

Title of Report:	Options paper for rates estimates
Committee Report Submitted To:	Council
Date of Meeting:	9 February 2023
For Decision or For Information	

Linkage to Council Strategy (2019-23)	
Strategic Theme	Linkage to Council Strategy (2021-25)
Outcome	Council has agreed policies and procedures and decision making is consistent with them.
Lead Officer	Chief Financial Officer

Budgetary Considerations	
Cost of Proposal	Annual Estimates
Included in Current Year Estimates	YES/NO
Capital/Revenue	
Code	
Staffing Costs	

Screening Requirements	Required for new or revised Policies, Plans, Strategies or Service Delivery Proposals.		
Section 75 Screening	Screening Completed:	Yes/No	Date:
	EQIA Required and Completed:	Yes/No	Date:
Rural Needs Assessment (RNA)	Screening Completed	Yes/No	Date:
	RNA Required and Completed:	Yes/No	Date:
Data Protection Impact Assessment (DPIA)	Screening Completed:	Yes/No	Date:
	DPIA Required and Completed:	Yes/No	Date:

1.0 Purpose of this report

The purpose of this report is to set out a number of options available to Council to assist with the setting of a budget and thereby striking the district rate factors for the Financial Year 2023/24.

2.0 Current Position

The current rates pressure sits at **17.47%** in the District Rate Factor taking into account all currently known or projected cost pressures and income variations. Currently inflation as denoted by the Consumer Price Index (CPI) is running at 9.2% indicating that significant inflationary pressures continue to affect the costs of service delivery. There are a couple of headline factors included within this namely Rates Support Grant and the applied balance in last year's estimates which have had an impact as indicated below:

Rates Support Grant	£1,513,922	2.73%
Applied balance	£1,851,660	3.42%

3.0 Assumption savings

The budgets as they currently sit include a number of assumptions around costs such as wages, gas, electricity and fuel which are basically projections of where we think these costs may go in the next 12 months, it is feasible that these assumptions may be too high and could be reduced thereby reducing the estimated burden on the rate payer, albeit that the more reductions are implemented the more risk we introduce that there may not be adequate budget to cover the eventual costs as they arise. The table below does set out some reductions that may be taken advantage of without introducing too much risk to the Council:

Expense type	Reduction	Monetary Value	% on the rate
Payroll	Assumed pay award reduced from £1,925 to £1,200	£965,451	1.78%
Fuel	Reduce to current pump price	£122,923	0.23%
Electricity	Reduce to projected year end costs	£190,805	0.35%
Gas	Reduce to projected year end costs	£375,682	0.69%
Total		£1,647,410	3.05%
Overall rate increase	Assuming all the above are implemented		14.42%

3.1 Payroll

The current iteration of the rates estimates includes provision for the current year National Joint Council (NJC) pay award, which was an increase in pay amounting to £1,925 per annum per fulltime employee effective from 1 April 2022, to repeat in

2023/24. It is conceivable that the 2023/24 pay award will not be as generous as the current year therefore Council may decide to reduce the assumption thereby creating a reduction in the burden to the rate payer. We do know that one Council is including a 2% pay award in their calculations. Others have been similar to this Council assuming, initially at least, something closer to the current NJC deal. If we were to reduce the assumed pay award to £1,200 per fulltime employee per annum this would generate a saving of approximately £958,000.

3.1.1 The cost of the NJC pay deal in total is approximately £2.43m for the 2023/24 year. In 2022/23 Council had already provided for a 2% pay award so the additional cost of the pay deal in 2022/23 was approximately £1.64m. Added to this are the additional costs of the spinal points included within the local pay deal which are adding £0.71m each to the annual pay bill, therefore taking all of the above into account Council is looking at a potential increase in employee costs in the region of £5.5m compared to the 2022/23 budget, this is after taking into account some modest savings in terms of employers National Insurance and Employers Pension contributions.

3.1.2 **It is recommended that Council** reduce the pay award assumption from £1,925 to £1,200 per fulltime employee.

3.2 Fuel

Current inclusion in the rates estimates for vehicle fuel allows for further increased costs during 2023/24. There has in recent times been modest reductions in the local fuel prices therefore Council could reduce its assumption on vehicle fuel. Assuming a pump price of £1.60 per litre for fuel would see a reduction in the budget for fuel of approximately £122,923.

3.2.1 **It is recommended that Council** reduce the assumed price for fuel to £1.60 per litre.

3.3 Utility costs

The current budget estimates include for increased electricity and gas prices for 2023/24. The volatility in this sector does appear to be reducing therefore Council could reduce the assumed costing for utilities for the 2023/24 budget. Assuming the market does become more settled in the near future Council could base its estimates on current year projections, doing so would generate a reduction in the budget for electricity of approximately £190,805 and for gas of £375,682, both have been calculated using month 9 costs and projecting to year end.

3.3.1 **It is recommended that Council** reduce the utility budgets using period 9 costings projected to year end.

4.0 Additional Income

The current budgeted estimates include only those income increases that have received Council approval or those that do not require Council approval, these include Holiday and Leisure Park charges and rental incomes following rental reviews and increased income at Letterloan. The table below demonstrates some additional income that could be implemented should Council agree:

Income type	Increase	Monetary Value	% on the rate
Harbour fees	Inflationary level increases	£37,000	0.07%
Investment income	Estimate increased	£75,000	0.14%
Trade waste	Inflationary level increases	£39,960	0.07%
Car parking	20p per hr increase on all current sites	£458,000	0.84%
Car parking	Harmonisation across all towns 70% charge/30% free	£333,963	0.61%
Car parking	Additional sites eg: Ballintoy/Portballintrae	£169,000	0.31%
Total		£1,112,923	2.04%
Overall rate increase	Assuming all the above are implemented		12.38%

4.1 Harbour fees

Council may choose to apply inflationary increases to Harbour income. The cost of providing services at our facilities is increasing as a result of all the pressures detailed above and others and Council therefore has to decide does the customer pay, as we seek to recover some of the additional costs, or the rate payer pays as we increase the subsidy to those services. Inflationary increases across harbours would increase income by approximately £37,000

4.1.1 It is recommended that Council consider inflationary increases to Harbour income

4.2 Trade waste fees

Council may choose to apply inflationary increases to waste income.. The cost of providing services at our facilities is increasing as a result of all the pressures detailed above and others and Council therefore has to decide does the customer pay, as we seek to recover some of the additional costs, or the rate payer pays as we increase the subsidy to those services. Inflationary increases on waste services would increase income by approximately £39,960

4.2.1 It is recommended that Council consider inflationary increases to Harbour income

4.3 Investment income

Council holds significant cash reserves and these funds are invested to gain returns as part of the treasury management function. With Bank of England base rate increases there are some more attractive returns to be had from investments therefore Council can expect to gain an increased return from its Treasury Management activities.

4.3.1 It is recommended that Council increases the investment income budget by £75,000

4.4 Car parks

There have been a number of papers presented to Council over the autumn and winter regarding car parking charges, a brief summary of which is included in the table above. Those reports have been attached as appendices to this paper to allow Council to consider the options contained therein in order to reduce the rate payer burden by increasing charges and therefore the income generated by this service.

4.4.1 It is recommended that Council consider the options for car parking charges with a view to increasing income thereby reducing the increase on the rate.

5.0 Service adjustments

The current budget estimates makes provision for the current level of service provision, the table below details areas of service revision which if agreed by Council could reduce the budgetary pressure by the amounts indicated:

Service area	Adjustment	Monetary Value	% on the rate
Waste Collection	3 weekly collections	£610,000	1.12%
Sport & Well Being	As per appendix	£396,700	0.73%
Tourism & Recreation	As per appendix	£266,000	0.49%
Community & Culture	As per appendix	£15,000	0.03%
Prosperity & place	As per appendix	£73,000	0.13%
Grant funding programmes	As per appendix	£565,500	1.04%
Total		£1,926,200	3.54%
Overall rate increase	Assuming all the above are implemented		8.84%

5.1 The report previously presented to Council regarding the above service adjustment has been attached as an appendix to this paper for Council's consideration

5.1.1 **It is recommended that Council** consider the option for service adjustment to reduce the cost of the service and therefore the increase on the rate.

5.0 Applied balance

The budget estimates do not include any applied balance from reserves currently, in the rates estimates for 2022/23 Council approved an applied balance of £1,851,660. Council may decide to do something similar this year, many Councils are also doing so, as an example an applied balance would require approximately **£480,000**, to bring the rate increase to **7.95%**