

Report on	Robustness of Rate Estimates 2021/22
Date of Meeting	Monday 1 st March 2021
Reporting Officer	Chief Financial Officer (Chief Executive)
Contact Officer	Director 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 robustness of the 2021/22 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 2021/22 Rate estimates have been prepared, in so far as practicable, on a zero-base basis using the 2020/21 budgets as a baseline. This means that every proposed budget movement from the 2020/21 budget has been fully discussed with the relevant director and, where appropriate, individual budget holder.
3.2	However, Members should note that the potential financial impacts of the ongoing (and likely continuing) Covid 19 pandemic do cause the Rate estimates to be significantly more uncertain than in previous years.
3.3	Members should also note that the Rate estimates have been prepared on the assumption that the NI Assembly will continue to provide sufficient financial support in 2021/22 to adequately defray the Council's financial losses associated with the pandemic and that, in the event that such support is not forthcoming, financial shortfalls may have to be funded from the Council's reserves and cash balances.

3.4	Although, the pandemic has significantly complicated matters, and this is not a complete zero-based budget build, the Senior Management Team feel that the work done in recent years has resulted in the 2020/21 budgets being a reasonable baseline from which to incrementally build the 2021/22 Rate estimates.
3.5	The amounts included within the Rate estimates have regard to the officers' best estimates of known financial pressures and the resource requirements of continuing to deliver Council services in 2021/22.
3.6	Members will be aware that several of the financial pressures facing Council in 2021/22 are outside Council's control and are, at the present time, relatively vague. In addition to the financial implications of the pandemic and the level of NI Assembly support in relation to same, uncertain pressures at the present time include the pay award that will be notified to Council in due course and the financial impact of market forces on waste management contracts, notably those for paper and cardboard.
3.7	As previously discussed with Members, both in Committee and in separate meetings between Members and the Chief Executive and/or the Director of Finance, preparation of the proposed 2021/22 Rate estimates continues to be difficult because of the continuing uncertainty surrounding the aggregate amount of Rate Support Grant (RSG) that the Department for Communities (DfC) is likely to distribute between eligible councils in 2021/22.
3.8	Although a statutorily unprotected grant, the RSG is a critical element of Council's funding. Despite its importance to recipient councils, the DfC no longer informs eligible councils of the amount of RSG that they can expect to receive before they strike their district Rate by the prescribed date. Instead, the DfC has informally advised the officers that the aggregate 2021/22 RSG allocation to be distributed between eligible councils will be equal to the total amount initially advised for 2020/21.
	<u>Funding of capital expenditure</u>
3.9	As in previous years, the Rate estimates make very limited express provision for the funding of capital projects beyond those to which Council is already committed.
3.10	Typically, capital projects are funded via Council making a MRP which seeks to fund the cost of borrowing (or replenishing cash reserves used in lieu of borrowing) over a period equivalent to the estimated life of the capital asset being funded. The MRP is calculated in accordance with the MRP policy adopted by Council (see separate report attached at 6.2 of the Rates estimates report).
3.11	The Rate estimates presently recommended to Council would result in Council striking a district domestic Rate which will be 1.59% higher than the 2020-2021 district domestic Rate.
3.12	The recommended Rate does not include any additional financial provision towards funding capital projects or the Mid-South West Growth Deal. However,

the officers are satisfied that the Council is currently adequately funded in this regard.

Cash position

3.13 Council's cash position is good. This has resulted from a combination of sound revenue and capital budgetary management and the fact that Council has benefited from positive Rate finalisations in recent years and the RSG windfall, which arose as a consequence of the Court of Appeal decision in September 2018.

3.14 The officers recommend that Council continue to apply its cash balance as follows:

1. Maintain an appropriate level of cash reserves;
2. To be a source of internal borrowing and/or funding for capital projects pending drawing down additional loans and;
3. If necessary, be available to the Council to fund emergency financial deficits, including unforeseen shortfalls in assumed Departmental and/or NI Assembly funding

Uncertainties

3.15 As in previous budget estimate processes, the 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.

3.16 The estimation of future financial requirements has also had regard to the projected financial outturn in 2020/21 and the desire to utilise reserves generated in prior financial years, where possible, to deliver outcomes in the District as agreed with Council.

3.17 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 DfC and Land and Property Services (for example the Estimated Penny Product (EPP)) previously notified to the Policy and Resources Committee.

3.18 Members will also be aware that, despite BREXIT having been agreed in principle, the future consequences of BREXIT remain a significant uncertainty.

Conclusion

3.19 Subject to the uncertainties surrounding the financial consequences of the pandemic, what the DfC may do in relation to the total amount of RSG available for distribution between eligible councils, the impact of market forces on Council's waste management contracts, the outworking of national negotiations in relation to pay award and the future consequences of BREXIT, and on the assumption that Council does strike the currently recommended Rate the officers are satisfied that the proposed Rate estimates are sufficiently robust to enable Council to deliver its services in 2021/22.

4.0	Other Considerations
4.1	Financial, Human Resources & Risk Implications
	Financial: See above
	Human: N/A
	Risk Management: N/A
4.2	Screening & Impact Assessments
	Equality & Good Relations Implications: N/A
	Rural Needs Implications: N/A
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 Rate estimates.
6.0	Documents Attached & References
6.1	N/A