



Report of the Finance SPC Budget Consultative Group with reference to the Allocation of Additional Resources

1.0 Background

During the 2022 budgetary process in late 2021, the exact value of Covid related government funding in lieu of non-rates income foregone and additional Covid spend was not known. It was agreed by the elected members to work through the 2022 budget, adopt a programme of services for 2022 and revisit the variance (higher/lower) in the actual funding received against the estimated value used at a later date. It was also agreed that any variance between the estimated and actual year-end financial outcome would be reviewed. This was considered at a meeting of the Budget Consultative Group held on 21st April (BCG Report 03/2022).

2.0 Covid related government funding

The 2021 financial year was significantly impacted by the pandemic. In addition to rates waiver schemes, government funding was provided in respect of Covid related incurred additional expenditure and lost non-rates income. During 2021 there had been an expectation that these items would be fully funded, however in late 2021 it emerged that there would be partial, not full funding. So as to proceed with the 2022 Budgetary process, an estimate of government funding was determined and this estimated value was used as part of the 2022 Budget. The value of government fund was confirmed in late January 2022, as set out in Table 1.

Table 1 Covid related government funding			
	Funding Confirmed by Department of Housing	Funding to DLAs for DFB	Brigid Day Events
Lost Income	€17,904,717		
Additional Expenditure	€ 2,157,276		
Subtotal	€20,061,993		
		€ 527,335	
DCC Total		€19,534,658	
DCC Estimate		€19,000,000	
Additional Funds		€ 534,658	
			€160,000
Funding available			€374,658

3.0 Year end 2021 Outcome

As part of the annual budgetary process, an estimate is made of the likely overall year-end financial outcome for DCC. The actual outcome may vary with the estimated outcome (higher or lower) for many reasons across both income and expenditure. DCC's 2021 Annual Financial Statement (AFS) was completed at the end of March 2022 and is an agenda item for the May City Council meeting. The actual 2021 financial outcome for DCC was €6.5m above the value estimated in October 2021, details provided below in Table 2. It is worth noting that the year-end outcome can be greater or less than the estimated outcome, depending on circumstances. Principal factors contributing to the increased value are lower payroll related spend than estimated of €4.9m, higher parking related income (of €1m) and higher NPPR related income (€0.6m) than estimated.

Table 2: DCC 2021 Financial Year outcome	€m
Revenue Expenditure on City Council Service	1,165.8
Revenue Income (Government Grants, Service Charges & Rates)	1,172.3
Excess of Income over Expenditure	6.5

The value of funds then discussed by BCG members of the BCG was €6.875m being €6.5m year-end balance and €375k additional Covid funding.

4.0 Impact of Inflation

Current Context

In late 2021 as the 2022 budget was being prepared, the 2022 inflation forecast was to rise to 5.7% and fall to 2% by year-end. Inflation is now at a 22 year high of 6.7% in March 2022, increased from 5.6% in February 2022. The Central Bank has indicated that inflation could rise further, to above 8% in the coming months. Key factors contributing to growing inflation are energy prices (electricity, gas, fuels) and supply chain issues initially arising through Covid now deepened by the Russian invasion of Ukraine.

DCC costs impacted by higher inflation include electricity, gas, fuel and any good or service with fuel as a component will be impacted. Spend on items such as loan repayments, contributions to other authorities are excluded as is Payroll for now as any increases in payroll are determined by Government.

Estimated DCC Impact

A review of DCC 2022 estimated spend has been carried out. The total revenue budget has a value of €1,130m (100%). Elements of that budget not yet impacted by inflation are payroll €475m (42%), DCC (A) expenditure €165m (14.6%), housing recoupable expenditure €286m (25.3%) and insurance €28.7m (2.5%). Elements that are impacted by inflation are energy €15.4m (1.4%) and DCC (B) expenditure €160m (14.1%)

Applying a 5% increase for 9 months to DCC (B) expenditure results in an inflation factor of €6m. With regard to electricity, an additional €1.8m will be paid due to a 63% increase on electricity excluding public lighting from 1st June 2022. The increase in respect of public lighting amounts to €66k. Inflation will have a €957k impact on fuel and €867k additional payments for gas are expected due to a 63% increase from June. In total then, energy related

inflation increases amount to €3.7m, other expenditure inflation increases amount to €6m with a combined value of €9.7m.

5.0 Options considered by the BCG

There are undoubted benefits to communities and businesses having valuable additional service provision. There was a clear consensus among BCG members that a) additional services, determined at Area Committee and b) funding for housing voids have priority. However there was an extensive discussion about the need for caution and prudence in the face of the prevailing financial environment, with little indication that matters will ease in the short term. There are fundamental global issues having impact on DCC's resource base. It is fully appreciated that users have valid service demands however it is worthwhile to recommend that none of the resources under review would be allocated for now. In terms of the financial year 2022, any unallocated funding will be a first call to meet inflationary pressures.

The BCG recommends that the additional funds of €6.875m referenced earlier should not be allocated to additional services but be held to deal with the impact of inflation over the course of 2022.

Councillor Seamas McGrattan
Chairperson
Budget Consultative Group

19th May 2022