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## Financial Impact of Inflation on Dublin City Council 2022/2023

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### 1.0 Background

At the May City Council Meeting, Report 132/2022 was discussed, relating to the consideration by the Budget Consultative Group (BCG) of additional resources. It was noted that the BCG gave focus to emerging inflation trends as part of its deliberations. A report was requested to be brought to a future City Council meeting on the financial impacts of inflation on Dublin City Council.

### 2.0 Inflation Trends

In late 2021, the 2022 forecast was that inflation would rise to 5.7% and fall to 2% by year end. Inflation is now at a 22 year high of 7% in April 2022, increased from 5.6% in February 2022. Further, the Central Bank has indicated that inflation is likely to rise further, to approx. 9% in the coming months. Within this trend of rapidly rising inflation, key factors can be identified:

- Energy prices (electricity, gas, fuels)
- Rents
- Utilities
- Supply chain issues initially Covid related, now deepened by the Russian invasion of Ukraine.

### 3.0 Dublin City Council Impacts

The costs incurred by Dublin City Council, being impacted by higher inflation are:

- Electricity
- Gas
- Fuel and any good or service with fuel as a component
- Goods and services routinely procured

Spend on items such as loan repayments and contributions to other authorities are excluded as is payroll for now but it is probable that a pay increase will be agreed following current discussions.

### 4.0 Dublin City Council Expenditure Analysis

Dublin City Council has an estimated spend in 2022 on operational services (i.e. the full Revenue Budget) of €1,130m (100%). An analysis of that spend on what is not yet impacted by inflation and what is or is known to be shortly impacted by inflation is set out below in Table 1.

Table 1 Analysis of impacts of inflation

<b>Not yet impacted by inflation</b>	<b>Impacted by inflation</b>
Payroll €475m (42%)	Energy €15.4m (1.4%)
Dublin City Council expenditure €165m (14.6%)	Dublin City Council expenditure €160m (14.1%)
Housing recoupable €286m (25.3%)	
Insurance €28.7m (2.5%)	

## 5.0 Projected Inflationary Increases

Based on the above analysis, the projected inflationary increases for Dublin City Council in 2022 are

- *Expenditure:* €6m through a 5% increase for 9 months
- *Electricity:* €1.8m due to a 63% increase on electricity costs excluding public lighting from 1<sup>st</sup> June 2022
- *Fuel:* €957k impact on annual budget of €2.7m
- *Gas:* €867K 63% increase from June
- *Total energy* projected increase €3.7m
- *Total (all expenditure)* €9.7m
- *Projected inflationary impact for full year* €15m

## 6.0 Financing Implications

Dublin City Council's budget and financial activities are closely monitored by the Finance Department. In 2022 it is proposed to

- Allocate the additional funds as recommended by the BCG (€6.9m)
- Offset payroll savings that may realise during the year.
- Identify and offset non pay expenditure savings

In terms of 2023, inflation is currently forecast at 2.8%. There is a clear need to maximise buoyancy in Dublin City Council's rate base so as to avail of the maximum income base. The BCG is reviewing all income sources and potential for charging increases. It should be noted that Commercial Rates have not been increased in three years and is a key source of funding, representing 32% of Dublin City Council's funding base.

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**17<sup>th</sup> May 2022**