£42,193,372	=====
 <u>Applied:</u>			
Departmental costs		£39,693,372	
Funds potentially available for:			
Increasing cash	£	500,000	
Creating/increasing capital fund	£	2,000,000*	
Creating/increasing fund to:			
Respond to opportunities/threats	£	0	
		-----	£ 2,500,000

			£42,193,372
			=====

	<p>* Assumes that Council will not apply £1,000,000 previously included with Rate estimates (to service loans (to be repaid by 31 March 2018) drawn down to finance LG Reform Staff Severance Scheme) but will retain these monies to fund or finance potential future large scale infrastructural projects such as Broadband. £2,000,000 equates to £1,000,000 plus 2 x £500,000</p> <p>The other key figures relevant to the calculation of the district Rate referred to above are as follows:</p> <p><u>EPP</u></p> <p>The EPP has been confirmed as £1,428,430 which is only marginally higher than 2017/18 figure of £1,396,190.</p> <p><u>DRG</u></p> <p>3.13 The officers have yet to calculate the estimated DRG receivable for 2018/19. However, the figure is reflected in the EPP referred to above.</p> <p><u>Impact on Rates</u></p> <p>The attached briefing paper includes details of projected increases in:</p> <ul style="list-style-type: none"> • Non-domestic district Rate – 24.2371 which represents a 2.97% increase • Non-domestic district Rate poundage – 0.581447 – a 3.95% increase • Domestic district Rate – 0.3219 which represents a 2.98% increase • Domestic district Rate poundage – 0.007521 – a 3.92% increase <p>3.14 <u>Other factors</u></p> <p>It has been assumed that Department of Finance will not seek to legislate for a variation in the conversion factors used in the translation of councils’ non-domestic district Rate to domestic district Rate.</p> <p>The briefing paper does not reflect the impact of transitional rate relief on former Dungannon and South Tyrone Borough Council rate payers. These calculations do not affect the amounts to be determined in accordance with the statutory requirements of Section 3 of the Local Government Finance Act (Northern Ireland) 2011 detailed in section 2 of the report (above).</p>
4.0	Other Considerations
4.1	<p><u>Financial & Human Resources Implications</u></p> <p>Financial: To be determined</p> <p>Human: N/A</p>
4.2	<u>Equality and Good Relations Implications</u>

	Reduction in Rate Support Grant will impact solely on those councils deemed to be less wealthy than the Northern Ireland average district council. This will negatively impact on at least some of the nine categories protected by section 75 of the Northern Ireland Act 1998.
4.3	<u>Risk Management Implications</u> None
5.0	Recommendation(s)
5.1	That Council considers the above and accepts the officers' recommendation that Council: (1) Strike a non-domestic and domestic rate of 24.2371 and 0.3219 respectively; (2) Authorise the associated expenditure (3) Authorise the Chief Executive to vire such amounts between budget headings as he deems necessary to secure Council's objectives in 2018/19
6.0	Documents Attached & References
6.1	Third draft high level analysis of anticipated financial pressures impacting on the 2018/19 Rate estimates
6.2	Rates Estimates Booklet