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**Draft Budget Strategy for Financial Year 2019 in compliance with the Local Government  
(Financial and Audit Procedures) Regulations 2014**  
*For consideration at a special meeting of Dublin City Council scheduled for  
13<sup>th</sup> September 2018*

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## **1. Executive Summary**

This draft budget strategy prepared in compliance with SI 226 of 2017, 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 €3.8m, maintaining the commercial rates vacancy refund rate of 40%, a maximum reduction in the LPT of 10%, effectively returning at least an additional €4m to support the provision of services. This draft budget strategy is required to be presented to elected members as part of the LPT process (i.e. September), in advance of the budget process in November. As a result, a high degree of uncertainty is attached to some key parameters of the draft budget strategy as presented.

## **2.0 Introduction**

### **2.1. Background**

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 4/2018. The legislative framework prescribes the format of financial data provided. In this report, financial information is based on actual data to date (September 2018) along with reasonable estimates of likely outturns for the current financial year 2018. A comprehensive mid-year review of the financial performance was carried out in July 2018. The elected members are asked to consider this draft Budget Strategy for the forthcoming financial year 2019 in advance of the statutory budget meeting, scheduled for November 19<sup>th</sup>.

### **2.2. Relevant Factors**

The factors relevant to the 2019 Budget are movements in commercial rates including the overall quantum of rateable properties, variation to the basic LPT rate; the setting of the rate, the value of vacancy refunds; the level of government grant funding; financial management and cost pressures in both the current year (2018) and estimated for next year (2019); expenditure commitments and service demands in 2019, efficiencies gained in 2018 and scheduled for 2019 and capital expenditure and income in 2019. DCC's financial position is set out in the prescribed format in Appendix 1.

### **2.3 Objectives**

The objective of Dublin City Council's Budget Strategy is to develop a financially sustainable approach to funding operational services and capital programmes for the financial year 2019. The strategy seeks to 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, including commercial rates. 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 make 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 2018 are set out in Appendix 4. Almost 77% of commercial ratepayers have a rates charge in 2018 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 2019 to a multiplier of .261 i.e. just slightly over 1% increase (see Appendix 5). The funds raised through this measure of €3.8m 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%, and in 2018 when the vacancy rate was further reduced to 40% (i.e. where a rateable premises has been vacant, 60% of rates due is liable, with 40% not paid). In many 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.

Dublin City Council has reviewed the impact on payments of the changes made to the vacancy refund rate in November 2016, applicable for the financial and budget year 2017. The second reduction applied to the vacancy refund rate for the 2018 Budget and financial year will be reviewed following the 1<sup>st</sup> quarter of 2019.

Commercial rates, vacancy related or otherwise, are pursued until payment is made. Consequently the payment timeline varies based on how quickly the debt is discharged. It is preferable for Dublin City Council that rates liabilities are discharged promptly for cashflow purposes and efficiency to minimise resource usage. The in-depth analysis of payments made in respect of vacant commercial property compared actual payments made in 2016 and 2017.

Payments made relating to vacant commercial property in 2017 indicate a lower payment rate than payments made in 2016. Payment rates in 2018 will be closely reviewed in 2019, capturing both successive reductions in the vacancy refund rate. The cause of the change payment patterns cannot be definitively stated. Based on the comparison between payment patterns in 2017 and 2016, it is not recommended to further alter the vacancy refund rate in the 2019 Budget. A further exercise will take place in 2019 comparing the payment pattern in 2018 with earlier years.

Over the period 2014-2017, the value of vacancy rates refunds in Dublin City has reduced from €14.6 to €9.8m primarily due to increased demand for vacant commercial premises. Please see Table 1 below for details of vacancy refunds in Dublin City in 2014 - 2017.

Area	2014		2015		2016		2017	
	No. of Accounts	Vacancy Credits						
Central Area	520	€3,292,518	479	€2,730,963	474	€2,722,532	438	€1,840,996.63
North Central Area	220	€1,051,523	207	€872,939	118	€386,775	165	€653,155.82
North West Area	229	€1,314,017	263	€1,085,722	211	€964,994	271	€1,127,763.42
South Central Area	339	€1,648,624	334	€1,527,788	287	€1,370,056	258	€1,055,855.14
South East Area	1019	€7,317,206	954	€6,949,833	814	€5,762,024	854	€5,090,094.82
Mics								
<b>Total</b>	<b>2327</b>	<b>€14,623,888</b>	<b>2237</b>	<b>€13,167,245</b>	<b>1904</b>	<b>€11,206,380</b>	<b>1986</b>	<b>€9,767,865.83</b>

As the commercial rates vacancy refund rate was lowered with effect from 2018 (from 45% to 40%), the budget strategy proposes that no further changes are made pending a further review in 2019 of actual payment trends.

### 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 a balance of 77 cases remain outstanding and are expected to progress by year end 2018. Dublin City Council's next effective revaluation date is 2024.

### 3.5 Variation of the Local Property Tax 2018

Report 238/2018 relates to the consideration of the Local Property Tax Local Adjustment Factor in respect of the financial year 2019. In summary, that report proposes that the elected members move from applying a 15% reduction in the LPT basic rate to at most a 10% reduction thereby providing at least €4m in additional funds.

This strategy incorporates that:

- a local adjustment factor of at most 10% reduction, with an impact of at least an additional €4m funds for services, is applied to the LPT Basic Rate in respect of LPT liability for the year 2019 (see Report 238/2018)

### 3.6 Financial Pressures in the current year 2018

The 2018 operational budget of €917.4m was adopted by the elected members and an Annual Rate on Valuation of .258 was struck, representing no change. 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 2018, 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. The value of cases associated with receiverships and liquidations is currently at €3.4m. 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 2018, 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 2018 and previous years.

Table 2 sets out detail of the costs of provision of homeless services in 2018 and 2019.

**Table 2 Homeless Funding**

Analysis of Homeless Expenditure						
	2018 - Adopted		2018 - Revised		2019 - Estimated	
	Budget	% Share	Budget	% Share	Budget	% Share
<b>Expenditure</b>	142,390,234.00		144,409,787.53		151,078,404.46	
<b>Income</b>						
DoHPC&LG	118,149,243.00	83.0%	120,168,796.53	83.2%	126,837,413.46	84.0%
Dublin LA's	6,020,000.00	4.2%	6,020,000.00	4.2%	6,020,000.00	4.0%
Other (HSE/Health & Misc)	1,154,074.00	0.8%	1,154,074.00	0.8%	1,154,074.00	0.8%
<b>Total Income</b>	<b>125,323,317.00</b>	<b>88.0%</b>	<b>127,342,870.53</b>	<b>88.2%</b>	<b>134,011,487.46</b>	<b>88.7%</b>
DCC Contribution	17,066,917.00	12.0%	17,066,917.00	11.8%	17,066,917.00	11.3%
<b>Total Expenditure</b>	<b>142,390,234.00</b>	<b>100.0%</b>	<b>144,409,787.53</b>	<b>100.0%</b>	<b>151,078,404.46</b>	<b>100.0%</b>

- 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 DoHP&LG
  - Per the analysis the DoHP&LG funding is moving from €118.1m (adopted 2018) to €126.8m (Est 2019)
  - This is increased DoHP&LG funding of €8.7m
  - The DoHPC&LG funding % moves from 83% to 84%

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 2019

In framing this draft budget strategy, due regard has been given to service demands likely to present in 2019. The most significant are:

- Increased costs of carriageway footpath resurfacing
- Unfunded pay costs relating to fire personnel
- Increasing costs of providing a public realm appropriate for the capital city.

### 3.8 Income Trends 2019

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 which is expected to increase in 2019. The grant paid by the Department of Housing in respect of rates formerly liable on Irish Water related properties is expected to be received for 2019, confirmation has not been secured beyond that (€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 2018), grant funding for the costs of implementation of the Haddington Road and Public Sector Stability Agreement (PSSA) is provided at 80% of incurred cost as against 100% provided to Government Departments. This results in a deficit of €900k to DCC. Also funding has not been provided to date to meet the costs of the national agreement relating to rent payments for fire services personnel. The funding in question amounts to €3.3m for the full year 2018 in addition to €1m in respect of 2017 implementation.

### 3.9 Efficiencies made in 2018 and planned for 2019

Over the course of 2018, efficiencies have been made in how service provision is structured and the associated costs of same, specifically:

#### **Staff**

Dublin City Council staff numbers at 30<sup>th</sup> June 2018 reflect a modest increase of both core and non-core staff, from 5290.15 at December 2016 to 5384.55 at 30<sup>th</sup> June 2018 in line with service requirements.

Table 4: Staff Numbers

	Dec 2016	Jun 2018
<b>Headcount</b>	5618	5727
<b>Core</b>	5451	5485
<b>Non Core</b>	167	242
<b>WTE</b>		
	5290.15	5384.55
<b>Core</b>	5131.5	5153
<b>Non Core</b>	158.65	231.55

#### **Procurement**

Dublin City Council continues to pursue value for money outcomes for supplies, services and works, through the introduction of local contracts and Frameworks and through availing of central led, regional and National procurement arrangements.

The Office of Government Procurement (OGP) and The Local Government Operational Procurement Centre (LGOPC) existing and pipeline contracts and Frameworks, identifies potential for DCC to generate further savings through aggregation and leverage in the following areas:

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

### **3.10 Capital Expenditure and Income 2019**

The budget strategy is based on the forecasted capital spend for 2019 as identified in Dublin City Council's 2019 to 2021 capital programme. A detailed capital programme for the period 2019 to 2021 based on further analysis will be presented to the Elected Members in November along with the operational budget for the financial year 2019.

## **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 €3.8m, maintaining the commercial rates vacancy refund rate of 40%, a reduction in the LPT of 10%, effectively returning an additional €4m to support the provision of services.

**Kathy Quinn**  
**Head of Finance**

6<sup>th</sup> September 2018

## Appendix 1

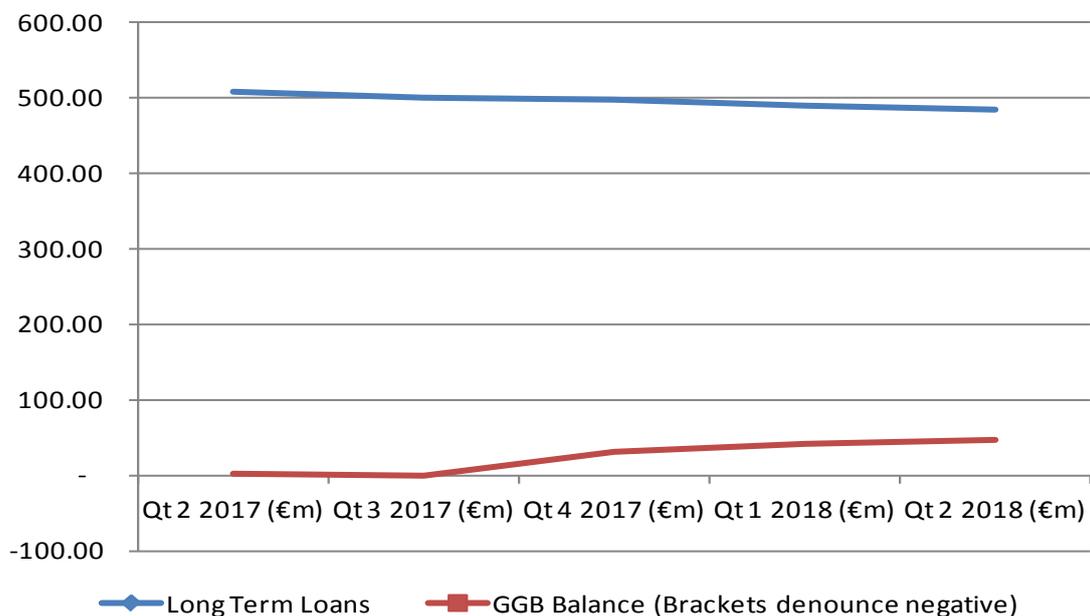
### **FINANCIAL POSITION OF DUBLIN CITY COUNCIL (PRESCRIBED FORMAT)**

	<b>As at Year To 30th of June 2018</b>
<b>ASSETS</b>	€
Current assets (including cash and investments)	542,679,549
General revenue reserve (if surplus)	22,774,983
Loans receivable	430,428,357
	-
<b>LIABILITIES</b>	€
Current liabilities (including overdraft)	391,815,965
General revenue reserve (if deficit)	-
Loans payable	-
Voluntary housing/mortgage loans	360,936,437
Non mortgage loans	123,704,462
	-
<b>INDICATORS</b>	-
Ratio of loans payable to revenue income	52.8%
Ratio of current assets to current liabilities	1.39:1

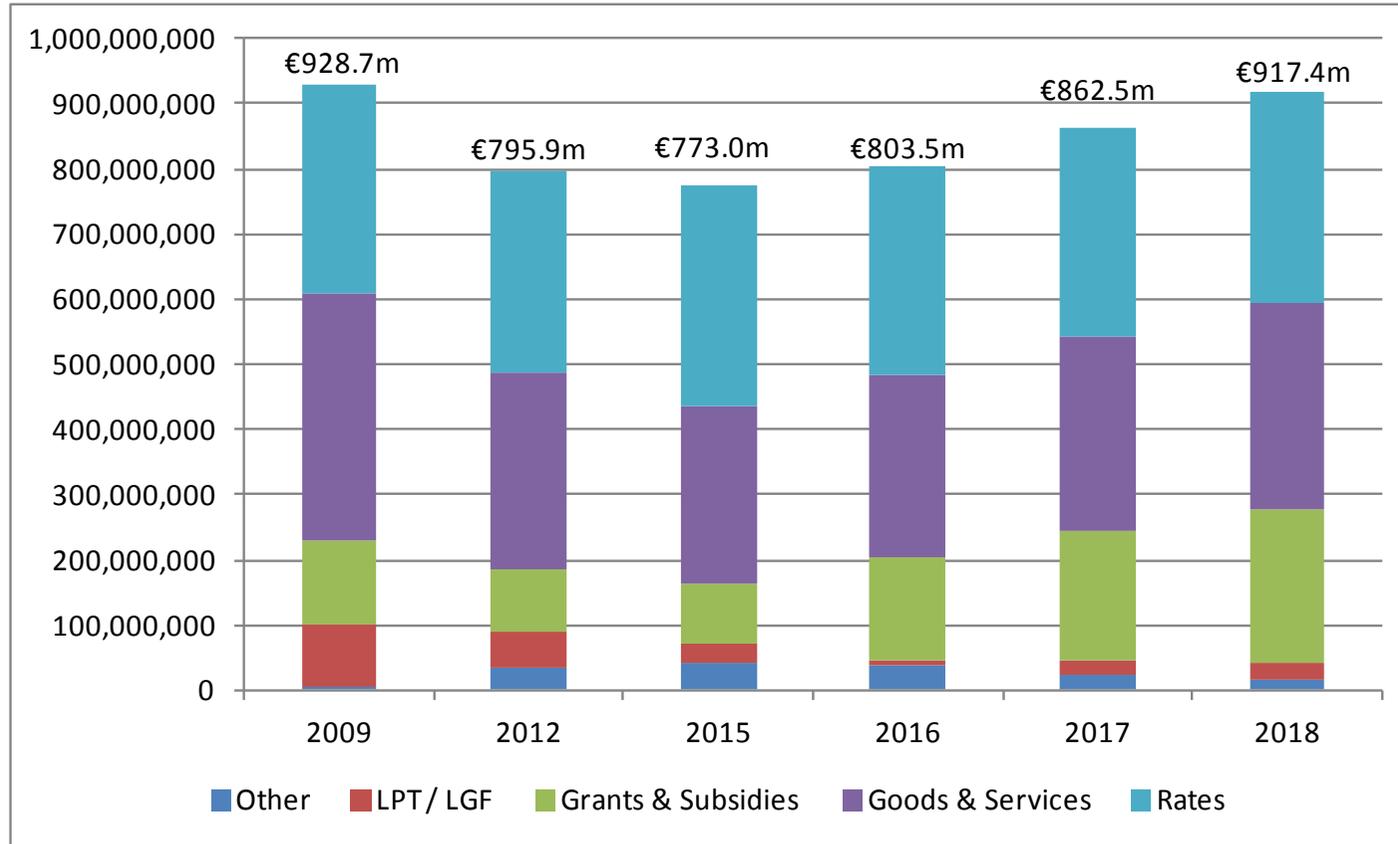
### **GGB Data 2017 to 2018**

	Qt 2 2017 (€m)	Qt 3 2017 (€m)	Qt 4 2017 (€m)	Qt 1 2018 (€m)	Qt 2 2018 (€m)
Current Assets	469.41	428.68	330.19	603.83	542.68
Current Liabilities	370.65	320.00	199.07	458.76	391.82
Creditors(<1yr)	536.36	530.32	544.62	538.68	533.37
Long Term Loans	507.69	501.47	497.69	491.05	484.64
GGB Balance (Brackets denote negative)	0.60	(2.06)	30.26	42.43	47.92
Movement against Q4 of previous year	25.85	23.19	55.51	12.17	17.66

### **Long Term Loans**



**Appendix 2 - Budgeted Total Income by Year**



**Appendix 3 – Table of Budgeted Total Income by Year**

	<b>2009</b>	<b>2012</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>
<b>Other</b>	4.3	36.8	42.4	39.6	22.1	17.7
<b>LPT / LGF</b>	97.9	54.1	28.7	6.8	23.1	23.1
<b>Grants &amp; Subsidies</b>	127.5	96.2	90.9	156.3	198.9	238.6
<b>Goods &amp; Services</b>	379.1	301.2	275.2	280.6	297.9	313.2
<b>Rates</b>	320.0	307.7	335.8	320.3	320.7	324.8
<b>Total</b>	<b>928.7</b>	<b>795.9</b>	<b>773.0</b>	<b>803.6</b>	<b>862.6</b>	<b>917.4</b>

**Appendix 4 - Rate Bands**

<b>CHARGE 2018</b>	<b>No Of Accounts</b>	<b>Cumulative total</b>	<b>% per band</b>	<b>Cumulative Total</b>	<b>Total debit per band</b>	<b>% of Debit</b>	<b>Cumulative Total</b>
€1 - €999	2107	2107	10.32%	10.32%	€ 1,296,461.68	0.40%	0.40%
€1,000 - €3,000	5924	8031	29.01%	39.32%	€ 11,499,229.10	3.55%	3.95%
€3,000 - €5,000	3718	11749	18.20%	57.53%	€ 14,482,246.55	4.47%	8.41%
€5,000 - €10,000	3902	15651	19.11%	76.63%	€ 27,449,024.56	8.47%	16.88%
€10,000 - €25,000	2730	18381	13.37%	90.00%	€ 42,013,063.95	12.96%	29.83%
€25,000 - €50,000	1065	19446	5.21%	95.22%	€ 37,188,287.05	11.47%	41.30%
€50,000 - €75,000	372	19818	1.82%	97.04%	€ 22,306,204.30	6.88%	48.18%
€75,000 - €100,000	172	19990	0.84%	97.88%	€ 14,746,235.36	4.55%	52.73%
€100,000 - €500,000	377	20367	1.85%	99.73%	€ 74,143,637.25	22.87%	75.60%
€500,000 -	56	20423	0.27%	100.00%	€ 79,131,162.71	24.40%	100.00%
<b>TOTAL</b>	<b>20423</b>		<b>100.00%</b>		<b>€ 324,255,552.51</b>	<b>100.00%</b>	

## Appendix 5 - Rates

### Potential new GARV 2019

	Estimate NEV 2019	%	ARV 0.253 to 0.263	Total Income	Difference
<b>Current</b>	€1,280,197,812	0.00%	0.258	€330,291,035	
	<b>Decrease in GARV</b>				
<b>Reduction</b>	€1,280,197,812	-0.39%	0.257	€329,010,838	-€1,280,198
	€1,280,197,812	-0.78%	0.256	€327,730,640	-€2,560,396
	€1,280,197,812	-1.16%	0.255	€326,450,442	-€3,840,593
	€1,280,197,812	-1.55%	0.254	€325,170,244	-€5,120,791
	€1,280,197,812	-1.94%	0.253	€323,890,046	-€6,400,989
	<b>Increase in GARV</b>				
<b>Increase</b>	€1,280,197,812	0.39%	0.259	€331,571,233	€1,280,198
	€1,280,197,812	0.78%	0.260	€332,851,431	€2,560,396
	€1,280,197,812	1.16%	0.261	€334,131,629	€3,840,593
	€1,280,197,812	1.55%	0.262	€335,411,827	€5,120,791
	€1,280,197,812	1.94%	0.263	€336,692,025	€6,400,989