



12 February 2018

Dear Councillor

You are invited to attend a meeting of the Special Council to be held in The Chamber, Dungannon at Mid Ulster District Council, Council Offices, Circular Road, DUNGANNON, BT71 6DT on Monday, 12 February 2018 at 19:00 to transact the business noted below.

Yours faithfully

Anthony Tohill
Chief Executive

AGENDA

OPEN BUSINESS

1. Apologies
2. Declarations of Interest
3. Chair's Business

Matters for Decision

- | | | |
|----|---|---------|
| 4. | A Minimum Revenue Provision (MRP) Policy | 3 - 4 |
| 5. | Robustness of the Estimates | 5 - 8 |
| 6. | Adequacy of Council's Reserves | 9 - 12 |
| 7. | Estimates of Income and Expenditure for Financial Year 1 April 2018 | 13 - 34 |
| 8. | Approval of Rates Estimates for 2018-2019 | |

(i) Authorisation of the expenditure included in the estimates;

(ii) Fixing for the financial year 1 April 2019 the amount to be raised by means of rates and striking the domestic and non-domestic rate for 2018-2019.

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

Report on	Minimum Revenue Provision Policy
Reporting Officer	Director of Finance
Contact Officer	JJ Tohill

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 Council's 2018/19 Minimum Revenue Provision Policy.
2.0	Background
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 2017/18.
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>
3.0	Main Report
3.1	Council previously adopted a MRP policy in 2017/18 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"> • Land and buildings – 25 years • Vehicles – 8 years • ICT – 5 years • Assets under construction – not applicable, <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 confirmed by Council prior to striking the 2017/18 Rate.
3.4	The officers, being satisfied that the existing (2017/18) MRP policy is sufficient to enable Council to fund its capital programme on a consistent and prudent basis, therefore recommend that the 2017/18 MRP Policy is retained for 2018/19.
3.5	The draft proposed Rate estimates have been prepared on the basis of this recommendation.
4.0	Other Considerations
4.1	<u>Financial & Human Resources Implications</u> Financial: See above Human: N/A
4.2	<u>Equality and Good Relations Implications</u> N/A
4.3	<u>Risk Management Implications</u> N/A
5.0	Recommendation(s)
5.1	That Council retains the 2017/18 MRP Policy as discussed above.
6.0	Documents Attached & References
6.1	N/A

Report on	Robustness of Rate Estimates 2018/19
Reporting Officer	Chief Financial Officer (Chief Executive)
Contact Officer	JJ Tohill

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

1.0	Purpose of Report
1.1	To provide Members with an update in relation to the robustness of the 2017/18 Rate estimates.
2.0	Background
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>
3.0	Main Report
3.1	The 2018/19 Rate estimates have been prepared, in so far as possible, on a zero base basis. This is generally accepted as a more robust method of preparing budgets than the more usual practice of incremental based budgeting.
3.2	The amounts included within the Rate estimates have been prepared on the basis of extensive discussions with the relevant Directors and associated budget holders and have regard to the officers' best estimates of known financial pressures and the resource requirements of continuing to deliver Council services in 2018/19.
3.3	<p>The proposed Rate estimates expressly provide for the:</p> <ul style="list-style-type: none"> • Continuance of the £500k contribution towards the restoration of Council's cash reserves, which was initiated in the 2017/18 Rate estimates; and • Augmentation in the amount of £500k of the £500k contribution towards the establishment of a capital fund sufficient to deliver Council's capital aspirations.

3.4 The Rate estimates have been prepared on the basis of Council surrendering its recurrent (since 2017/18) £300k allocation towards a fund to be used to take advantage of opportunities or address threats as and when identified to mitigate recurrent financial pressures in the preparation of the 2018/19 Rate estimates.

3.5 The officers are of the opinion that appropriate funding of Council's capital programme and its cash balances is necessary to both ensure the delivery of Council's capital aspirations programme and provide it with an adequate cash base from which to operate. The officers also consider that any reduction in the amounts proposed to be retained in the 2018/19 Rate estimates will seriously undermine Council's ability to deliver upon the officers' understanding of Council's capital and revenue plans.

3.6 Funding of capital expenditure

As in previous Rate estimates processes undertaken by Council since its assumed responsibility for setting a budget for the delivery of council services on 1 April 2015, Council has yet to formally approve a capital programme which will deliver capital projects beyond those already committed to at the time of the previous (2017/18) Rate estimates. In other words, the Rate estimates make very limited express provision for the funding of capital projects beyond those to which Council is already committed.

Typically capital projects are funded via Council making a minimum revenue provision (MRP) which seeks to fund the cost of borrowing over a period equivalent to the estimated life of the capital asset being funded. These MRPs are calculated in accordance with the MRP policy adopted by Council (see separate report considered earlier in this meeting).

The Rate estimates recommended to Council would result in Council striking a district domestic Rate which will be 2.98% higher than the 2017/18 district domestic Rate. The recommended Rate, however, although including only a limited express MRP, does expressly seek to secure a further £500,000 (in addition to the £500,000 provided in the 2017/18 Rate estimates) to fund capital projects.

The ring fencing of these two £500,000 allocations will enable Council to finance borrowing which will be used to fund capital projects that Council will ultimately formally include within its capital programme for 2018/19 and beyond (the plan horizon is currently 2020). Currently approximately £58,594k of capital projects are under consideration for inclusion in Council's 2017/2020 capital programme. These projects are currently estimated to require £39,416k of Council funding. Of these projects, only the vehicle replacement programme in the amount of £4,475k (over five years) has been expressly reflected in the 2017/18 and 2018/19 Rate estimates and this expenditure will also in due course be funded by borrowing. As neither the 2017/18 nor the 2018/19 Rate estimates include a specific MRP for the vehicle replacement programme, the requisite MRP will be drawn from the £1 million (2 x £500k) allocation.

On the assumption that Council can continue to access borrowing at competitive rates (currently 2.78% fixed for 25 years) and interest rates increase to an average of (say) 4% over the life of the capital programme, Council's borrowing costs can be estimated to be approximately £60,000 per annum per million pounds borrowed. Consequently, the proposed £500,000 per annum capital fund would finance £8.333 million of capital expenditure. On this basis the cost of financing £40 million would be £2.4million per annum.

Members will also recall that Council drew down a loan from the then Department of Finance and Personnel (now Department of Finance) in the amount of £3.058 million to fund staff severance costs associated with local government reform. This loan was scheduled repaid over the first three years of Council's existence and will not exist post 31 March 2018. An amount of approximately £1,000,000 is therefore included within Council's Rate income which will no longer be required to service this loan post 2017/18. The Rate estimates have been prepared on the assumption that Council will not surrender this £1 million to mitigate financial pressures but will be retained to either fund or finance capital investment by Council or to lever significant third party investment into the Council district for major infrastructural or other investment such as roads, rail or broadband.

On this basis, if Council ultimately decides to deliver the entire £58,594k capital programme currently under consideration, it would have to include an amount of £2.4million within its Rate estimates. As the currently proposed Rate estimates only includes an amount of £1,000,000 (excluding the £1 million associated with the soon to be repaid loan associated with staff severance on local government reform (see above)), Members should reflect on the fact that delivery of any new capital programme in the 2017/2020 period is entirely contingent on an adequate provision being included within the Rate estimates.

Uncertainties

As in all budget estimate processes, senior officers have utilised their professional judgment where appropriate and had regard to market forces in so far as it has been practicable to do so.

The estimation of future financial requirements has also had regard to the projected financial outturn in 2017/18 and the desire to utilise prior period surpluses, where possible, to deliver outcomes in the District as agreed with Council.

Members should note that the proposed estimates have been prepared on the basis of assumptions and information provided to Council by third parties such as the Department for Communities and Land and Property Services previously notified to the Policy and Resources Committee.

In particular, Members will be aware of the present uncertainty surrounding the quantum of Rate Support Grant (RSG) which will ultimately be allocated to Council. As RSG typically funds approximately 7% of Council's net cost of services, a shortfall in RSG received (compared to budget) will have the potential to significantly impact on Council's ability to finance its services in 2018/19.

Conclusion

Subject to the uncertainty surrounding RSG, and on the assumption that Council does strike a Rate which will expressly fund the

- Continuation of the £500k contribution towards the restoration of appropriate cash reserves; and
- Augmentation in the amount of £500k of the £500k contribution towards the establishment of a capital fund sufficient to deliver Council's capital aspirations

the officers are satisfied that the proposed Rate estimates are sufficiently robust to enable Council to deliver its services in 2018/19.

4.0	Other Considerations
4.1	<p><u>Financial & Human Resources Implications</u></p> <p>Financial: See above</p> <p>Human: N/A</p>
4.2	<p><u>Equality and Good Relations Implications</u></p> <p>N/A</p>
4.3	<p><u>Risk Management Implications</u></p> <p>N/A</p>
5.0	Recommendation(s)
5.1	That Members have regard to the Chief Financial Officer's comments in relation to the robustness of the estimates when considering the estimates.
6.0	Documents Attached & References
6.1	N/A

Report on	Adequacy of Reserves
Reporting Officer	Chief Financial Officer (Chief Executive)
Contact Officer	JJ Tohill

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 adequacy of Council's projected reserves for 2018/19.
2.0	Background
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>
3.0	Main Report
3.1	Although previous Department of Environment (now superseded by Department for Communities) 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, this guidance has now been superseded by guidance which no longer specifies a minimum level of reserves.
3.2	Although the 2017/18 financial outturn is not yet known, the officers estimate that when the financial commitments that the 2017/18 Rate income was intended to fund are accounted for, Council's usable reserves will be uplifted by approximately £1.3 million. The anticipated increase in usable reserves is explained by the £1.3 million that Council included within its 2017/18 Rate estimates with the intention of being applied to increase cash balances (£500k), provide a capital fund (£500k) and create a fund to be used to take advantage of opportunities or address threats as and when identified (£300k). These amounts in part reflect amounts previously included within Rate estimates to fund structural reform, potential future expenditure incurred under Council's general power of competency, and absorption of functions transferred from central government.
3.3	

3.4	<p>If the original departmental guidance (see above) continued to be extant, i.e. Council's reserves should equate to a minimum of 5% of its 2017/18 net operating expenditure, it would appear that Council is on track to deliver 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 in the event that it did not receive its Rate income for some reason.</p>						
3.7	<p>In the case of this Council, 1/12 of net operating expenditure is approximately £3.5 million (being approximately £42 million divided by 12).</p>						
3.8	<p>At the end of December 2017, Council had a reconciled cash balance of £9,603,427. As such, Council is currently satisfying the above 'criterion'. Council also benefits from the 'safety net' of an overdraft facility which it has not needed to avail of to date.</p>						
3.9	<p>Going forward, Council will have to fund landfill closure costs from cash reserves (i.e. the Department will not permit the Council to draw down a loan to fund such projects). The current estimate (on a discounted cash flow basis) of this specific cash requirement is £4,410,162 (at 31 March 2017).</p>						
3.10	<p>Consequently, Council should hold a minimum uncommitted cash balance of:</p> <table data-bbox="236 1160 1145 1256"> <tr> <td>Working capital (1/12 net operating expenditure)</td> <td style="text-align: right;">3,500,000</td> </tr> <tr> <td>Cash reserve to fund landfill site closures</td> <td style="text-align: right;"><u>4,410,162</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">7,910,162</td> </tr> </table>	Working capital (1/12 net operating expenditure)	3,500,000	Cash reserve to fund landfill site closures	<u>4,410,162</u>	Total	7,910,162
Working capital (1/12 net operating expenditure)	3,500,000						
Cash reserve to fund landfill site closures	<u>4,410,162</u>						
Total	7,910,162						
3.11	<p>As Council's monthly expenditure is typically in the region of £3.5 million (see above) and it will be required to finance other reserves (including a capital fund) in the amount of approximately £5 million, this means that Council should be currently holding approximately £13.4 million. Consequently, Council's cash reserves would appear to be approximately £3.8 million less than the amount that it would aspire to hold.</p>						
3.12	<p>As previously explained to Members, the current cash 'deficit' can only be reduced by either:</p> <ol style="list-style-type: none"> 1. Holding in year revenue surpluses for this purpose; 2. Increasing the Rate for this purpose; or 3. Disposing of surplus Council assets. 						
3.13	<p>Although Council is currently in a technical cash deficit, and notwithstanding that it is considering surrendering its recurrent (since 2017/18) £300k allocation towards a fund to be used to take advantage of opportunities or address threats as and when identified (see above) to mitigate recurrent financial pressures in the preparation of the 2018/19 rate estimates, subject to a positive resolution of the current uncertainty surrounding the quantum of Rate Support Grant that Council will receive in 2018/19, the officers believe that the 2018/19 Rate estimates are such that the Council will over time rectify its cash deficit.</p>						

	Consequently, the officers are, subject to a positive resolution of the current uncertainty surrounding the quantum of Rate Support Grant that Council will receive in 2018/19, of the opinion that Council's reserves are adequate.
4.0	Other Considerations
4.1	<u>Financial & Human Resources Implications</u> Financial: See above Human: N/A
4.2	<u>Equality and Good Relations Implications</u> N/A
4.3	<u>Risk Management Implications</u> N/A
5.0	Recommendation(s)
5.1	That Council notes the above.
6.0	Documents Attached & References
6.1	N/A

Report on	Rate Estimates 2018/19
Reporting Officer	Director of Finance
Contact Officer	Head of Finance

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

Third draft high level analysis of anticipated financial pressures impacting on the 2018/19 Rate estimates - To be discussed at P&R February 2018

	2018/19 £	2018/19 £	2018/19 £	2018/19 £
Estimated net cost of services 2017/18 - agreed to prior year documentation				Total 40,288,641
Pressures:				
<u>Payroll:</u>				
2% NJC Employer Side Offer		740,864		
Increments		188,721		
1% increase in Employer Superannuation contribution rate		126,233		
		<u>1,055,818</u>		
New Posts:				
Consequence of GLC coming inhouse (as opposed to Pulse T&C)	300,000			
Potential consequences of Lesiure Service's review to include lifeguards & 40 to 37 hours	<u>100,000</u>			
	<u>400,000</u>			
Internal Audit:				
Payroll	25,000			
Arts & Culture - Marketing Advisers	20,000			
Customer Services/Complaints	50,000			
	<u>60,000</u>			
	<u>155,000</u>			
Sperrins management structures	20,000			
Dark Skies facility	<u>35,000</u>			
	<u>55,000</u>			
Total New Posts		610,000		
		<u>1,665,818</u>		
Total Payroll Costs			1,665,818	
<u>General goods and services:</u>				
Inflation - estimated - 3%		362,204		
Inflation - absorbed		<u>(200,000)</u>	162,204	
<u>Rate Support Grant reductions (2016/17 actual - £2,966,485; 2017/18 budget - £2,891,400; actual - £2,789,881):</u>				
2017/18 in year reduction from 2017/18 budget		101,519		
Anticipated reduction in 2018/19 (from 2017/18 actual):				

	4% or	111,595		
	8% or	223,190	223,190	
	12%	334,786		
Total RSG reduction				324,709
<u>Additional MRP to fund capital programme</u>				500,000
<u>Insurances:</u>				
	Underbudgeted in 2017/18 due to year end payroll declaration post estimates		50,000	
	Market hardening - estimated 5% increase		30,000	80,000
<u>Additional cost associated with annual asset revaluation required by Cipfa Code</u>				25,000
<u>Waste management</u>				452,000
<u>Facility pressures:</u>				
	Additional maintenance requirement		55,000	
	Central Services budget realignment		52,050	
				107,050
<u>Affordable Warmth:</u>				
	Funding reduction		80,000	
	Activity reduction		(80,000)	0
<u>Planning Portal - building up annual maintenance budget (50% of £60,000 pa)</u>				30,000
Total Identified Pressures				3,346,781
Estimated potential savings/increases in income:				
<u>Environmental Services</u>				
	Tullyvar Closure (Reduction in fuel, Refuse Collection)	(15,000)		
	Tullyvar Closure (Reduction in Wages)	(34,418)		
		(49,418)	(50,000)	
	Clogher Civic Amenity Site Closure (Revenue costs)	(3,400)		
	Clogher Civic Amenity Site Closure (Wages)	(36,423)		
		(39,823)	(40,000)	

Bulky uplift income/reduction in service requests		(20,000)	
Charging for commercial green waste - 2,500 tonnes @ £50/tonne		(125,000)	
Car parking charges (Cookstown, Central Magherafelt tariff alignment and £1 for 3 hours)		(60,000)	
Castledawson Civic Amenity Site Closure (Wages)	(38,877)		
Castledawson Civic Amenity Site Closure (Other)	(3,100)		
	<hr/>	(42,000)	
Magheraglass Closure (Plant hire & contractor)	(35,000)		
Magheraglass Closure (Leachate)	(30,000)		
	<hr/>	(65,000)	
Caledon Public Convenience Closure (Automatic)		(30,000)	
Festive Lights		(1,600)	
Tullyvar Civic Amenity Site		(3,450)	
Magherafelt Depot		(5,000)	
Oaks Road Depot		(5,000)	
		<hr/>	
Total Environmental Services Directorate			- (447,050)
<u>Leisure & Outdoor Recreational Services</u>			
Leisure Centres - closure on Bank Holidays		(30,000)	
Increase in Leisure prices		(100,000)	
Increase in Parks income		(40,000)	
Additional leisure savings		(100,000)	
		<hr/>	
Total Leisure & Recreational Services Directorate			(270,000)
<u>Chief Executive's Department</u>			(50,000)
<u>Business & Communities Directorate</u>			(50,000)
<u>Finance Directorate</u>			(50,000)
<u>Organisational Design Directorate</u>			(50,000)
<u>Public Health & Infrastructure Directorate</u>			(50,000)

<u>Cross Cutting Savings</u>			
Overime		(50,000)	
Mileage		(50,000)	
Advertising		(25,000)	
Other materials		(50,000)	
		<hr/>	
Total Contribution from Cross Cutting savings			(175,000)
			<hr/>
Total net savings identified by Officers			(1,142,050)
Reduction in Council's recurrent contribution to fund Opportunities			(300,000)
Estimated net cost of services 2018/19			42,193,372
Reduce by RSG pressures identified above to allow for anticipated 2018/19 RSG to be deducted below			
2017/18 in year reduction from 2017/18 budget			(101,519)
Potential cut in 2018/19 allocation - 12% (see above)			(223,190)
			<hr/>
	% increase	#DIV/0!	41,868,663
Less estimated Rate Support Grant - amount anticipated to to be received in 2018/19			(2,566,691)
			<hr/>
			39,301,972
Less Transferring Functions Grant - methodology to strike Rate shows TFG as nil at this point			0
Less De-ratng Grant - methodology to strike Rate shows DRG as nil at this point			0
			<hr/>
Less balance applied - not a sustainable financial practice			0
Savings to be made to produce acceptable Rate increase			
Net amount to be raised			39,301,972
Estimated Penny Product			
Stage 1	EPP	1,426,810	
Stage 2	EPP	1,620	1,428,430
		<hr/>	

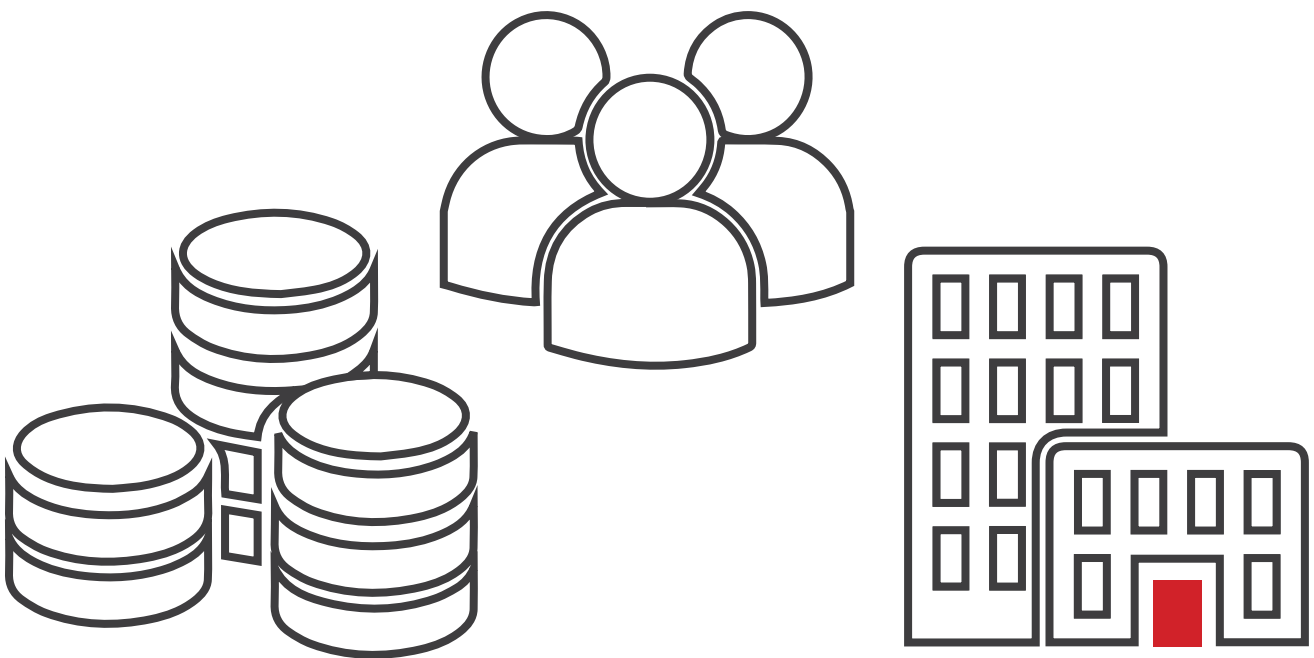
Prior Year	TFG EPP		28,120	
Stage 1	De-rated EPP		165,010	1,621,560
<hr/>				
Non-domestic District Rate (properly rounded to 4 decimal places for calculations)				24.2371
			2.97% increase from prior year	
Non-domestic District Rate Poundage				0.242371
Non-domestic Regional Rate Poundage - estimated				
2017/18 actual				0.329200
Estimated inflationary increase - most recent GDP inflator (2017/18 used 1.6%)				
		3.00%	0.009876	0.339076
<hr/>				
Non-domestic Rate Poundage pre convergence relief			3.95% increase from prior year	0.581447
Conversion factor to convert non-domestic District Rate to domestic District Rate				0.013283
<hr/>				
Domestic Rate (properly rounded to 4 decimal places)				0.3219
			2.98% increase from prior year	
Domestic Regional Rate				
2017/18 actual				0.4177
Estimated inflationary increase - most recent GDP inflator (2017/18 used 1.6%)				
		3.00%	0.0125	0.4302
<hr/>				
Domestic Rate pre convergence relief			3.92% increase from prior year	0.7521



Comhairle Ceantair
Lár Uladh
Mid Ulster
District Council

District Rate Estimates

2018 - 2019



Background

Mid Ulster District Council is committed to minimising any increase in the rates local people pay, while continuing to provide quality services, to improve services and facilities and to plan for future investment in the region.

In the last 2 financial years, any increase in the rate has been held to below 2% (2016-2017: 1.04%, 2017-2018: 1.46%).

However, 2018-2019 has proved to be the most challenging budget-setting year to date, given a significant range of adverse financial pressures. These amount to some £3.3M, which, if implemented unchecked, would equate to a 7.2% rise in the rate.

Members will be aware of many of the factors with an adverse impact on budgets, among them the unconfirmed, but anticipated reduction to the Rates Support Grant, the on-going pressures on payroll and the continued effect of costs associated with the disposal of waste for both landfill and recycling.

In the pages which follow, the adverse factors are explained and the steps taken to offset their impact are detailed, together with the Council's capital programme and future investment and development plans.

Cost Factors

The factors adversely impacting on the Council's budget-setting process reflect costs which are:

- beyond the Council's control
- additional to ensure service and facility provision
- capital to allow progression of the agreed capital programme.

Costs beyond the Council's control

While there is still no Executive to agree a budget for Northern Ireland, meaning councils cannot be certain with regard to the level of Rates Support Grant (RSG) likely to be received, there is no indication that the grant itself or the level of grant payable will be ring-fenced or protected in any way.

For budget-setting purposes, the negative impact on Mid Ulster is estimated to amount to an 8% cut or £223,190. When added to the in-year reduction of £101,519 which the Council has already experienced, the total anticipated cost to the Council is £324,709.

Although the Council did not, in similar circumstances last year, strike a district rate which provided for a significant reduction in RSG as it considered that such an action might signal an unintended tacit consent to such a reduction, making provision is considered prudent in the next financial year. Without any such provision, an allocation lower than budget would adversely impact on the Council's finances and its ability to deliver upon its statutory obligations, service delivery and future investment across the district.

As an organisation which relies on close to 1,000 staff members to provide its functions and services, members will know that approximately 60% of the Council's net budget or 47% of its gross budget is allocated to staff costs.

Employer costs rise year on year and in 2018-2019, a nationally agreed pay award, together with imposed increases in superannuation costs and natural progression along pay scales, mean the budgetary impact amounts to £1,055,818.

Waste disposal costs are market-led and represent an annual pressure over which the Council has no control. Landfill charges continue to increase and while the Council has had the highest recycling rate of all 11 local authorities, the processing of recyclable and compostable materials must be paid for. The award of new contracts for recyclable materials in early 2018 may result in some reduced expenditure in this area, but the anticipated expenditure level remains substantial at £452,000.

Summary table of adverse financial factors beyond the Council's control

Adverse factor	Financial Impact
Inflation	£162,204
Nationally agreed pay award	£740,864
Pay scale progression	£188,721
Increase in superannuation costs	£126,233
Rate Support Grant reduction (8%)	£223,190
Rate Support Grant reduction (in-year)	£101,519
Insurance	£80,000
Asset revaluation	£25,000
Waste management	£452,000
Total	£2,099,731

Additional costs

Additional costs have been minimised and while they are discretionary to a point, their inclusion in the 2018-2019 budget reflects an on-going drive towards service enhancement and improvement.

The decision to bring Greenvale Leisure Centre in Magherafelt under the Council's direct management allows the opportunity to conduct a Mid Ulster-wide review of its leisure provision with a view to align services to better meet customers' expectations and needs. It also allows the Council to address issues around systems of work, processes, procedures, service standards, pricing and membership options.

The associated costs reflect the expenditure required to bring Greenvale in-house and the anticipated costs which may emanate from the completion of the leisure services review which has begun in this financial year.

Provision is also made for an increased allocation of staff in the delivery of tourism and cultural projects, bringing additional resources to the marketing of our 3 cultural venues (Burnavon, Ranfurly House & The Hill of The O'Neill and Seamus Heaney

HomePlace), a new resource towards the establishment of the Dark Sky Observatory & Visitor Centre at Davagh and a contribution towards management structures to support the Sperrins.

Creating a customer-centric, intuitive digital presence for public access to planning information has been a priority for the local government sector since the existing web portal transferred to local councils along with planning powers in April 2015. The 2018-2019 budget therefore also reflects the requirement to make financial provision towards the realisation of this project.

Summary table of additional financial factors

Additional cost	Financial Impact
Greenvale Leisure Centre	£300,000
Leisure review	£100,000
Additional staffing	£155,000
Sperrins & Dark Sky Projects	£55,000
Facilities pressures (e.g. maintenance)	£107,050
Planning portal replacement	£30,000
Total	£747,050

Capital costs

While the focus in rate-setting is always to ensure the burden on the ratepayer is at a minimum, the Council nonetheless wishes to build on its successful development to date. This entails continued investment in the future of the facilities and services for which it is responsible, together with a continued positive influence on the growth generally of the Mid Ulster district.

The existing and planned capital programme demonstrates the Council's ambitions for the future and its continued commitment to:

- Invest in our communities through the implementation of our village regeneration plans, making real and tangible differences to communities in 44 villages across Mid Ulster, such as through the Ballygawley village enhancement scheme which is now underway or the Pomeroy 3G pitch investment on which construction has also begun.
- Invest in our town centres. Three public realm schemes valued at £10M to enhance Cookstown, Dungannon and Magherafelt have been delivered in the past 18 months. While the majority of funding for the public realm projects was received from the Department for Communities, the projects would not have progressed without the Council's contribution of around £1M. The future focus is on securing funding to undertake improvements to the town centres in Coalisland and Maghera.
- Invest in leisure. Greenvale Leisure Centre successfully transferred in-house in September 2017. The £320K refurbishment programme for Moneymore Recreation Centre began in February 2018 and will be followed by refurbishment work at Maghera Leisure Centre with an investment value of £120K. Plans to open up and improve leisure opportunities for greater numbers of local people will also be

facilitated through major future investment in Dungannon and at the Gortgonis site, Coalisland.

- Invest in tourism. £500K in DAERA funding has been secured for the 'Dark Sky' observatory and visitor centre at Davagh Forest. This £1M project demonstrates the Council's commitment to optimising the tourism potential of Mid Ulster and builds on the national and international success of the multi-award-winning Seamus Heaney HomePlace in Bellaghy which exceeded its targets in its first year, attracting over 40,000 visitors from more than 20 countries.
- Invest in infrastructure and economic development. Working with industry and business, we will build on our drive to support the economic growth of Northern Ireland's 'most entrepreneurial' region through our strategic investment in land purchases across the district and the realisation of opportunities for infrastructure projects.

The Council's draft capital programme is set out below, highlighting those projects which have been included in 2017-2018 and identifying those which are to be progressed in the 2018-2019 year.

Associated costs, including where funding has been sourced externally, and how the Council has funded or intends to fund its investments, are also highlighted.

This demonstrates clearly the Council's commitment to leveraging outside funding wherever possible to support its investment plans, and to minimising its reliance on borrowing.

Current Capital Programme 2017-2018

Project Title	Contract Amount £	Funder Amount £	Council Amount £	Council Finance Provision
Tullyvar Landfill Capping	215,000	N/A	Reserves	Tullyvar reserves
Vehicle Replacement Programme	1,118,000	N/A	1,118,000	Capital loan
Ballygawley Village Programme	193,000	145,000	48,000	Reserves
Play Parks Village Programme	121,000	91,000	30,000	Reserves
Upperlands Village Programme	102,000 TBC	77,000	25,000	Reserves
Dungannon Market Square	294,000	N/A	294,000	Reserves
Curran Terrace	95,000	N/A	95,000	Reserves
Davagh Forest	750,000	500,000	250,000 TBC	Capital loan
Pomeroy Pitch	151,000	136,000	15,000 TBC	Reserves
Moneymore Recreation Centre	320,000	250,000	70,000	Reserves
Land purchases (Maghera, Moneymore, Cookstown)	390,000	N/A	390,000	Capital loan/Reserves

Projected Capital Programme: 2018-2019

Project Title	Projected Cost £	Funder Amount £	Council Amount £	Council Financial Provision
Coalisland Public Realm	2,750,000	TBC	275,000	Capital loan
Maghera Public Realm	2,250,000	TBC	225,000	Capital loan
Village Regeneration Programme	2,800,000	640,000	210,000	Reserves
Vehicle Replacement Programme	1,118,000	N/A	1,118,000	Capital loan
Dungannon Waste Transfer Station	1,712,000	N/A	1,712,000	Capital loan
Magheraglass Landfill Capping	650,000	N/A	650,000	Capital loan
Maghera & Greenvale Leisure Centre Improvements	300,000	N/A	300,000	Capital loan
Maghera High School Site Development	500,000	N/A	500,000	Capital loan
Opportunity Sites	2,750,000	N/A	2,750,000	Capital Loan

Capital cost	Financial Impact
Additional MRP to fund capital programme	£500,000

Summary

An overall summary of financial factors impacting on the 2018-2019 rate is presented below.

Adverse Factor	Financial Impact
Beyond Council's Control	£2,099,731
Additionality	£747,050
Capital	£500,000
Total	£3,346,781

Proposals To Offset Rate Increase

The adverse costs totalling £3,346,781 represent a potential requirement to increase the rate by 7.2%.

However, close scrutiny of revenue budgets has sought to reduce the level of increase by:

- applying savings amounting to £605,050.
- identifying opportunities to increase income generation by £375,000.
- revising facility opening hours and facility provision to reduce costs by £162K.

Applying the proposed savings and efficiencies, with reductions in service provision and increased income targets, reduces the impact on the Council's expenditure requirements by £1,142,050.

Proposal	Financial Impact
<i>Savings</i>	
Overtime reduction	£50,000
Mileage reduction	£50,000
Advertising reduction	£25,000
Materials	£50,000
Savings arising at capped landfill site (Magheraglass)	£65,000
Additional Environmental Services savings	£15,050
Additional Leisure & Outdoor Recreation savings	£100,000
Other departmental savings	£250,000
	£605,050
<i>Income generation</i>	
Increased income in leisure and parks	£140,000
Increased car parking income	£60,000
Leisure opening hours reduction (bank holidays)	£30,000
Nominal bulky waste collection charge	£20,000
Commercial green waste charge	£125,000
	£375,000
<i>Revised facility opening hours and provision</i>	
Clogher Household Waste & Recycling Centre closure	£40,000
Castledawson Household Waste & Recycling Centre closure	£42,000
Tullyvar Household Waste & Recycling Centre closure	£50,000
Caledon Automatic Public Convenience closure	£30,000
	£162,000
Grand Total	£1,142,050

Savings by Directorate

Environmental Services	£497,050
Leisure & Outdoor Recreation	£270,000
Business & Communities	£50,000
Chief Executive's	£50,000
Public Health & Infrastructure	£50,000
Finance	£50,000
Total	£967,000

Reduction in Council's 'Opportunity Budget'

In seeking to reduce financial pressures, the proposed rate for 2018-2019 also includes the application of £300,000 from a recurring revenue budget which has been established to allow the Council to take advantage of opportunities to invest in or progress projects which may arise in any given year.

Application of monies from existing opportunity budget	£300,000
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Financial Outcome

Taking into account the application of the proposed savings and efficiencies, the potential rate increase is reduced by almost £1.5M.

The means the proposed rate increase stands at 2.98% for domestic ratepayers and 2.97% for non-domestic ratepayers.

For a ratepayer in a property with an average capital value (£127,000), this equates to paying 96.92p more per month.

Proposed Rate Estimate

Assuming that Council adopts the officers' recommendations it will strike a district Rate to effect the following:

	2018/19	2017/18
Net cost of Council services	£42,193,372	£40,288,641
Rate Support Grant	£2,566,691	£2,891,400
Net amount to be raised	£39,301,972	£37,397,241
Non-domestic Rate (increase of 2.97% from 2017/18)	24.2371	23.5369

Non-domestic rate poundage ¹	0.581477	0.559369
Domestic Rate (increase of 2.98% from 2017/18)	0.3219	0.3126
Domestic rate poundage ²	0.7521	0.7237
Total Rate bill levied on rate payer occupying a house with the average capital value of £125,000:		
• Resident of former DSTBC	£930.88	£890.74
• Resident of former CDC or MDC	£940.13	£904.63
Council's share of rates paid by rate payer occupying a house with the average capital value of £125,000:		
• Resident of former DSTBC (43.2%)	£393.13	£376.88
• Resident of former CDC or MDC (43.2%)	£402.38	£390.75
Population	141,000	141,000
Net cost of Council services per head of population	£299.24	£285.74

¹ Assumed regional rate increases by inflation at 3%

² Assumed regional rate increases by inflation at 3%