

Extract of Rates Estimates Report presented to Policy & Resources Committee on 3 February

Members will be aware that the officers continue to work towards the presentation of proposals to enable the Council to strike an affordable Rate for 2022/23 that will enable the Council to deliver upon its statutory obligations and achieve its corporate and other objectives.

At the time of writing, since the last Committee meeting, which was held on 12 January 2022, some Members have met with the Strategic Director of Corporate Services and Finance with other meetings being scheduled to take place in advance of this meeting.

Although detailed assessment of the Council's finances continues, the officers are currently of the opinion that the Council should reflect upon the significant economic shifts that have taken place since start of the Covid 19 pandemic in early 2020 and how, in that context, the Council can best deliver upon its statutory duties and aspirations.

Significant issues for consideration include:

1. Inflation is currently significantly above the government's target of 2%;
2. It would appear that inflation will increase further over 2022/23 and that supply chain issues will remain for the foreseeable future;
3. Notwithstanding the Council's robust cash reserves, considerable uncertainty remains over significant elements of the Council's income streams, both from the public in terms of facility usage and from central government in terms of grant support, notably Rate Support Grant (RSG);
4. Central government pandemic related support for business and society in general appears to be waning;
5. Much of the Council's cost base, e.g., staff, energy, fuel, waste management, IT licensing and support, etc. is extremely difficult to significantly reduce in the short (and indeed medium) term and is generally subject to inflation rates significantly in excess of the average rate of inflation, regardless of whether measured by RPI or CPI;
6. Although the Council is currently reasonably well funded to deliver most of its statutory obligations and aspirations, insufficient provision has currently been made for ongoing revenue commitments associated with capital works

recently completed and/or scheduled for completion in the short to medium term.

The schedule attached (below) illustrates that financial analysis to date has:

1. Identified recurrent cost pressures estimated in the amount of £4,123,500 (details as per schedule, the total of which is presented as £3,233,500 due to need to present non-payroll element of 2021/22 pressures (£890,000) as negative amounts);
2. Identified potential areas that might yield savings or income streams estimated in the amount of £950,000 (details as per schedule), which could be applied to mitigate the recurrent cost pressures;
3. Calculated a potential district Rate for 2022/23, which would reflect a 4.94% increase from the district Rate struck for 2021/22 – this has decreased from the figure of 5.4% discussed at the initial meetings with Members.

Further analysis of the figures presented in the schedule suggests the following:

1. If the Council strikes a district Rate which reflects a 4.94% increase from the 2021/22 Rate, the Council will, in all probability, continue to have the second lowest district domestic Rate in Northern Ireland (2021/22 – 2nd lowest);
2. It is not yet possible to calculate how its non-domestic Rate will compare to other councils' non-domestic Rate; however, it is likely that the Council's non-domestic Rate will be the fifth lowest in Northern Ireland (2021/22 – 3rd lowest);
3. The Council would, had the Council not struck a district Rate in 2021/22 that reflected a 0% increase from the 2020/21 district Rate, not have had to fund £1,250,000 in the 2022/23 Rate, an amount which of itself contributes 2.83% of the 4.94% increase;
4. As the NI Executive has already indicated its intention to not increase the Regional rate in 2022/23, the Council's rate payers will not actually experience a 4.94% increase in their 2022/23 Rates. The proposed district Rate increase of 4.94% will produce a 2.09% increase in Rates payable. This will result in an average rate payer (property rateable value of £125,000) living in Mid Ulster District Rate bill increasing from £993.38 pa to £1,014.13 pa – an increase of £20.75 pa or £2.08 per month (10 months direct debit), which equates to £1.73 per week.

As previously discussed, Members will appreciate that, given the Council's inability to achieve savings in relation to staff costs and third party waste management costs within a defined reasonable time period, and its desire to not jeopardise its ability to deliver its Growth Deal ambitions and capital programme commitments, all savings have effectively to be delivered on 23% of its gross budget. This would equate to a 23.3% reduction in that proportion (£13,624,601) of its estimated 2022/23 gross budget of £59,237,409; the officers do not consider that a reduction of such magnitude is either desirable or possible.

Members will again appreciate that, if the Council sought to deliver the necessary savings from that portion of its budget that is committed to funding either its Growth Deal ambitions or the capital programme, it could jeopardise the leveraging of significant investment into the district (Growth Deal and capital programme to the extent that the capital programme is part funded) and/or create a future funding deficit (capital programme) that could not be re-established via affordable Rate increases. The officers would therefore recommend that Members should reflect carefully on the consequences of such a proposal before contemplating the Council to such a strategy.

Finally, the officers would ask the Members to note that the Minister of Communities recent announcement of an additional £10m RSG allocation in 2021/22, although extremely welcome, is non-recurrent funding. As such, the Council should not seek to apply its allocation of the additional funding to “resolve” the estimated 2022/23 recurrent financial pressures.

However, Members will note that the attached schedule assumes that the Council will receive an additional unbudgeted £1m RSG and that the Council will choose to use it to fund transformation over a 4 year period to reduce recurrent revenue expenditure by the end of that period.

If delivered upon, the process of using defined amounts of cash reserves over a defined period to secure significant cash releasing efficiencies would be an excellent way for the Council to address its longer term funding issues, both because the Council has sufficient cash reserves to do so and because it is entirely consistent with the transformation agenda that the Council has adopted.

Rate Estimates Update - Policy & Resources Committee Meeting 3 February 2022

Appendix 6.1 - Draft Rate Estimates Schedule 2022/23

	Annual Budget 2022/23 £	Annual Budget 2022/23 £	Annual Budget 2022/23 £	Annual Budget 2022/23 £
2021/22 Estimated Funded Net Expenditure				46,566,366
<u>Pressures</u>				
<u>Amounts attributable to 2021/22</u>		1,250,000		
<u>Amounts attributable to 2022/23</u>				
Staff costs	1,240,000			
Waste contracts	569,000			
Funding of revenue tail of capital programme	450,000			
Energy costs	164,500			
Fuel costs	115,000			
Insurance	100,000			
IT & Telecoms inflation	100,000			
GPS tracking software	41,000			
Members Allowances	35,000			
Coalisland HWRC - discharge cert plus lease increas	20,000			
Additional Rates - Drumcoo	16,000			
HR management info system	14,000			
Shortfall in MacMillan funding	9,000			
	<hr/>	2,873,500		
Total pressures			4,123,500	
<u>Funding of pressures</u>				
Leisure & Parks savings identified - realign sevices to demand		(350,000)		
Property Services savings identified - review of public conveniences delivery mode		(200,000)		
Additional car parking income - Cookstown		(100,000)		
Increased Building Control fees		(50,000)		
Application of additional RSG received in 2021/22 to fund transformation over a 4 year period		(250,000)		
		<hr/>	(950,000)	
Net pressures			<hr/>	3,173,500
Estimated 2022/23 Net Expenditure to be funded				<hr/> 49,739,866

Appendix 6.2 **Paper - 2022/23 Rate Estimates**

Mid Ulster District Council - Special Meeting on Monday, 3 February 2022

Analysis of Council Cash Balances

	£000	£000
Balance at 31 December 2021 (per Financial Report submitted to P&R Committee)		29,420
Less:		
Amounts funded in advance (per 2020/21 accounts)		
DfC Covid	4,733	
DfC Active Travel	499	
RSG	851	
	<hr/>	(6,083)
General fund balance (per 2020/21 draft accounts)		(6,363)
(Council required to hold adequate reserves - one month's gross expenditure approximately £6m)		
Amounts to fund restructuring (per July 2021 Council meeting report)		(1,247)
Amount to fund loan repayments already committed (per 2020/21 draft accounts)	(5,460)	
Reduced to nil as included in Rate income over remaining term of loans	<hr/> 5,460	0
Amounts accumulated for specific purposes		
General Power of Competence (5 years at £100k less est. £100k expended to date)	400	
Growth Deal Projects (2 years x £1m)	2,000	
Miscellaneous	<hr/> 500	(2,900)
Amount necessary to close landfill sites (per 2020/21 draft accounts)		(1,780)
Amounts to fund 2021/22 deficit (amounts not budgeted for)		
2021/22 pay rise	360	
Remainder - compensated (in year only) for by 2020/21 finalisation	<hr/> 0	(360)
Amount suggested to be retained to fund transformation over next Council term (4 years)		(1,500)
		<hr/>
Balance available to fund capital projects or be applied as determined by the Council		9,187