

<p>Title of Report: <b>Rates support grant cuts</b></p>	<p>Officer presenting: <b>Lead Finance Officer</b></p> <p>Author: <b>Lead Finance Officer</b></p>
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## **1 Purpose of Report / Recommendations**

- 1.1 The purpose of this report is to update Members on recent correspondence in relation to Rates Support Grant and to endorse continued engagement both at Officer and Member level to restore this vital grant to its' original level.

## **2 Background**

- 2.1 Rates Support Grant is obviously a very significant and essential element of this Council's baseline funding. For 2017/18, from the overall funding pot of £18.3m, Derry City and Strabane District Council is entitled to 20.53% (£3,756,990) which represents 6.68% of Council's total net expenditure. Any potential cuts to this grant could therefore have significant consequences.
- 2.2 The grant is allocated to the 7 less wealthy and most deprived and rural Councils based on ratebase, rurality and deprivation measures to assist towards providing parity of service provision with the more wealthy Councils. Current entitlements to the grant for 2018/19 are summarised in Appendix 1 to this report. Members will note that the 4 wealthier Councils are not entitled to Rates Support Grant and any cuts to this grant will not impact rates or services in these Council areas. Members will also note that due to strong ratebase growth in this Council area relative to other Councils during the 2017/18 year, Council's overall entitlement has reduced to 19.72%.
- 2.3 Since May 2017, Members have been kept advised of continued correspondence between officers and Central Government officials in relation to Rates Support Grant and other Central Government funding cuts. In May 2017, Members were provided with correspondence from the Department for Communities confirming an initial reduction of 4% in the total Rates Support Grant allocation (from £18.3m to £17.568m) for the 2017/18 financial year. This resulted in Council's allocation being reduced by £150,280 from £3,756,990 to £3,607,114 and resulted in a significant in-year financial pressure for Council as the cut was not advised until well after Council had struck its' District rate for 2017/18 in February 2017.

- 2.4 Members were advised that a response to this initial cut was issued to the Department for Communities by the 7 affected Councils requesting confirmation that the final pot available would be restored beyond the initial interim arrangements to £18.3m
- 2.5 Given the potential impact on rates or services in this Council, Members further authorised officers to seek a 7 Council delegation as a matter of urgency with relevant Government officials/ Ministers. Following liaison and agreement with the other impacted Councils, letters were issued on 2 October 2017 to the Secretary of State for Northern Ireland, The Head of the Northern Ireland Service, and the Permanent Secretaries of the Department of Finance and Department for Communities, requesting an urgent meeting with the 7 impacted Councils to demonstrate the impact that cuts to this grant will have on the 7 less wealthy Councils.

### **3 Key Issues**

- 3.1 A response has since been received on 19 October 2017 from the Permanent Secretary of the Department for Communities and is attached in Appendix 2. Members will note that Council's request on behalf of the 7 impacted Councils has been initially declined until the Central Government financial position for the next financial year is better understood and advises further that departments have been asked to provide information on the potential impacts of further overall budget reductions of 4%, 8% and 12% in the next 2 financial years.
- 3.2 Following this, at recent regional finance and Chief Executive meetings, officers have been advised to plan on the basis of the original 4% cut for 2017/18 plus a further 4%-7% cut for 2018/19. This equates to a total cut of 8%-11% since Council's had to strike their District Rates in February 2017. Appendix 1 shows the impact across the Northern Ireland Councils of a 9% scenario. Members will note the range of impacts from 0% in the 4 wealthier Councils to 0.62% in this Council and 0.71% in Mid Ulster Council. This is a very serious concern for the upcoming rates estimates process. In addition, there are also very serious concerns that these budget reductions will have further significant impacts in areas like community services and advice which are significantly grant funded by Department for Communities.

3.3 Further to receipt of this latest correspondence and a detailed discussion at the November meeting of this Committee (GSP 163/17 Six month financial outturn), correspondence has been issued by the Chief Executive on behalf of the 7 impacted Councils to both the Secretary of State for Northern Ireland and the Permanent Secretary of the Department for Communities requesting urgent officer and Member delegations. These letters are attached at Appendix 3 and Appendix 4. Members will note that the letters make reference to initial equality impact assessments carried out by Council and have requested copies of equality screening and impact assessments carried out by the Department in taking forward these cuts. At the time of writing this report, no replies have been received to this correspondence.

#### **4 Financial and Other Implications**

- 4.1 As detailed above, Appendix 1 shows the impact across the Northern Ireland Councils of a 9% scenario. In particular, Members will note a £318k impact on this Council which equates to a 0.62% overall rates or service impact. This is a very serious concern for the upcoming rates estimates process. As an example, should Council use this funding as loan charge provision for capital projects, this would provide capital investment of £4.7m over a 25 year period.
- 4.2 In addition, there are also very serious concerns that these budget reductions will have further significant impacts in areas like community services and advice which are significantly grant funded by Department for Communities.

#### **5 Recommendations**

- 5.1 It is recommended that Members note the recent correspondence in relation to Rates Support Grant and endorse continued engagement both at Officer and Member level to restore this vital grant to its' original level of £18.3m.

#### **Background Papers**

**Appendix 1 Rates support grant 11 Council impact summary**

**Appendix 2 DFC correspondence re Rates Support Grant**

**Appendix 3 Letter to DFC re Rates Support Grant Cuts**

**Appendix 4 Letter to Secretary of State re Rates Support Grant cuts**

