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## **Draft Budget Strategy for Financial Year 2021 in compliance with the Local Government (Financial and Audit Procedures) Regulations 2014**

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### **1. Executive Summary**

This Draft Budget Strategy prepared in compliance with The Local Government (Financial and Audit Procedures) Regulations 2014 (S.I. 226), is prepared in the context of the health, economic and social impacts of the Covid 19 pandemic. The consequences have been significant for communities and businesses alike. Dublin City Council seeks to provide services which give a supportive business environment in which to trade and also to support communities during these challenging times.

Although there is a pressing need for funds to provide for key services, Dublin City Council recognises the difficulties faced by businesses and proposes that there be no movement in the commercial rate (ARV), i.e. remaining at 0.268. It is further proposed that the commercial rates Vacancy Refund Rate be increased to 50% in recognition of the specific economic climate prevailing. Rates have been increased in previous years while the LPT rate has not been increased since introduction. In that context and the large gap between viable funding and demand for services, I recommend that the LPT rate to be applied to householders in Dublin City Council is increased by 15% above the national basic LPT rate.

This document is required to be presented to Elected Members as part of the LPT process (i.e. September), in advance of the Statutory Budget Meeting. As a result, there is much uncertainty attached to the key parameters. This is the case in any year but in particular in this year, key issues such as the capacity of businesses to meet rating liabilities in the fourth quarter in 2020 and in the financial year 2021, any rates waiver scheme in 2021, the loss of non-rates related income and ongoing funding for additional pandemic related costs.

A large funding deficit has been identified due to the enormous pressure on services and resources which will require continued Government support to avoid service reductions.

### **2. Introduction**

#### **2.1 Background**

The relevant legislative provisions are The Local Government (Financial and Audit Procedures) Regulations 2014 (S.I. nos. 226, 296, 439 of 2014), Circulars Fin 08/14 and Circular Fin 5/2019. The legislative framework prescribes the format of financial data provided. In this report, financial information is based on actual data to date (September 2020) along with reasonable estimates of likely outturns for the current

financial year 2020. A comprehensive mid-year review of the financial performance was carried out in July 2020.

## **2.2 Relevant Factors**

The factors relevant to the 2021 Budget are:

- The impact of the pandemic on business, across all sectors, on rate collection and the capacity of businesses to meet rating liabilities and on other income sources such as planning fees and parking charges.
- Additional pandemic related costs necessarily incurred in 2020 and required in 2021
- Expenditure and income pressures in 2021
- Service Demands 2021
- Importance of the business community and rates
- The setting of the commercial rate (ARV)
- The setting of the Vacancy Refund Rate
- The setting of the LPT rate
- Resource management in 2020
- Gap between demand for services and available resources
- Loan financing of capital projects

Dublin City Council'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 robust approach to funding operational services and capital programmes for the financial year 2021. This is set in the context of a heavily curtailed business environment in parallel with restricted community activities. In this environment the strategy seeks to ensure that Dublin City Council's available resource base is identified. The quantum of funds to provide services to support businesses and communities is estimated. Owing to specific funding pressures arising as a consequence of the pandemic, Dublin City Council points to the gap in funds between the value required to provide services and the value of available resources.

## **3. Factors relevant to Budget Strategy**

### **3.1 The impact of the pandemic on businesses**

The impact of the pandemic has been keenly felt by businesses. The Government's Rates Waiver Scheme was announced in late July. Some details have required to be worked out between local authorities and the Department of Housing, Local Government and Heritage since then. In summary, the scheme gives a funded waiver for most businesses for quarters 2 and 3 of 2020. Dublin City Council expects to be put in funds for this waived rates amount in September. The businesses that are specifically excluded can seek to apply if they believe that certain criteria are met. In these cases Dublin City Council will evaluate the application and then submit to the Department of Housing, Local Government and Heritage. A decision on the inclusion of these cases in the Rates Waiver Scheme will be made known by 30th November by the Department of Housing, Local Government and Heritage.

Further measures to address businesses remaining closed, such as pubs, have yet to be announced. The impact of a changed trading environment for many businesses such as retail over the fourth quarter of the year in terms of ability to pay rates has yet to be considered. The future level of economic activity over the coming months is expected to operate below its pre pandemic level due to ongoing measures such as physical distancing and the associated impact on business turnover levels which will impact on business viability. Closures and reduced economic activity will significantly impact on the performance on rate collection and financing key services into the future. It is expected that the level of liquidations, receiverships and examinerships will increase.

In terms of income other than rates, there has been an estimated €25m loss of income such as planning fees, parking charges, etc. to Dublin City Council in the current year. Clarification on the provision of Government funds to meet these losses is awaited.

### **3.2 Additional pandemic related costs**

Adapting to the pandemic has required incurring expenditure to implement measures, the funding of which were not provided for in the 2020 Budget. An estimated €41m additional costs have been incurred related to Covid 19. This includes PPE, costs related to additional ambulance services, overtime costs, business continuity measures, IT requirements and additional costs relating to persons presenting as homeless. This is under review as 2020 progresses. There will be a clear need for continuing spend on measures needed to provide services safely and appropriately in 2021.

### **3.3 Income and Expenditure Pressures**

Economic consequences from Covid 19 continue to emerge. Prior to the pandemic, Dublin City Council had clearly articulated the difficult challenges faced in resourcing services. The Local Government funding model, as it applies to Dublin City Council, has consistently shifted in recent years, disadvantageous to Dublin City Council. The cost of service provision is rising, for example the average cost of voids, management fees for social housing units in Part 5 arrangements and insurance.

As demands increase and become more specific, so too the funding pressures on local Government increase. Dublin City Council has reduced its cost base in recent years, with new work practices, reduced staff and innovative use of technology. There may be a perception that Dublin City Council faces less funding challenges than smaller rural authorities. This debate of rural vs urban is socially divisive and unhelpful. What is clear is that the entire Local Government sector faces funding challenges and all of society will benefit if these challenges are addressed.

There has been an expectation of no or low increases to charges applied for Dublin City Council services. This is understandable from a user perspective but cannot be squared to the incurred cost of provision. The net effect of LPT for Dublin has been to increase service expectation of residents while generating little additional income to meet these service expectations, due to grant funding being substituted in many instances by LPT receipts. Dublin City Council has lost and continues to lose income, such as funding for the DFB Emergency Ambulance Service from the HSE, Irish Water related rates and the Roads Block Grant allocation.

The funding of the costs of implementation of the Haddington Road and Public Sector Stability Agreement (PSSA) is expected to be provided for in 2021 at 86% of incurred cost as against 100% provided to Government Departments. **Table 1** gives details of the funding shortfall over the period 2018 to 2021 being €4.8m in 2021 and €15.2m from 2018 to 2021.

**Table 1**

Analysis of Payroll Compensation Y2018 - Y2021								
	2018		2019		2020		2021	
	€m	%	€m	%	€m	%	€m	%
Projected Payroll Increases	16.808	100.0%	22.775	100.0%	28.605	100.0%	35.055	100.0%
Exchequer Funding	13.447	80.0%	18.748	82.3%	24.656	86.2%	30.216	86.2%
Shortfall in Compensation	3.361	20.0%	4.027	17.7%	3.949	13.8%	4.839	13.8%
	<b>16.808</b>	<b>100.0%</b>	<b>22.775</b>	<b>100.0%</b>	<b>28.605</b>	<b>100.0%</b>	<b>35.055</b>	<b>100.0%</b>
<b>Cumulative Shortfall</b>	<b>3.36</b>		<b>7.39</b>		<b>11.34</b>		<b>16.18</b>	

## Homeless Services

The costs of service provision for homeless persons continue to increase as a result of underlying homeless presentation rates and the costs of pandemic related measures taken to protect homeless persons in temporary accommodation. At a high level, trends in demand for homeless related services have changed since March 2020. For many reasons, there has been a reduction in the numbers of persons presenting as homeless and also a reduction in the numbers of persons being accommodated in hotels. In parallel with that, Dublin City Council has incurred additional costs through the implementation of arrangements aimed at best supporting homeless persons in the pandemic. The final costs and funding arrangements for this key service is being worked through by Dublin City Council, the Department of Housing, Planning and Local Government and the Department of Public Expenditure and Reform. I expect to share this information with you as part of the draft budget process. Homelessness is a national issue, managed locally, and Dublin City Council would welcome the highest level of state funding in respect of service costs incurred.

### 3.4 Service Demands 2021

In framing this draft budget strategy, great attention has been given to the concluding months of 2020 and the specific service demands likely to present in 2021. The most significant are:

- Provision of PPE for staff where appropriate for health and safety reasons
- Business continuity measures to Dublin City Council buildings and facilities
- Costs of Dublin Fire Brigade and Ambulance services in particular as frontline emergency responders
- IT environment to facilitate a medium term remote working capacity
- Increased supports for communities most affected by the pandemic
- Non exchequer funded increase in the PSSA
- Loan financing costs of capital projects (including Housing Voids) in 2021
- Increased costs of pension & gratuities

### 3.5 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, LPT funding applied to specific services and LPT Discretionary Funding. Any savings made by Dublin City Council in a financial year are applied towards the funding of services in the following year. **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 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. The City's economy and that of the State has been heavily impacted by the Covid 19 pandemic. I am acutely aware of the pressures faced by businesses.

### 3.6 Stable ARV

Details of commercial ratepayers in Dublin City by band in 2020 are set out in **Appendix 4**. Over 75% of commercial ratepayers have a rates charge in 2020 of €10K or under, while almost 40% of commercial ratepayers have a rates charge in 2020 of under €3,000. By contrast, just over 50% of the total rates debit is paid by a little over 2% of commercial ratepayers or 479 accounts.

- 75% of ratepayers receive a bill of less than €10k.
  - 20% of ratepayers receive a bill of between €10k and €50k.
  - 5% of ratepayers receive a bill in excess of €50k.
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- 5% of ratepayers pay 62% of the rates charge.
  - 20% of ratepayers pay 23% of the rates charge.
  - 75% of ratepayers pay 15% of the rates charge.

This budget strategy is based on the recommendation to hold the ARV for commercial rates in the financial year 2021 to a multiplier of 0.268. **See Appendix 5**.

### 3.7 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).

Dublin City Council 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, and also the second reduction applied to the Vacancy Refund Rate for the 2018 Budget and financial year. Following the review, the Elected Members voted in the 2020 Budget to reduce the Vacancy Refund Rate from 40% to 25% - that is, where a commercial property is vacant 75% of rates liabilities are due and 25% are waived.

An impact of the public health pandemic is that the current business climate is not recognisable to the business climate evident when the 2020 Budget was adopted. Some businesses have not reopened following lockdown and the various restrictions imposed on them. The full number of vacant commercial properties is still emerging but it is clear that vacant units are more visibly evident in Dublin City centre and through the villages of Dublin. Vacant commercial premises now should not be linked to trends in vacant commercial property in the past. In today's context, many commercial units are vacant because the business model has altered dramatically and it is unclear as to what business model can be viable, for that unit, in that location. There is no benefit to our City in penalising business owners struggling to adapt to a changed business environment. Vacant commercial property detracts from the attractiveness of the trading environment, making it difficult for remaining businesses and unappealing to prospective traders. It is in all of our interests to acknowledge that, to address the quantum of vacant properties, it is essential to consider the associated penalties *in this specific economic climate*. It is proposed to increase the Vacancy Refund to 50% in 2021, with a view to reconsidering again for the 2022 budget.

Over the period 2015-2019, the value of vacancy rates refunds in Dublin City has reduced from €13.2m to €7.6m primarily due to increased demand for vacant commercial premises and the reduction of the vacancy credit from 50% to 40% and then to 25% . **Table 2** provides details of vacancy refunds in Dublin City in 2015 - 2019.

**Table 2 Vacancy Credits**

Table 2 : Vacancy Credits Dublin City 2015 - 2019										
Area	2015		2016		2017		2018		2019	
	No. of Accounts	Vacancy Credits	No. of Accounts	Vacancy Credits	No. of Accounts	Vacancy Credits	No. of Accounts	Vacancy Credits	No. of Accounts	Vacancy Credits
Central Area	479	€2,730,963	474	€2,722,532	438	€1,840,997	386	€1,576,846	609	€2,068,761
North Central Area	207	€872,939	118	€386,775	165	€653,156	173	€396,574	204	€600,727
North West Area	263	€1,085,722	211	€964,994	271	€1,127,763	274	€906,740	120	€476,906
South Central Area	334	€1,527,788	287		258	€1,055,855	255	€992,709	196	€639,039
South East Area	954	€6,949,833	814	€5,762,024	854	€5,090,095	784	€4,330,278	819	€3,774,475
Mics										
<b>Total</b>	<b>2237</b>	<b>€13,167,245</b>	<b>1904</b>	<b>€11,206,380</b>	<b>1986</b>	<b>€9,767,866</b>	<b>1872</b>	<b>€8,203,146</b>	<b>1948</b>	<b>€7,559,908</b>

### 3.8 Variation of the Local Property Tax 2021

Report 218/2020 relates to the consideration of the Local Property Tax Local Adjustment Factor in respect of the financial year 2021. In summary, the report proposes that the Elected Members move from applying a 15% reduction in the LPT basic rate to applying an increase of 15% to the national basic rate thereby providing an estimated €24.1m in additional funds.

### 3.9 Resource management in 2020

#### Staff

Over the course of 2020, efficiencies have been made in how service provision is structured and the associated costs of same. With regard to staff, Dublin City Council staff numbers at 30th June 2020 reflect a modest increase of both core and non-core staff, from 5384.55 at 30th June 2018 to 5626.50 at 30th June 2020 in line with service requirements (see Table 3)

**Table 3**

**Staff Numbers Dec 2018 to June 2020**

	Jun-18	Jun-19	Jun-20
Headcount	5727	5921	5958
Core	5485	5723	5774
Non-Core	242	198	184
WTE	5384.55	5586.25	5626.5
Core	5153	5395.8	5450.4
Non-Core	231.55	190.45	176.1

## **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 Dublin City Council to generate further savings through aggregation and leverage across all areas of Dublin City Council operations.

### **3.10 Resource Gap**

A financial review has been completed in respect of the outturn of 2020 and budget 2021 to assess the financial implications of movements in expenditure and income and the current assessment predicts a funding deficit of €39M and therefore to sustain current priority service levels, additional funding from LPT and Government is critical to bridge the funding gap so that the impact on services and service levels does not negatively impact on service users.

At this time it is not possible to reconcile resources available in 2021 with the cost of expected service demands. The resources of Dublin City Council has always been finely balanced, more so in recent years. Levels of new funding for the City have been at minimal levels while the cost and scope of services has increased notably. The occurrence, in parallel of very large income reductions and uncertainty along with increased services and additional costs, presents a difficult and unpalatable budgetary outcome for 2021. It is not evident as to how service provision can be maintained without continued Government funding support.

### **3.11 Capital Expenditure and Income 2021**

The budget strategy is based on the forecasted capital spend for 2021 as identified in Dublin City Council's 2021 to 2023 Capital Programme. A detailed Capital Programme for the period 2021 to 2023, based on further analysis, will be presented to the Elected Members at the City Council Meeting scheduled for 7th December 2020.

## **4.0 Summary**

This Draft Budget Strategy proposes that, although there is a pressing need for funds to provide for key services, Dublin City Council recognises the difficulties faced by businesses and proposes that there be no movement in the commercial rate (ARV), i.e. remaining at 0.268. It is further proposed that the commercial rates Vacancy Refund Rate be increased to 50% in recognition of the specific economic climate prevailing. Rates have been increased in previous years while the LPT rate has not been increased since introduction. In that context and with the large gap between viable funding and demand for services, I recommend that the LPT rate to be applied to householders in Dublin City Council is increased by 15% above the national basic LPT rate.

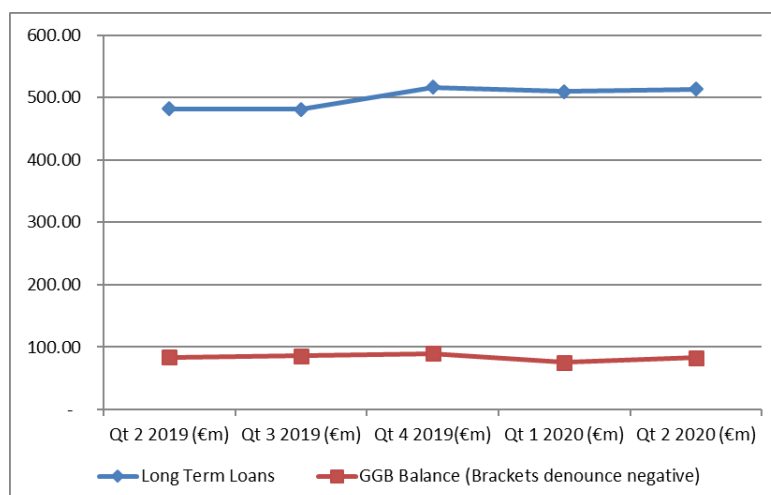
**Kathy Quinn**  
**Head of Finance**

**14th September 2020**

## Appendix 1

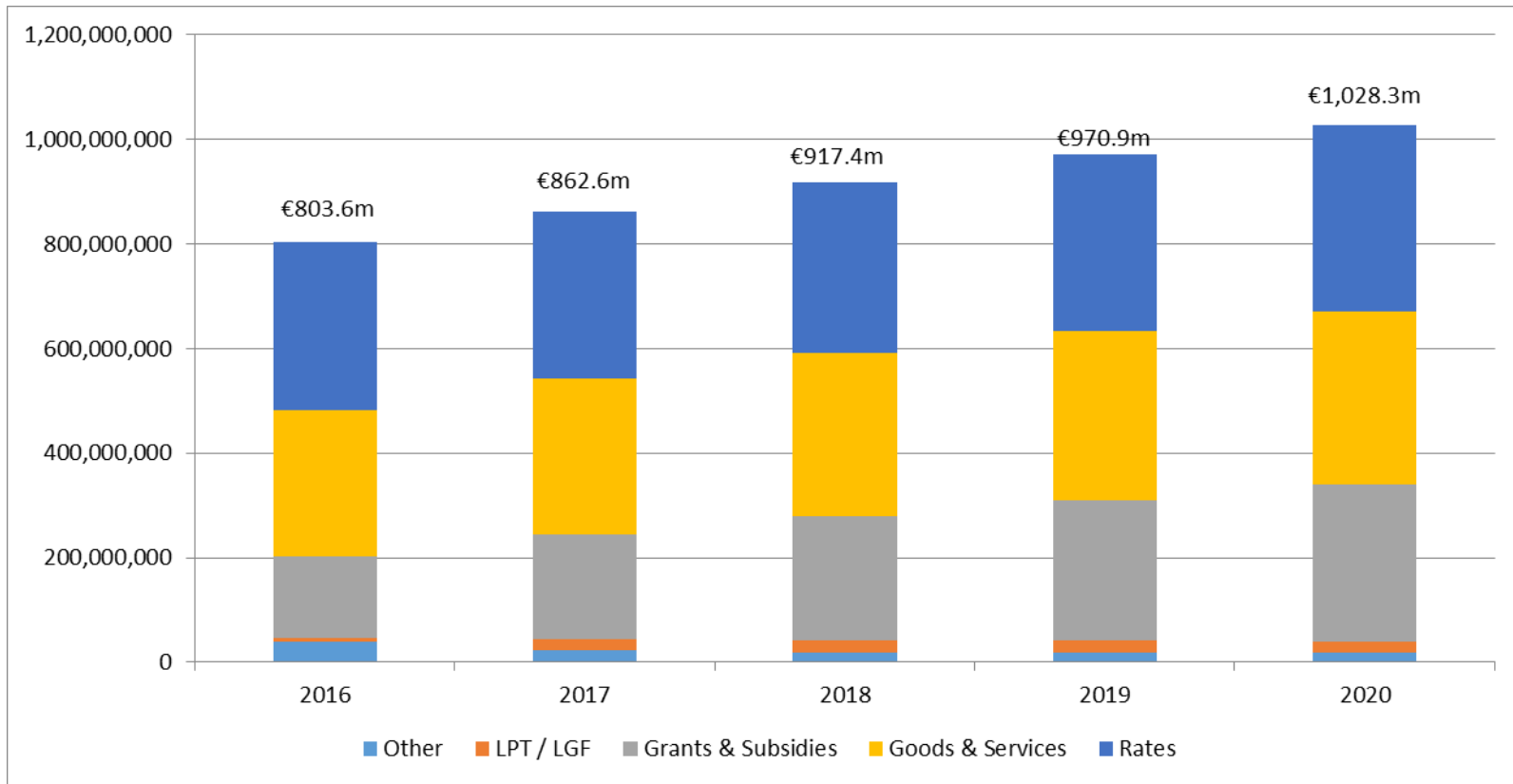
	<b>As at Year To 26th of June 2020</b>
<b>ASSETS</b>	€
Current assets (including cash and investments)	639,350,268
General revenue reserve (if surplus)	18,748,186
Loans receivable	510,222,841
	-
<b>LIABILITIES</b>	€
Current liabilities (including overdraft)	435,028,517
General revenue reserve (if deficit)	-
Loans payable	-
Voluntary housing/mortgage loans	386,091,841
Non mortgage loans	127,555,663
	-
<b>INDICATORS</b>	-
Ratio of loans payable to revenue income	50.0%
Ratio of current assets to current liabilities	1.47:1

	Qt 2 2019 (€m)	Qt 3 2019 (€m)	Qt 4 2019(€m)	Qt 1 2020 (€m)	Qt 2 2020 (€m)
Current Assets	537.66	462.65	416.70	712.64	639.35
Current Liabilities	370.42	257.43	209.83	523.92	435.03
Creditors(<1yr)	571.29	571.07	632.37	626.84	631.24
Long Term Loans	481.42	480.74	516.17	509.20	513.65
GGB Balance (Brackets denounce negative)	83.70	86.01	90.04	75.40	83.31
Movement against Q4 of previous year	3.77	6.08	10.11	(14.64)	(6.73)
2018 Q4 GGB Balance	79.93				





## Appendix 2 - Budgeted Total Income by Year 2016-2020



Appendix 3 – Table of Budgeted Total Income by Year 2016-2020

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>
<b>Other</b>	39.6	22.1	17.7	19.5	17.4
<b>LPT / LGF</b>	6.8	23.1	23.1	23.1	23.1
<b>Grants &amp; Subsidies</b>	156.3	198.9	238.6	268	299.8
<b>Goods &amp; Services</b>	280.6	297.9	313.2	322.2	330.5
<b>Rates</b>	320.3	320.7	324.8	338.2	357.4
<b>Total</b>	<b>803.6</b>	<b>862.6</b>	<b>917.4</b>	<b>970.9</b>	<b>1,028.30</b>

#### Appendix 4 - Rate Bands 2020

CHARGE 2020	No Of Accounts	Cumulative total	% per band	Cumulative Total	Total debit per band	% of Debit	Cumulative Total
€1 - €999	1910	1910	9.39%	9.39%	€ 1,163,696.73	0.33%	0.33%
€1,000 - €3.000	5776	7686	28.39%	37.78%	€ 11,268,967.78	3.15%	3.48%
€3,000 - €5,000	3652	11338	17.95%	55.73%	€ 14,265,217.70	3.99%	7.46%
€5,000 - €10,000	3978	15316	19.55%	75.29%	€ 27,936,285.55	7.81%	15.27%
€10,000 - €25,000	2880	18196	14.16%	89.45%	€ 44,394,650.34	12.41%	27.69%
€25,000 - €50,000	1098	19294	5.40%	94.84%	€ 38,553,349.96	10.78%	38.46%
€50,000 - €75,000	402	19696	1.98%	96.82%	€ 24,299,505.28	6.79%	45.26%
€75,000 - €100,000	168	19864	0.83%	97.65%	€ 14,493,943.04	4.05%	49.31%
€100,000 - €500,000	413	20277	2.03%	99.68%	€ 81,408,666.66	22.76%	72.07%
€500,000 -	66	20343	0.32%	100.00%	€ 99,909,229.37	27.93%	100.00%
<b>TOTAL</b>	<b>20343</b>		<b>100.00%</b>		<b>€ 357,693,512.41</b>	<b>100.00%</b>	

Appendix 5 - Estimated Rates 2021

	<b>Estimate NEV 2021</b>	<b>%</b>	<b>ARV</b>	<b>Total Income</b>	<b>Movement</b>
<b>Current</b>	€1,334,858,834	0%	0.268	€357,742,168	
<b><i>Increase Applied to the GARV</i></b>					
Increase	€1,334,858,834	0.37%	0.269	€359,077,026	€1,334,859
	€1,334,858,834	0.75%	0.270	€360,411,885	€2,669,718
	€1,334,858,834	1.12%	0.271	€361,746,744	€4,004,577
	€1,334,858,834	1.49%	0.272	€363,081,603	€5,339,435
	€1,334,858,834	1.87%	0.273	€364,416,462	€6,674,294
<b><i>Decrease applied to the GARV</i></b>					
Reduction	€1,334,858,834	-0.37%	0.267	€356,407,309	-€1,334,859
	€1,334,858,834	-0.75%	0.266	€355,072,450	-€2,669,718
	€1,334,858,834	-1.12%	0.265	€353,737,591	-€4,004,577
	€1,334,858,834	-1.49%	0.264	€352,402,732	-€5,339,435
	€1,334,858,834	-1.87%	0.263	€351,067,873	-€6,674,294