

<b>Report on</b>	2024/25 Rate estimates update
<b>Date of Meeting</b>	8 February 2024
<b>Reporting Officer</b>	Strategic Director of Corporate Services and Finance
<b>Contact Officer</b>	Strategic Director of Corporate Services and Finance

<b>Is this report restricted for confidential business?</b>		Yes	X
If 'Yes', confirm below the exempt information category relied upon		No	
X	Information relates to financial or business affairs of a person (including the council)		

<b>1.0</b>	<b>Purpose of Report</b>
1.1	To provide Members with an update in relation to the Council's 2024/25 Rate estimates process.
<b>2.0</b>	<b>Background</b>
2.1	Members will be aware that the Council is required to set its annual budget for 2024/25 and strike its district Rate by the prescribed date (Thursday, 15 <sup>th</sup> February 2023).
2.2	The Strategic Director of Corporate Services and Finance last reported to the Committee in relation to this matter at the Committee's meeting on Thursday, 11 <sup>th</sup> January 2024).
<b>3.0</b>	<b>Main Report</b>
3.1	Since the Committee meeting held on Thursday, 11 <sup>th</sup> January 2024, the Senior Management Team (SMT) have met on several occasions to critically review the (thus far) identified financial pressures and opportunities for potential savings in 2024/25. Following a request at the January Committee meeting, schedules of information summarising the then current position were circulated to Party Group leaders and the independent Members. Separate meetings were subsequently held with the Party Group Leaders and the independent Members to discuss the previously circulated schedules.
3.2	The meetings were productive and provided Members with insight into how the officers were tackling the issue of identifying a proposed district Rate, which would allow the Council to deliver upon its statutory responsibilities and achieve its other objectives while still being affordable to the rate payer.
3.3	Since the meetings, the officers have made further refinements to the estimated net pressures for 2024/25. Although these refinements have been relatively

modest, the officers have now reached the point where further reductions may make it difficult to confirm (as the Chief Executive will have to formally do prior to the Council setting its annual budget for 2024/25 and striking its district Rate) that the estimates are robust and that the Council's reserves following the striking of the 2024/25 district Rate are adequate. However, the officers are content that the current proposed district Rate, if settled upon by the Council, will allow the Chief Executive to so confirm.

3.4

The schedule attached at 6.1 (below) presents a high level summary of the key issues currently in play. These are summarised as follows:

- The current estimated amount to be raised (via district Rates, de-rating grant and transferred functions grant) (CEAR) is £55,716,060
- The CEAR assumes that:
  - The Council will deliver upon the 'commitment' made when its struck its 2023/24 district Rate to fund the 2023/24 balance applied (£2.4m) over a 4 year period – the CEAR reflects a further (reduced) balance applied of £1.8m;
  - The Department for Communities (DfC) will ultimately confirm an aggregate Rate Support Grant (RSG) allocation in the amount of £15.865m to be shared between eligible district councils. Although £15.865m is significantly higher than the actual amount of RSG allocated in 2022/23 (£8.924m) and 2023/24 (£4.9m) respectively, it is equal to the minimum amount previously distributed by DfC (and its predecessor Department for Environment (DoE)) in each of the 23 years preceding 2022/23 – the CEAR reflects an RSG receipt in the amount of £1,867,311; and
  - The combined Estimated Penny Product (EPP) is £2,038,895. This amount is 2.29% higher than the 2023/24 combined EPP of £1,993,210. The EPP is an estimate and it is not possible to guarantee that the number used in the calculation of the district Rate will equal the Actual Penny Product (APP) that will only be known after the end of the 2024/25 financial year. The Department of Finance's (DoF) Land and Property Services (LPS) provides each district council with an EPP (which forms part of the combined EPP) prior to the council's striking their district Rates. These LPS EPP are based on assumptions and estimates, which include, for example how much debt owed by rate payers is actually written off by the DoF in the forthcoming financial year. Although LPS provide each council with an EPP, the responsibility for deciding what amount to use as the combined EPP remains with each council. The consequence of using a combined EPP that is higher than the APP is that LPS will 'claw back' 2024/25 Rate income paid to the Council in 2024/25 by way of a reduction to its 2025/26 Rate income. The LPS EPP provided to the Council for 2024/25 is £1,844,280 which if included in the combined EPP would result in the combined EPP being £2,107,170 or 5.72%

(as opposed to 2.29%) higher than the 2023/24 combined EPP. The officers do not consider it prudent to use a combined EPP of this magnitude for 2024/25 because of the continuing economic uncertainty that is impacting domestic and non-domestic rate payers. Consequently, the officers have 'moderated' or adjusted the combined EPP to the figure included in the CEAS on the basis that a 2.29% increase is much more likely to be delivered than a 5.72% increase at this time and more in line with previous increases in EPP notified by LPS.

- 3.5 The schedule illustrates that, on the basis of the above assumptions, the officers consider that the Council could reasonably expect to be able to deliver upon its statutory responsibilities and achieve its other objectives by striking a domestic district Rate in the amount of 0.4039, which reflects an increase of 7.39% from the 2023/24 domestic district Rate of 0.3761.
- 3.6 The schedule also demonstrates that, if Council strikes a non-domestic rate in the amount of 0.4039, an 'average' rate payer will see the district council element of their Rates bill increase by 67 pence per week.
- 3.7 Of course, the district council element of a Rates bill is only part of the total Rates bill. The total Rates bill also includes an element for regional Rates. It is not yet know what, if any, increase there will be in the regional Rate in 2024/25. The schedule illustrates that, if the regional Rate increases by 5%, the average rate payer will see that element of their Rates bill increase by 58 pence per week. Combining these 2 (as yet hypothetical) amounts would result in an average rate payer seeing their total Rates bill increase by £1.25 per week.
- 3.8 The officers advise that the net pressures in the amount of £3,718,000 include a modest increase of £130,000 (from the 2023/24 budget figure of £770,000) for additional community grants. This amount has been introduced following discussion with Members and Members should be aware that this element of the Council's expenditure is 'discretionary' and not a statutory obligation.
- 3.9 Members should also note that the net pressures of £3,718,000 have been calculated on the basis of the officers' taking a 'calculated risk' (or 'fairly' optimistic view) of what certain expenditure increases will be in 2024/25. In short, the officers would be reluctant to further reduce the amounts included within the figure of £3,718,000. In addition, Members may wish to reflect upon the aforementioned discussions with the Strategic Director of Corporate Services and the Chief Executive when it was confirmed that the 2024/25 net pressures figure makes no provision for an increase in Minimum Revenue Provision (MRP), i.e., funding of capital expenditure. This means that the Council's planned future total capital expenditure is effectively capped at an absolute amount, which will be funded by a capped amount of borrowing in the future. If the Council does not include an increase in either the 2024/25 or a future year's Rate estimates for additional MRP, once the Council has committed the fixed amount of borrowing that its Rate income will fund, the Council will not be able to undertake any further capital funding that is not funded by either grant, unplanned revenue surplus, or unanticipated windfall of whatever nature.

3.10	Members may recall from the aforementioned discussions that the officers have been working on a draft Medium Term Financial Plan (MTFP) that will extend over the next 4 financial years. The MTFP will be based upon significant assumptions in relation to both revenue and capital expenditure in the relevant years. As the MTFP will reflect the anticipated financial consequences of both operational and strategic decisions in the global economic context, the officers would recommend that the Members engage in discussions with the officers (similar to those aforementioned in relation to the 2024/25 Rate estimates) prior to a formal draft MTFP being presented to the Committee and/or Council for consideration and adoption. The officers will seek to schedule these discussions in the near future.
<b>4.0</b>	<b>Other Considerations</b>
<b>4.1</b>	<p><b>Financial, Human Resources &amp; Risk Implications</b></p> <p>Financial: Failure to set an appropriate budget and strike the associated district Rate will impact on the Council's ability to deliver its statutory services and other duties and could potentially undermine the financial resilience of the Council.</p> <p>Human: N/A</p> <p>Risk Management: Refer to "Financial" above</p>
<b>4.2</b>	<p><b>Screening &amp; Impact Assessments</b></p> <p>Equality &amp; Good Relations Implications: The SDCSF has screened the proposed recommendation and confirms that the screening exercise has not identified any significant adverse equality or good relations implications.</p> <p>Rural Needs Implications: The SDCSF has screened the proposed recommendation and confirms that the screening exercise has not identified any significant adverse rural need implications</p>
<b>5.0</b>	<b>Recommendation(s)</b>
5.1	That the Committee notes the contents of the report.
<b>6.0</b>	<b>Documents Attached &amp; References</b>

6.1	Draft high level summary of the officers' current proposals in respect of Mid Ulster District Council's 2024/25 Rate estimates
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Appendix 1 (reference paragraph 6.1 of the February 2024 Policy & Resources Committee 2024/25 Rate Estimates update report)

**Draft high level summary of the officers' current proposals in respect of Mid Ulster District Council's 2024/25 Rate estimates**

		2024/25 £	Increase	2023/24
Total estimated amount to be raised 2023/24 (per 2023/24 General Estimate of Rate Return)		55,665,370		
Reduced by estimated Rate Support Grant 11.77% of assumed Rate Support Grant allocation of	15,865,000	(1,867,311)		
Minus balance applied 75% of balance applied in 2023/24	2,400,000	(1,800,000)		
Estimated net pressures 2024/25		3,718,000		
Estimated amount to be raised (via District Rates, De-rating Grant & Transferred Functions Grant) 2024/25		<b>A</b> 55,716,060		
Estimated Combined Penny Product		<b>B</b> 2,038,895	<b>2.29%</b>	1,993,210
<b>Proposed non-domestic district Rate</b>	<b>A divided by B</b>	<b>C</b> 27.32660		
	Rounded	<b>C1</b> 27.3266	<b>7.40%</b>	25.4449
Council specific conversion factor (per The Rates (Making and Levying Different Rates) Regulations (NI) 2003		<b>D</b> 0.014781		
<b>Proposed domestic district Rate</b>	<b>C1 multiplied by D</b>	<b>E</b> 0.403914		
	Rounded	<b>E1</b> 0.4039	<b>7.39%</b>	0.3761

**Potential impact on "average" domestic rate payer**

	District Rate	Regional Rate	Combined Rate
Proposed Rate 2024/25	0.004039	0.005090	0.009129
Actual Rate 2023/24	0.003761	0.004848	0.008609
Proposed increase in Rate	0.000278	0.000242	0.000520
Average capital value	£125,000	£125,000	125,000
Additional Rates payable per annum	£34.75	£30.30	£65.05
Additional Rates payable per week	£0.67	£0.58	£1.25
Regional Rate 2023/24	0.004848		
Assumed % increase in Regional Rate 2024/25	5.00%		

## Appendix 2

### Draft high level summary of the officers' current proposals in respect of Mid Ulster District Council's 2024/25 Rate estimates

£

#### Corporate Services & Finance

Balance applied	600,000	
Application of uncommitted prior provision	(550,000)	
Insurance	170,000	
Realignment of leisure income budget post COVID	1,032,000	
IT - inflationary pressures and increased systems	100,000	
IT - increased cyber security	50,000	
Transformation	100,000	
Gross salaries and wages (entire Council)	1,620,000	
	<hr/>	3,122,000

#### Environment

Prior year pressures yet to be funded	740,000	
Environmental Services		
Recycling contract increases	140,000	
Educational Programmes	30,000	
Grounds Maintenance	100,000	
Health & Safety (PPE)	25,000	
Reduced car parking enforcement costs	(50,000)	
Increased income from recyclates	(167,000)	
	<hr/>	78,000
Property Services		
Vehicle maintenance - fuel	100,000	
Vehicle maintenance - repairs & maintenance	150,000	
	<hr/>	250,000

Professional fees	15,000	
Property repairs & maintenance	300,000	
		<u>1,383,000</u>

### Communities & Place

Central Government funding cuts - assume nil due to restoration of Assembly	0	
Increases in SLA	50,000	
Increase in rents	3,000	
Playpark maintenatnce	50,000	
Events - to 'standstill' (maintain current events programme)	75,000	
Facility operations - prior year (2022/23) overspend was £100,000	50,000	
Pool Chemicals	20,000	
Cleaning Materials	5,000	
Pitches Strategy revenue costs	16,000	
Env Health Sampling	8,000	
Connecting Pomeroy revenue costs - Council committed	115,000	
Community Wealth Building Framework - Council committed	20,000	
Poverty Plan & Community Wellbeing	40,000	
Uncontrollable pressures	120,000	
Community Grants	130,000	
		<u>702,000</u>

#### Less savings:

Affordable Warmth	(25,000)	
Realignment of leisure income budget post COVID	(900,000)	
Additional leisure income re leisure VAT claim	(300,000)	
Reduction in energy costs	(200,000)	
Review of arts & cultural venue fees and charges	(34,000)	
Review of leisure fees and charges	(50,000)	
		<u>(1,509,000)</u>

### Strategy, Performance and Organisational Development

30,000



Planning

0

Chief Executive's Department

0

Total Net Pressures

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3,728,000