To the Lord Mayor and
Members of Dublin City Council

Report No. 307/2017
Report of the Head of Finance

Comhairle Cathrach
Bhaile Átha Cliath
Dublin City Council

Draft Budget Strategy for Financial Year 2018:
For consideration at a special meeting of Dublin City Council scheduled for 19th September 2017

1. Executive Summary

This draft budget strategy proposes that Dublin City Council's revenue base is expanded to provide for services which are key to the growth of the City. This requires an increase in commercial rate ARV from 0.258 to 0.261 (just over 1%), with a yield of €3.25m, maintaining the commercial rates vacancy refund rate of 45%, a reduction in the LPT of 10%, effectively returning an additional €4m to support the provision of services. There is a considerable degree of uncertainty on key elements for the 2018 draft budget.

2.0 Introduction

2.1. Background

The elected members will consider a draft Budget Strategy for the forthcoming financial year in advance of the statutory budget meeting, scheduled for November 13th. The relevant legislative provisions are The Local Government (Financial and Audit Procedures) Regulations 2014 (S.I. 226 of 2014), Circular Fin 05/14 and Circular Fin 4/201. This framework prescribes the format of financial data provided. In this report, financial information is based on actual data to date (September 2017) along with reasonable estimates of likely outturns for the current financial year 2017. A comprehensive mid-year review of the financial performance was carried out in July 2017.

2.2. Relevant Factors

The factors relevant to the 2018 Budget are movements in commercial rates including the overall quantum of rateable properties, the setting of the rate and the value of vacancy refunds; variation to the basic LPT rate; the level of government grant funding; financial management and cost pressures in the current year (2017) and estimated for next year (2018); expenditure commitments and service demands in 2018, efficiencies gained in 2017 and scheduled for 2018 and capital expenditure and income in 2018. DCC's financial position is set out in the prescribed format in Appendix 1.

2.3 Objectives

The objectives of Dublin City Council's Budget Strategy are to develop a financially sustainable approach to funding operational services and capital programmes for the financial year 2018. The strategy will ensure that the resource base as identified is adequate to provide services to business and communities and further ensure that service provision and expenditure commitments are priced giving best value for money to Dublin City Council and the people who live, work, invest in or visit Dublin City.

3. Factors relevant to Budget Strategy

3.1 Importance of Commercial Rates to Service Provision

The funding of local government services occurs through a range of sources – specific government grants, commercial rates, income from services, the general purpose allocation (Local Government Fund allocation). Appendix 2 and 3 sets out the trends in recent years as to the value of inputs from these sources to the funding of services. All sources of funding are important, commercial rates especially important. The buoyancy of trade in Dublin City is crucial to the City's economic prospects. Dublin City Council services support trade and so it is appropriate that commercial entities makes a contribution for their trading environment. This contribution must be appropriate and not at a level which dampens trade and removes potential for growth.

3.2 Increase in the ARV

Details of commercial ratepayers in Dublin City by band in 2017 are set out in Appendix 4. Almost 77% of commercial ratepayers have a rates charge in 2017 of €10K or under, while almost 40% of commercial rate payers have a rates charge in 2017 of under €3,000. By contrast, almost 50% of the total rates debit is paid by 2% of commercial rate payers or 426 accounts.

- Almost 40% of ratepayers in Dublin City receive a rates bill of €3k or less. Each 1% increase in the ARV would increase their bill *at most* by €30 in 2018.
- Almost 58% of ratepayers in Dublin City receive a rates bill of €5k or less. Each 1% increase in the ARV would increase their bill *at most* by €50 in 2018.
- Almost 77% of ratepayers in Dublin City receive a rates bill of €10k or less. Each 1% increase in the ARV would increase their bill *at most* by €100 in 2018.

This budget strategy is based on the recommendation to increase the ARV for commercial rates in the financial year 2018 to a multiplier of .261 i.e. just slightly over 1% increase (see Appendix 5). The funds raised through this measure would be applied to a programme of improvements to the City environment which would bring benefits to the trading environment.

3.3 Vacancy Refunds

The Local Government Reform Act provides for elected members to determine, by resolution, the vacancy refund rate to apply to electoral districts within the local authority's jurisdiction. In Dublin City a vacancy refund rate of 50% had applied under the Dublin 1930 Act until 2017 when the vacancy rate was changed to 45% (i.e. where a rateable premises has been vacant, 55% of rates due is liable, with 45% not paid). In most other local authorities, a full 100% vacancy rate refund has applied prior to and since the reform act. In other words where a rateable premises was vacant, no rates are due.

A review of the vacancy refund arrangements for commercial rates was commissioned at the request of the Finance Strategic Policy Committee in early 2017. The purpose of this review was to objectively evaluate the impact of changes in vacancy refund arrangements on payment patterns and on vacancy rates. The review report is scheduled to be discussed at the September meeting of the Finance Strategic policy committee.

Over the period 2013-2016, the value of vacancy rates refunds in Dublin City amounted to an estimated annual value of between €11.2m and €17.4m. This arises from the total value of rates associated with vacant premises being between €22.4 and €34.8m, with €11.2m - €17.4m being the value paid as rates and also the value not due or refunded. Please see Table 1 below for details of vacancy refunds in Dublin City in 2013 - 2016.

Table 1: Vacancy Refunds Dublin City 2013 - 2016								
	2013		2014		2015		2016	
Area	No. of Accounts	Vacancy Credits	No. of Accounts	Vacancy Credits	No. of Accounts	Vacancy Credits	No. of Accounts	Vacancy Credits
Central Area	553	€4,678,432	520	€3,292,518	479	€2,730,963	474	€2,722,532
North Central Area	199	€1,015,851	220	€1,051,523	207	€872,939	118	€386,775
North West Area	265	€1,457,689	229	€1,314,017	263	€1,085,722	211	€964,994
South Central Area	364	€1,912,214	339	€1,648,624	334	€1,527,788	287	€1,370,056
South East Area	1028	€8,305,296	1019	€7,317,206	954	€6,949,833	814	€5,762,024
Mics								
Total	**2409**	**€17,369,482**	**2327**	**€14,623,888**	**2237**	**€13,167,245**	**1904**	**€11,206,380**

As the commercial rates vacancy refund rate was lowered with effect from 2017 (from 50% to 45%), the budget strategy proposes that no further changes are made pending a review of actual payment and enforcement patterns arising from the changes.

3.4 Revaluation of commercial properties in Dublin City by the Valuation Office

The Valuation Office carried out a review of commercial property valuations in Dublin City and determined restated valuations in the context of trading conditions in April 2011. The revaluation outcome was that 56% of ratepayers have reduced liabilities, 41% have increased rates liabilities, with 3% having no change. The revaluation process is intended to be neutral in yield to the local authority i.e. Dublin City Council should not benefit from an increased yield from commercial rates as a revaluation outcome.

The existing revaluation legislative framework provides for an appeal process after the Valuation Office has determined the restated valuations for commercial properties. This construction (i.e. appeal after final determination) results in a permanent loss of funds for local authorities from reductions in rates liability granted on appeal. This occurs as any reductions in rate liability determined by the Valuation Tribunal are not followed by a revised local authority determination. Consequently the revaluation process has resulted in a loss of commercial rates income for Dublin City Council. It was expected that all appeals would have been dealt with by the Valuation Tribunal by end of 2017. However it is now expected that circa 840 appeals will be dealt with in 2017 with a further 82 progressed in 2018.

3.5 Variation of the Local Property Tax 2018

Report 309/2017 relates to the consideration of the Local Property Tax Local Adjustment Factor in respect of the financial year 2018. In summary, that report proposes that the elected members move from applying a 15% reduction in the LPT basic rate to a 10% reduction thereby providing €4m in additional funds which will allow for the provision of additional street cleaning staff, a bulky household waste collection service, apprenticeship scheme, increased book funds per capita for libraries and the removal of library fines.

This strategy incorporates that:

- a local adjustment factor of 10% reduction, with an impact of an additional €4m funds for services, is applied to the LPT Basic Rate in respect of LPT liability for the year 2018 (see Report 309/2017)

3.6 Financial Pressures in the current year 2017

In 2017, an operational budget of €862.6m was adopted by the elected members and an Annual Rate on Valuation of .258 was struck, representing an increase of 0.78 of 1%. This was the first increase in the ARV since 2009. Financial management within Dublin City Council ensures that significant budget variances are identified and appropriate actions are taken to minimise any adverse financial impact.

During 2017, cost and funding pressures continue to significantly shape service provision in the City. While trading conditions have improved, this improvement is not consistently experienced across all sectors or locations within the City. As a result constraints on the collection of commercial rates remain among some businesses. In relation to the value of funds associated with receiverships and liquidations, this has reduced from €7m in 2017 to €5.5m in 2016 and €5.3m as at start of September 2017. Unemployment has shown steady contractions in recent months, the underlying numbers of persons unemployed has decreased with clusters of unemployment relating to skills and training, with the real prospect of Dublin achieving full employment in the short term. Over the course of 2017, many issues have arisen which have been dealt with by management. The key financial pressures having corporate impact are set out below.

Homeless Services

The costs of service provision for homeless persons have increased in parallel with increases in presentation rates. Trends in demand for homeless related services have been well documented and debated over 2017 and previous years.

Table 2 sets out detail of the costs of provision of homeless services in 2017 and 2018.

Table 2 Homeless Funding

Analysis of Projected Homeless Expenditure and Funding						
	2017 - Adopted		2017 - Revised		2018 - Estimated	
	Budget	*% Share*	*Budget*	*% Share*	*Budget*	*% Share*
Expenditure	119,184,401		130,000,000		135,000,000	
Income						
DoHPC&LG	94,890,087	79.6%	105,705,686	81.3%	110,705,686	82.0%
Dublin LA's	6,020,000	5.1%	6,020,000	4.6%	6,020,000	4.5%
Other (HSE/Health & Misc)	1,207,397	1.0%	1,207,397	0.9%	1,207,397	0.9%
Total Income	**102,117,484**	85.7%	**112,933,083**	86.9%	117,933,083	87.4%
DCC Contribution	17,066,917	14.3%	17,066,917	13.1%	17,066,917	12.6%
Total Expenditure	119,184,401	100.0%	130,000,000	100.0%	135,000,000	100.0%

Note The above analysis is based on the following assumptions

DCC contribution is fixed at €17.066m

DLA contribution is fixed at €6.020m

The funding for all increased expenditure is passed to the DoHC&LG

Per the analysis the DoHCLH funding is moving from €94.9m (adopted 2017) to €110.7m (Est 2018)

This is increased DoHCLG funding of €15.8m

The DoHPC&LG funding % moves from 79.6% to 82%

Dublin City Council has worked consistently with The Minister for Housing, Planning & Local Government on the implementation of the Action Plan for Housing and Homelessness: Rebuilding Ireland. Addressing homelessness is a key pillar of the action plan. Based on my engagement with the Minister I am satisfied that funding will be given for additional costs incurred by Dublin City Council for the provision of homeless related services due to increased presentation, notwithstanding that written confirmation of such funding has not yet been received.

3.7 Service Demands 2018

In framing this draft budget strategy, due regard has been given to service demands likely to present in 2018. The most significant are:

- Recruitment of staff for street cleaning duties
- Recruitment of apprenticeships
- Revision of arrangements for bulky household waste collection
- Homeless services
- Maintaining the number of void housing units at a minimum
- Improvements to the public realm
- Maintaining the quantum of Area Discretionary Funding which provides flexibility to local area committees to fund local initiatives in areas such as parks development, public realm, sports and culture
- Increasing spend on footpath and Carriageway improvements which provides investment in roads resurfacing and footpath repairs
- Increasing spend on maintaining Parks and Open Spaces which provides investment in the network of parks, open spaces and playgrounds
- Increasing spend on Grant Funding which provides investment in community building through community, arts and sports grants

3.8 Income Trends 2018

Commercial rates and Local Property Tax have been considered separately. In relation to income from goods and services, the most significant trend having corporate impact is that of housing rents and parking meters, both of which are expected to increase in 2017. The grant paid by the Department of Housing in respect of rates formerly liable on Irish Water related properties has not been confirmed for 2018 (€14.4m). Income in respect of the ambulance services has not been provided by the HSE to a value of €4m in 2017 and 2018. Further, as of now (early September 2017), grant funding for the costs of implementation of the Haddington Road and Public Sector Stability Agreement (PSSA) of €10.8m has not been confirmed for 2018 and beyond.

3.9 Efficiencies made in 2017 and planned for 2018

Over the course of 2017, efficiencies have been made in how service provision is structured and the associated costs of same, specifically:

Staff
Dublin City Council staff numbers at 30th June 2017 demonstrate a reduction of both core and non-core staff, from 6,932 at December 2008 to 5,393 at 30th June 2017. This represents a reduction of 1,530 in both core and non-core staff or 22.2% of the 2008 staff resource. The City Council continues to review service delivery with a view to minimising the impact on service provision in the context of this large drop in staff resources.

Table 4: Staff Numbers

	December 2008	June 2017
Headcount	7278	5722
Core	7125	5541
Non Core	153	181
WTE	6931.5	5393.30
Core	6794.7	5216.60
Non Core	136.8	176.70

Procurement
Dublin City Council continues to pursue value for money outcomes through the introduction of local contracts and Frameworks and through availing of central procurement arrangements. The Office of Government Procurement schedule of contracts and Frameworks, identifies potential for DCC to generate further savings through aggregation and leverage in the following areas:

- Professional Services
- Facilities Management & Maintenance
- Fleet and Plant Hire and Maintenance
- Travel, Transport and HR Services
- Marketing, Print and Stationery
- PPE (Personal Protective Equipment)
- Cleaning Products and Equipment
- White Goods
- Road Making Materials
- Tools and Equipment
- ICT Services and Office Equipment
- Non Domestic Waste Services
- First Aid and Medical Supplies
- Financial Services
- Postal Services (Business Post)
- Courier Services
- Utilities
- Laboratory, Diagnostics and Equipment (incl. research)

3.10 Capital Expenditure and Income 2018

The budget strategy is based on the forecasted capital spend for 2018 as identified in Dublin City Council's 2018 to 2020 capital programme. Adjustments have been made for movements in terms of spend, income etc. as identified both at the midyear review in July and to date (September 2017). A detailed capital programme for the period 2018 to 2020 based on further analysis will be presented to the Elected Members in November along with the operational budget for the financial year 2018.

4.0 Summary

This draft budget strategy proposes that Dublin City Council's revenue base is expanded to provide for services which are key to the growth of the City. This requires an increase in commercial rate ARV from 0.258 to 0.261 (just over 1%), with a yield of €3.25m, maintaining the commercial rates vacancy refund rate of 45%, a reduction in the LPT of 10%, effectively returning an additional €4m to support the provision of services. There is a considerable degree of uncertainty on key elements for the 2018 draft budget.

Kathy Quinn
Head of Finance

14th September 2017

Appendix 1

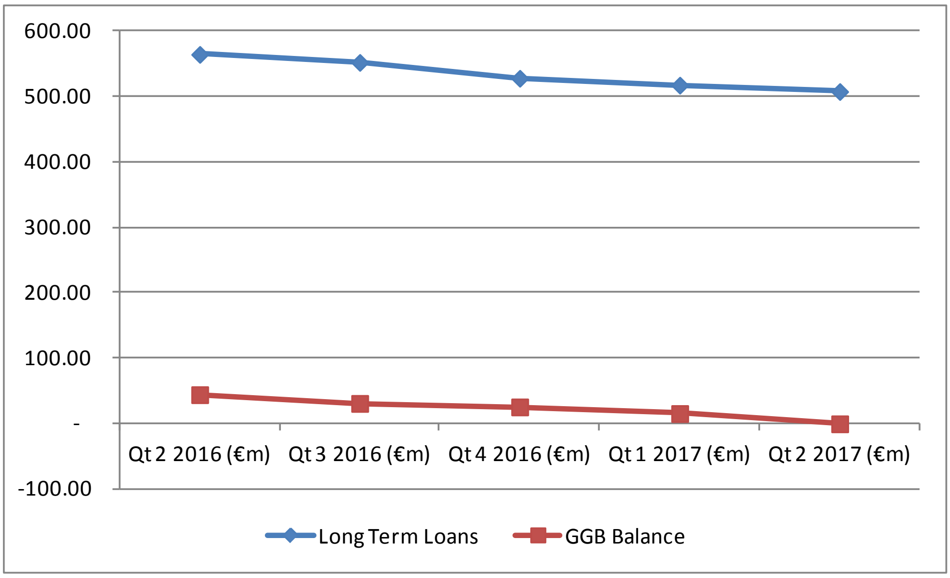
FINANCIAL POSITION OF DUBLIN CITY COUNCIL (PRESCRIBED FORMAT)

	As at Year To 30th of June 2017
ASSETS	€
Current assets (including cash and investments)	469,412,557
General revenue reserve (if surplus)	30,331,064
Loans receivable	429,197,016
	-
LIABILITIES	€
Current liabilities (including overdraft)	370,647,894
General revenue reserve (if deficit)	-
Loans payable	-
Voluntary housing/mortgage loans	357,885,990
Non mortgage loans	149,808,001
	-
INDICATORS	-
Ratio of loans payable to revenue income	58.9%
Ratio of current assets to current liabilities	1.27:1

GGB Data 2016 to 2017

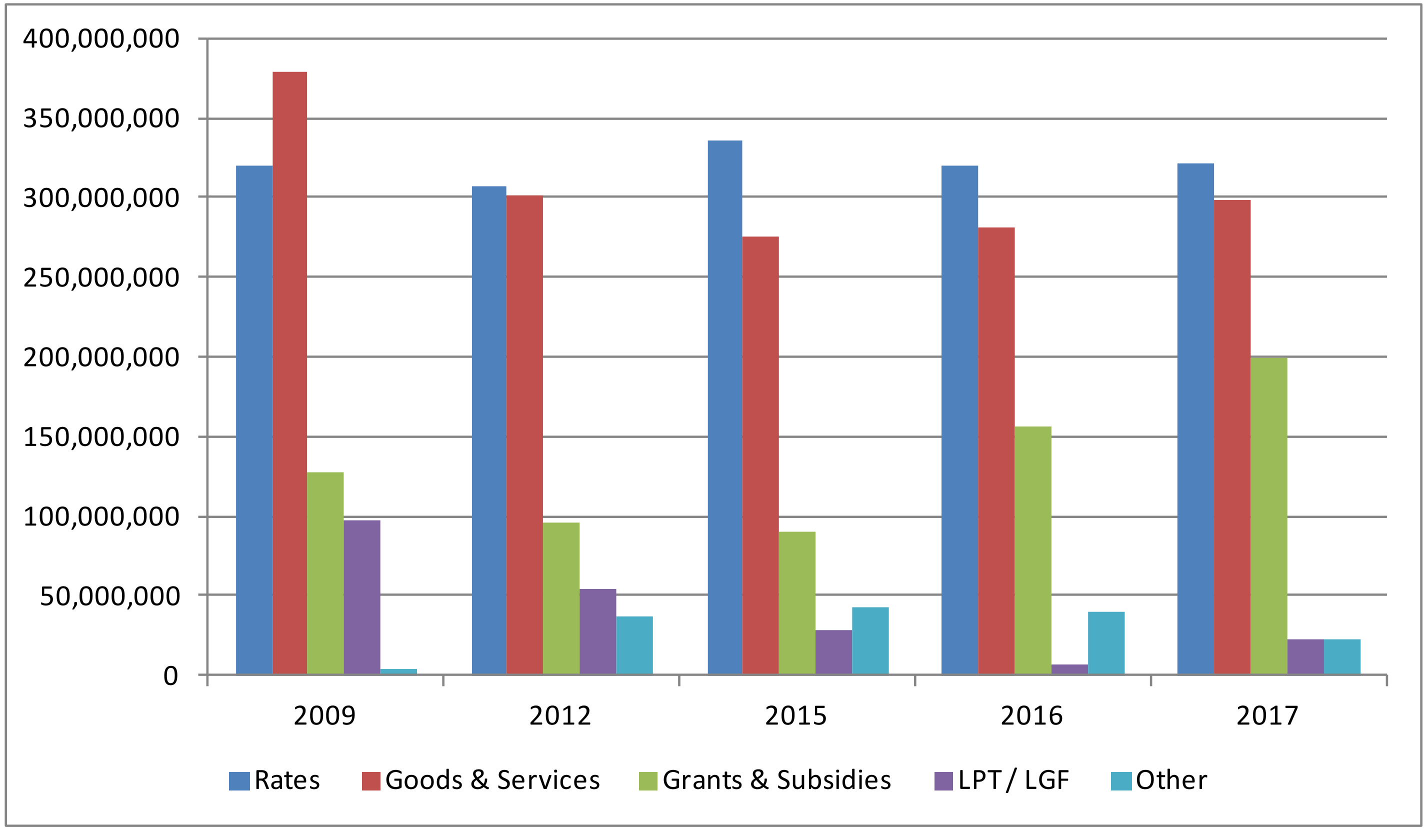
	Qt 2 2016 (€m)	**Qt 3 2016 (€m)**	**Qt 4 2016 (€m)**	**Qt 1 2017 (€m)**	**Qt 2 2017 (€m)**
Current Assets	445.09	354.18	283.52	551.22	469.41
Current Liabilities	370.85	262.96	198.89	456.75	370.65
Creditors(<1yr)	601.29	596.70	580.74	547.70	536.36
Long Term Loans	564.51	552.25	527.99	517.47	507.69
GGB Balance	43.99	30.62	25.25	15.13	- 0.60
Movement against Q4 of previous year	14.38	27.75	33.12	10.12	25.85

Long Term Loans

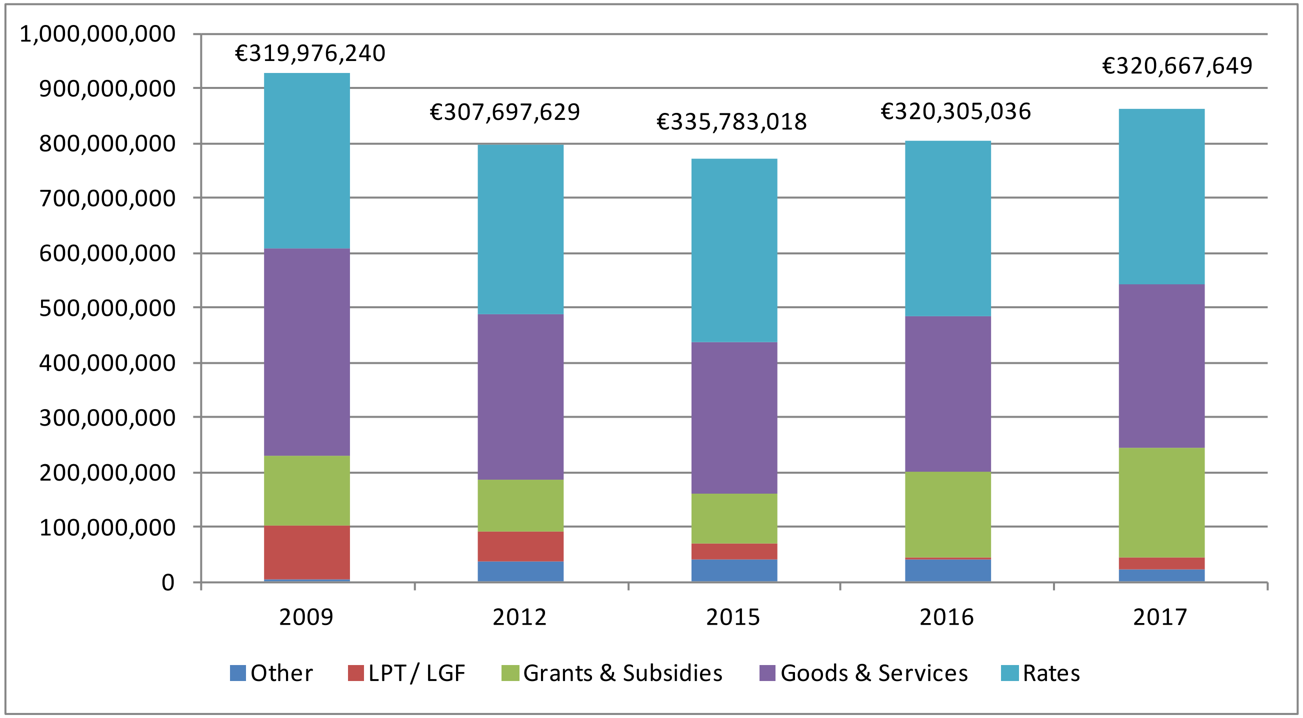


APPENDIX 2 – ANALYSIS OF FUNDING SOURCES

Budgeted Income Sources by Year



Appendix 3 - Budgeted Total Income by Year



Appendix 4 - Rate Bands

CHARGE 2017	No Of Accounts	Cumulative total	% per band	Cumlative Total	Total debit per band	% of Debit	Cumulative Total
€1 - €999	2112	2112	10.31%	10.31%	€ 1,300,024.60	0.40%	0.40%
€1,000 - €3,000	5959	8071	29.10%	39.42%	€ 11,576,030.45	3.60%	4.01%
€3,000 - €5,000	3722	11793	18.18%	57.59%	€ 14,496,501.42	4.51%	8.51%
€5,000 - €10,000	3910	15703	19.10%	76.69%	€ 27,520,561.48	8.56%	17.08%
€10,000 - €25,000	2742	18445	13.39%	90.08%	€ 42,210,545.77	13.13%	30.21%
€25,000 - €50,000	1062	19507	5.19%	95.27%	€ 37,124,192.83	11.55%	41.75%
€50,000 - €75,000	370	19877	1.81%	97.07%	€ 22,185,196.37	6.90%	48.65%
€75,000 - €100,000	173	20050	0.84%	97.92%	€ 14,895,967.21	4.63%	53.29%
€100,000 - €500,000	371	20421	1.81%	99.73%	€ 72,208,413.57	22.46%	75.75%
€500,000 -	55	20476	0.27%	100.00%	€ 77,963,929.69	24.25%	100.00%
TOTAL	**20476**		**100.00%**		**€ 321,481,363.39**	100.00%	

Appendix 5 - Rates

Potential new GARV 2018

Estimate NEV 2018	%	ARV 0.253 to 0.263	Total Income	Difference
€1,270,793,771	0%	0.258	€327,864,793	
Decrease in GARV				
€1,270,793,771	-0.39%	0.257	€326,593,999	-€1,270,794
€1,270,793,771	-0.78%	0.256	€325,323,205	-€2,541,588
€1,270,793,771	-1.16%	0.255	€324,052,412	-€3,812,381
€1,270,793,771	-1.55%	0.254	€322,781,618	-€5,083,175
€1,270,793,771	-1.94%	0.253	€321,510,824	-€6,353,969
Increase in GARV				
€1,270,793,771	0.39%	0.259	€329,135,587	€1,270,794
€1,270,793,771	0.78%	0.260	€330,406,380	€2,541,588
€1,270,793,771	1.16%	0.261	€331,677,174	€3,812,381
€1,270,793,771	1.55%	0.262	€332,947,968	€5,083,175
€1,270,793,771	1.94%	0.263	€334,218,762	€6,353,969