



Draft Budget Strategy for Financial Year 2022

in compliance with the Local Government (Financial and Audit Procedures) Regulations 2014

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 ongoing health, economic and social impacts of the Covid 19 pandemic, public health restrictions and measures taken to reopen certain aspects of the economy. Dublin City Council's priority in these difficult circumstances has been to provide services supporting the business environment along with services to support communities.

There is a clear demand for service development in our Capital City. Dublin City Council acknowledges the difficulties faced by many businesses and proposes that, for the second year in succession, 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 maintained at 30%.

There are fundamental changes proposed to the LPT framework. The impact of these proposed changes on Dublin City Council, in particular whether the Department will continue to classify Dublin City Council as self-funding, is not yet known. By being categorised as self-funding by the Department, LPT receipts of Dublin householders have been directed to specific existing works and services in lieu of government funding. I cannot advise the Elected Members as to the financial impact of proposed LPT changes. Notwithstanding the absence of such clarity, in order to fund the pressing need for additional services, I recommend the Elected Members apply the National LPT Basic Rate.

This document is required to be presented to the Elected Members as part of the LPT process (i.e. on the 19th July), in advance of the Statutory Budget Meeting. Clarity is awaited on the impact on available funding of proposed LPT changes. Further, as the pandemic and public health restrictions remain, the capacity of businesses to meet rating liabilities in 2022, without government support is not evident. On-going pandemic related costs are likely to continue, at least in part, to 2022 and non-rates related income may not return to pre-pandemic levels in 2022. These concerns around the fundamentals of our spend requirement and funding base will require continued close monitoring and communication to you of our resources.

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 (July 2021) along with reasonable estimates of likely outturns for the current financial year 2021. A comprehensive review of the financial performance was carried out in Q1 2021

2.2 Relevant Factors

The factors relevant to the 2022 Budget are:

- The impact of the pandemic on businesses 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 2021 and required in 2022
- Expenditure and income pressures in 2022
- Service Demands 2022
- 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 to apply to Dublin householders, in the context of proposed changes relating to the LPT rate, LPT bands, equalisation measures and exemptions
- Likely resource impact from proposed changes to the LPT framework in 2022
- Resource management in 2021
- 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 2022. This is set in the context of continuing public health restrictions and social distancing measures, a curtailed business environment in parallel with restricted community, leisure and recreational activities. This strategy seeks to ensure that Dublin City Council's available resource base is identified along with the estimated quantum of funds to provide services to support businesses and communities.

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, with some impacted more severely than others. The Government's 2020 Rates Waiver Scheme applied to

quarters 2 to 4. The scheme gave a funded waiver for many businesses, while those businesses specifically excluded had an opportunity to make an exceptional application. The 2021 Rates Waiver Scheme has been announced as applying to quarters 1 to 3, for a narrower range of businesses than the 2020 scheme.

As of now, arrangements for indoor dining, wet pubs, events etc. are under review. It is hoped that economic activity over the coming months will approach pre pandemic levels for some. For others, such as hospitality and the broad 'experience' sector, changes to how business is conducted arising from physical distancing has a greater impact on overall business viability. The capacity of businesses to meet rates liabilities will impact on the performance of rate collection and financing key services into the future. Concerns are held on the level of liquidations, receiverships and examinerships that may materialise over the near term.

3.2 Additional pandemic related costs

Funding for pandemic related additional costs necessarily incurred to provide services was provided in 2020 and committed to for 2021. 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. Funding arrangements for such costs incurred in 2022 have not been clarified.

3.3 Income and Expenditure Pressures

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, to be disadvantageous to Dublin City Council. The cost of service provision is rising, while there is an expectation that Commercial Rates / user charges / fees / should have low or no increases. This is understandable from a user perspective but cannot be squared to the incurred cost of provision. Dublin City Council has reduced its cost base in recent years, with new work practices, reduced staff and innovative use of technology, all the while service demands have increased, becoming more exacting. An outcome of the pandemic has been that the value of good local services is acknowledged and appreciated even more than previously. This holds true for all local authorities, urban and rural.

The full cost of the implementation of the Building Momentum Public Sector Pay Agreement 2021 – 2022 will result in additional costs of €7m in providing for a 1% increase on 1st October 2021 and 1st October 2022. In line with previous National Pay Agreements exchequer funding of the pay agreement will result in a net cost to Dublin City Council.

3.4 Homeless Services

The costs of service provision for homeless persons continues 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 and the commencement of pandemic related public health measures. There has been a reduction in the numbers of persons presenting as homeless, notably families and also a sharp reduction in the numbers of persons being accommodated in hotels. There are no families self-sourcing accommodation. 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. In 2020 the additional Covid related homeless costs were funded 90% by the Department of Housing, Local Government and Heritage, and 10% by the Dublin Local Authorities, of which two thirds was met by

Dublin City Council. Details of costs incurred in 2021 will be shared with you as part of the 2022 draft budget process. Homelessness is a national issue, managed locally, and Dublin City Council welcomes the highest level of state funding in respect of service costs incurred.

3.5 Service Demands 2022

In framing this 2022 Draft Budget Strategy, great attention has been given to the remaining months of 2021 and the specific service demands likely to present in 2022. The most significant are:

- Continuing 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 2022
- Increased costs of pension & gratuities

3.6 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 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. 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.

3.7 Stable ARV

Details of commercial ratepayers in Dublin City by band in 2021 are set out in **Appendix 4**. Over 75% of commercial ratepayers have a rates charge in 2021 of €10K or under, while almost 38% of commercial ratepayers have a rates charge in 2021 of under €3,000. By contrast, just over 52% of the total rates debit is paid by a little over 2% of commercial ratepayers or 494 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.
- 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 2022 to a multiplier of 0.268.

3.8 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.

Table 2 – Vacancy Refund Rates

Period	Vacancy Refund Rate %
1930 to 2016	50
2017	45
2018	40
2020	25
2021	30

The Rates Waiver Scheme provided support to vacant commercial units while the 2021 scheme does not. There is considerable flux in the prevailing business climate owing to trading changes i.e. the effect of public health restrictions and behavioural changes i.e. the effect of social distancing and health concerns. Vacant commercial properties are a concern but the information on trends across locations and sectors is weak. Vacant commercial property detracts from the attractiveness of the trading environment, making it difficult for remaining businesses and unappealing to prospective traders. Owing to the changing business environment and limited information, it is proposed to hold the Vacancy Refund at 30% in 2022.

3.9 Variation of the Local Property Tax 2022

Report 217/2021 relates to the consideration of the Local Property Tax Local Adjustment Factor in respect of the financial year 2022. In summary, the report proposes that notwithstanding the absence of clarity around the impact on Dublin City Council of proposed changes to the LPT framework, so as to fund the pressing need for additional services, the Elected Members apply the National LPT Basic Rate.

3.10 Resource Management in 2021

Staff

Over the course of 2021, 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 June 2021 reflect a modest increase of both core and non-core staff, from 5,586.25 at 30th June 2019 to 5,635.05 at June 2021 in line with service requirements (see Table 3)

Table 3 Staff Numbers June 2019 to June 2021

Category	Jun-19	Jun-20	Jun-21
Headcount	5,921.00	5,958.00	5,954.00
Core	5,723.00	5,774.00	5,724.00
Non-Core	198	184	230
WTE	5,586.25	5,626.50	5,635.05
Core	5,395.80	5,450.40	5,408.95
Non-Core	190.45	176.1	226.1

3.11 Resource Availability in 2022

Uncertainty has been a hallmark of this pandemic whether health, economic, social or otherwise related. At this time it simply is not known the extent and value of either Government supports in 2022 or the strength and depth of the Dublin trading environment next year. As a general trend, Dublin City Council's resources have 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 an uncertain budgetary outcome for 2022.

3.12 Capital Expenditure and Income 2022

The budget strategy is based on the forecasted capital spend for 2022 as identified in the preparation of Dublin City Council's 2022 to 2024 Capital Programme. A detailed Capital Programme for the period 2022 to 2024, based on further analysis, will be presented to the Elected Members at the City Council Meeting scheduled for 6th December 2021.

4.0 Summary

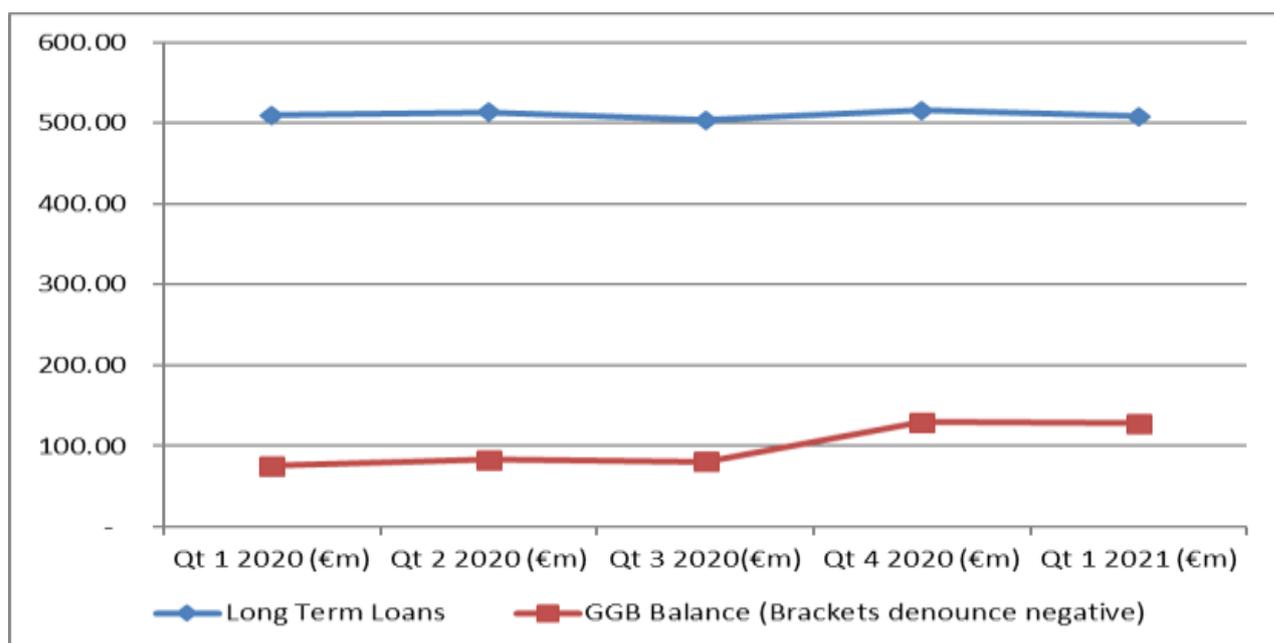
This Draft Budget Strategy proposes that, although there is a clear demand for service development, Dublin City Council acknowledges the difficulties faced by many businesses and proposes that for the second year in succession, there be no movement in the Commercial Rate (ARV), i.e. remaining at 0.268. It is further proposed that the Commercial Rates Vacancy Refund Rate be maintained at 30%. There are fundamental changes proposed to the LPT framework. The impact of these proposed changes on Dublin City Council and in particular whether the Department will continue to classify Dublin City Council as self-funding, is not yet known. By being categorised as self-funding by the Department, LPT receipts of Dublin householders have been directed to specific existing works and services in lieu of government funding. I cannot advise the Elected Members as to the financial impact of proposed LPT changes. So as to fund the pressing need for additional services, I recommend that the National Basic LPT rate be applied to householders in Dublin City Council in 2022.

Kathy Quinn
Head of Finance
15th July 2021

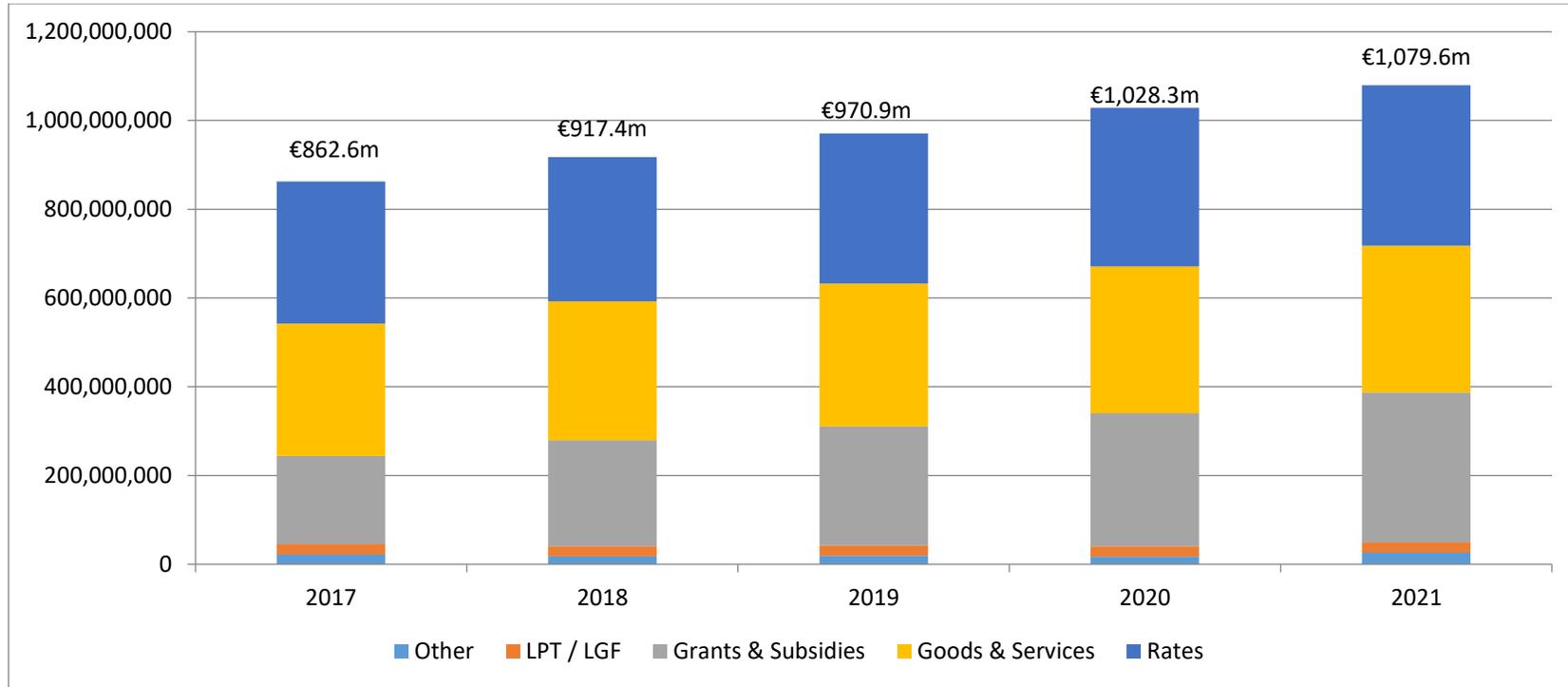
Appendix 1

	As at Year To 26th of March 2021
ASSETS	€
Current assets (including cash and investments)	764,355,892
General revenue reserve (if surplus)	37,474,584
Loans receivable	526,509,225
	-
LIABILITIES	€
Current liabilities (including overdraft)	507,542,262
General revenue reserve (if deficit)	-
Loans payable	-
Voluntary housing/mortgage loans	368,190,891
Non mortgage loans	139,801,005
	-
INDICATORS	-
Ratio of loans payable to revenue income	47.1%
Ratio of current assets to current liabilities	1.51:1

	Qt 1 2020 (€m)	Qt 2 2020 (€m)	Qt 3 2020 (€m)	Qt 4 2020 (€m)	Qt 1 2021 (€m)
Current Assets	712.64	639.35	556.34	511.92	764.36
Current Liabilities	523.92	435.03	357.93	253.76	507.54
Creditors(<1yr)	626.84	631.24	621.59	662.26	655.35
Long Term Loans	509.20	513.65	503.36	515.48	507.99
GGB Balance (Brackets denounce negative)	75.39	83.31	80.92	129.45	127.98
Movement against Q4 of previous year	(14.65)	(6.73)	(9.12)	39.41	37.94



Appendix 2 - Budgeted Total Income by Year 2017 – 2021



Appendix 3 – Table of Budgeted Total Income by Year 2017-2021

	2017	2018	2019	2020	2021
	€m	€m	€m	€m	€m
Other	22.1	17.7	19.5	17.4	26.2
LPT / LGF	23.1	23.1	23.1	23.1	23.2
Grants & Subsidies	198.9	238.6	268.0	299.8	338.0
Goods & Services	297.9	313.2	322.2	330.5	330.1
Rates	320.7	324.8	338.2	357.4	362.0
Total	862.6	917.4	970.9	1,028.3	1,079.6

Appendix 4 - Rate Bands 2021

CHARGE 2021	No Of Accounts	Cumulative total	% per band	Cumulative Total	Total debit per band	% of Debit	Cumulative Total
€1 - €999	1858	1858	9.26%	9.26%	€ 1,129,700.27	0.31%	0.31%
€1,000 - €3,000	5677	7535	28.29%	37.55%	€ 11,084,605.42	3.05%	3.37%
€3,000 - €5,000	3590	11125	17.89%	55.44%	€ 14,020,277.09	3.86%	7.23%
€5,000 - €10,000	3935	15060	19.61%	75.04%	€ 27,611,563.96	7.61%	14.84%
€10,000 - €25,000	2850	17910	14.20%	89.25%	€ 43,899,295.74	12.10%	26.94%
€25,000 - €50,000	1096	19006	5.46%	94.71%	€ 38,432,503.67	10.59%	37.53%
€50,000 - €75,000	396	19402	1.97%	96.68%	€ 23,937,346.16	6.60%	44.12%
€75,000 - €100,000	172	19574	0.86%	97.54%	€ 14,845,713.14	4.09%	48.21%
€100,000 - €500,000	425	19999	2.12%	99.66%	€ 84,920,172.04	23.40%	71.61%
€500,000 -	69	20068	0.34%	100.00%	€ 103,006,164.21	28.39%	100.00%
TOTAL	20068		100.00%		€ 362,887,341.70	100.00%	