

<b>Report on</b>	Rate estimates 2020/21
<b>Date of Meeting</b>	10 February 2020
<b>Reporting Officer</b>	Director of Finance
<b>Contact Officer</b>	Director of 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 an update in relation to the Rates Estimates process for 2020/21.
<b>2.0</b>	<b>Background</b>
2.1	Members will recall previous discussions in relation to progress being made in the preparation of 2020/21 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 2020/21 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 scheduled to be held on Monday, 10 February 2020.
2.4	Council's responsibilities in relation to its 2020/21 Rate Estimates are governed by Section 3 of the Local Government Finance Act (Northern Ireland) 2011 which states:  <b>"Annual budget</b> <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.  (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;

<p>2.5</p> <p>2.6</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; 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 15<sup>th</sup> February 2020, Council is required to strike its district Rate by 15<sup>th</sup> February 2020. The timetable for the 2020/21 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 2020/21. However, subject to any policy adjustment which may be necessary to address accounting changes which will be introduced by IFRS 16 – Leases, it is proposed that Council will simply continue to apply its existing policy.</p>
<p><b>3.0</b></p>	<p><b>Main Report</b></p>
<p>3.1</p> <p>3.2</p> <p>3.3</p> <p>3.4</p>	<p>Prior to considering the estimates for 2020/21 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> <p>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.</p> <p>Reports submitted by the Chief Executive under sections 4(1) and 6(2) of the 2011 Act were considered earlier in the meeting.</p> <p>Council has also a duty under Regulation 6 of the Local Government (Capital Accounting and Finance) Regulations (Northern Ireland) 2011 which states:</p>

3.5	<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	<p>Consequently, Council shall, prior to considering the estimates for 2020/21, reflect on its minimum revenue provision (MRP) policy and consider its appropriateness.</p>
3.6	<p>A report in relation to Council’s MRP policy, was considered earlier in the meeting.</p>
3.7	<p>As previously notified to Members, the officers would advise that Council has not yet received any indication of the amount of Rates Support Grant (RSG) that will be payable in 2020/21. As RSG is not statutorily protected, it is possible that the Department for Communities (DfC) could decide not to distribute any RSG in 2020/21. If this were to happen, Council could not fund its 2020/21 services from the aggregate income available to it. This would result in Council overspending by several million pounds with the overspend having to be funded from Council’s reserves, which are, of course, already earmarked for other purposes such as funding Council’s capital programme.</p>
3.8	<p>Although the officers have no idea how much RSG Council will receive in 2020/21, they have calculated from the limited information available, that it is highly likely that, even in the best scenario, Council will receive in excess of £700,000 less RSG than it did in 2019/20. Members will be aware that £700,000 equates to approximately 1.7% increase in Council’s district domestic Rate.</p>
3.9	<p>Council is similarly ‘in the dark’ about what the regional rate will be in 2020/21. This means that Council can have no idea about how much the NI Executive will increase the regional element of the 2020/21 Rate that domestic and non-domestic rate payers will have to pay.</p>
3.10	<p>It is the officers’ opinion that the regional domestic rate could well increase by 5% or more in 2020/21. In such circumstances, as Council will inevitably receive all the criticism for the Rate increase despite 58% of the total rates collected going to Stormont as opposed to Council to fund services in the Mid Ulster district, the officers would recommend to Council that, if it were possible, Council should seriously consider attempting to strike a domestic district Rate, which in percentage terms, will reflect an increase from 2019/20 equivalent to the ultimate regional domestic Rate increase.</p>

<p>3.11</p> <p>3.12</p> <p>3.13</p> <p>3.14</p> <p>3.15</p> <p>3.16</p> <p>3.17</p>	<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"> <li>• Estimated net cost of Council services in 2020/21;</li> <li>• Rate Support Grant (RSG) allocated by the Department for Communities (DfC) to Council;</li> <li>• Estimated Penny Product (EPP); and</li> <li>• De-rating Grant (DRG).</li> </ul> <p>As the above factors have been discussed at length in previous Committee reports dealing with the 2020/21 Rate estimates, this report will not seek to restate in detail the full calculation but will address the significant issues impacting on Committee's consideration of the 2020/21 Rate estimates.</p> <p>The paper attached at 6.1 presents an analysis of the major savings and pressures identified during the officers' efforts to present an affordable Rate to Committee for recommendation to Council.</p> <p>Subject to Committee's consideration and approval thereof, the proposed increase in district domestic Rate is now 3.95%, reflecting an increase from 0.3267 to 0.3396.</p> <p>Somewhat counterintuitively, however, as a result of the non-domestic revaluation undertaken by LPS, the recommended district non-domestic Rate reflects a 3.90% decrease from 2019/20 (24.5989 to 23.6389).</p> <p>However, as previously explained to Members, the reduction in district non-domestic Rate does not mean that non-domestic rate payers will see their domestic rates bill fall. On the contrary, most non-domestic rate payers will see their rates bill increase because the LPS revaluation will have caused their property rateable valuation to increase by more than the proposed district non-domestic Rate has fallen.</p> <p>Members should note that the proposed Rate has been recommended on the basis that Council retain the £1m included within its Rate estimates that was previously used to service the loan which financed the reform of local government within Council as it is proposed that this amount continue to be retained to fund, inter alia, Growth Fund commitments. Similarly, the proposed 2020/21 district Rate includes £1,500,000 (3 x £500,000) which is ring fenced to fund Council's capital programme.</p> <p>Finally, if Members so desire, relevant officers will be in attendance at the Committee meeting to discuss, if required, the proposed budget provision for 2020/21.</p>
<p><b>4.0</b></p>	<p><b>Other Considerations</b></p>
<p><b>4.1</b></p>	<p><b>Financial, Human Resources &amp; Risk Implications</b></p> <p>Financial:</p>

	See above
	Human: N/A
	Risk Management: See above re RSG and refer to previous discussions re waste management cost uncertainty
<b>4.2</b>	<b>Screening &amp; Impact Assessments</b>
	Equality & Good Relations Implications: N/A
	Rural Needs Implications: N/A
<b>5.0</b>	<b>Recommendation(s)</b>
5.1	<p>That Members consider the above and recommend to Council that it consider the attached papers as required by legislation and that it:</p> <p>(1) Strike non-domestic and domestic Rates which will reflect a 3.90% decrease and 3.95% increase respectively from the 2019/20 district Rates;</p> <p>(2) Authorise the associated expenditure of £45,307,772</p> <p>(3) Authorise the Chief Executive to vire such amounts between budget headings as he deems necessary to secure Council's objectives in 2020/21.</p>
<b>6.0</b>	<b>Documents Attached &amp; References</b>
6.1	Schedule of major savings and pressures identified during the officers' efforts to present an affordable Rate to Committee