



Draft Budget Strategy for Financial Year 2023 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 of 2014), reflects the context of acute inflation trends across energy, non-pay and pay alongside the continuing social, health and economic consequences of the Covid 19 pandemic. The impacts of historic high inflation rates are felt by all in society. Dublin City Council seeks to support our City through building communities and enabling a positive business environment.

There is an enormous challenge in the forthcoming 2023 budgetary process to secure funds for service provision. Commercial Rates have not been increased for three years. The peak inflation now evident is such that Dublin City Council cannot 'absorb' the cost differential and maintain service levels. For these reasons an increase of 3% in the Annual Rate on Valuation (ARV) is proposed, moving the multiplier from 0.268 to 0.276. The LPT rate has been consistently reduced since introduction. Due to the significance of the estimated funding gap of €46m to €50m, 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 to continue the current level of service provision.

This document is required to be presented to Elected Members as part of the LPT process, in advance of the Statutory Budget Meeting. Although the national budget was recently held, there remains uncertainty around government funding for key cost pressures. This Council requires government funding to address the unprecedented increases in energy and also broader inflation. In addition a nationally agreed public sector pay deal has been negotiated and is awaiting ratification. Confirmation is awaited from government that funding will be provided to meet Dublin City Council's obligations as a public sector employer in implementing the deal. Historically the Exchequer funding has not financed the full increased cost of such pay awards.

Due to the materiality of the funding pressures now presenting, it will not be possible to avoid service reductions without both government supports and key decisions on the Local Property Tax Local Adjustment Factor and Commercial Rates.

2. Introduction

2.1 Background

The relevant legislative provisions are The Local Government (Financial and Audit Procedures) Regulations 2014 (S.I. no. 226 of 2014), The Local Property Tax (Local Adjustment Factor) Regulations 2022 (S.I. no. 358 of 2022), Circulars Fin 05/14 and Circular Fin 08/2014. The legislative framework prescribes the format of financial data provided. In

this report, financial information is based on actual data to date (September 2022) along with reasonable estimates of likely outturns for the current financial year 2022. A comprehensive mid-year review of the financial performance was carried out in July 2022.

2.2 Relevant Factors

The factors relevant to the 2023 Budget are:

- The impact of energy related inflation with a Dublin City Council cost estimate of €4.5m in 2022 and €18m in 2023
- The impact of all other non-pay (goods/services) inflation, with an expected cost of €6m in 2022 and €9m in 2023.
- The impact of the cost of implementation of the recently negotiated public sector pay deal which is awaiting ratification. It has an additional cost of €13m in 2022 and €24m in 2023.
- The continuing failure of the HSE to pay for the ambulance service provided for Dublin and the value of the unfunded gap now at €16.79m per annum. This impacts on all four Dublin local authorities.
- The impact of a high inflation environment on business, across all sectors, not yet fully recovered from the consequences of the pandemic and the capacity of those businesses to meet rating liabilities.
- Service demands 2023
- 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 2023
- Gap between demand for services and available resources

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 2023. This is set within a context of historic inflation levels, at 9.1% in July 2022 alongside unprecedented increases in energy related costs, in the hundreds of percent. The Budget Strategy seeks to ensure that Dublin City Council has the required resource base for the 2023 planned service provision. The quantum of funds to provide services to support businesses and communities is estimated. This report draws focus to the gap in funds between the values required to provide services and the value of available resources. The report points to the requirement to i) increase the LPT rate, ii) increase Commercial Rates and iii) receive government support funding to bridge the resource gap.

3. Factors relevant to Budget Strategy

3.1 Inflation – Energy and other non-pay inflation

In assessing the cost impact of inflation to Dublin City Council, the 2022 revenue budget of €1,130m (100%) was categorised between having an exposure to general inflation or not. Spend items having identifiable specific inflation levels such as pay and energy are assessed separately.

Energy prices are at an all-time high. The 2022 Budget estimated an energy related spend of €15.4m. It is estimated that the additional cost impact to Dublin City Council of energy related inflation is €4.5m in 2022 and €18m in 2023, i.e. €22.5m cumulative.

The impact of other non-pay inflation is also a significant cost pressure. Inflation levels are at an historic high, 9.1% in July with an expectation that prices will continue to rise over the remaining months of 2022. Elements of the 2022 Budget not energy or pay related and subject to movements in inflation amount to €160m. A 5% increase over 9 months (April to December) results in a cost of inflation factor €6m. The full year impact in 2023 is estimated at €9m i.e. €15m in total. It should be understood that as inflationary trends are volatile and rising, estimates require frequent refreshes. The cumulative estimated costs over 2022 and 2023 for energy and non-pay inflation amount to €37.5m.

3.2 Pay Inflation

The 2022 Budget was prepared incorporating the costs of the public sector pay deal *Building Momentum*. A further pay deal has been negotiated and is awaiting ratification, addressing the impacts of rising inflation. It is estimated that this second pay deal will have additional pay costs in 2022 of €13m and in 2023 of €24m. There has been no indication yet from Government on the funding to be provided for this additional expenditure. Typically national agreed pay deals are not fully funded by government, with a residual 20 to 25% of the costs being borne by Dublin City Council. The cumulative estimated pay costs over 2022 and 2023 for the negotiated, awaiting ratification national pay deal, amount to €37m.

3.3 Costs of Dublin Fire Brigade Ambulance Service unpaid by HSE

The cost of providing the Dublin Fire Brigade's Emergency Management Service (EMS) to the HSE was identified in 2014 as €18.59m, as part of the Brady/Flaherty Review. The HSE has acknowledged and paid just €9.18m of these costs on an annual basis leaving €9.41m (in 2014 values) unpaid, requiring resources to be diverted by the Dublin Local Authorities to fully fund the service. In 2021, the cost of Dublin Fire Brigade's (EMS) was updated, using the same Brady/Flaherty principles and was estimated at €22.09m. Provision was also made for additional costs now being incurred by the Dublin Fire Brigade EMS which were not incurred in 2014 when the Brady/Flaherty Review was completed. These costs relate to the cost of a paramedic vehicle operated by Dublin Fire Brigade, estimated at €180k in 2021 and the cost of operating 2 additional ambulances since 2021, which are required to maintain service levels given the ongoing impacts of the COVID 19 pandemic. Impacts include the additional time required to deal with incidents due to the need to observe COVID 19 protocols, additional time delays in handing over patients at hospitals and the reduced availability of NAS emergency ambulances.

The total updated costs in 2021 were €25.97m. This leaves a net cost €16.79m (€25.97-€9.18m).

3.4 Homeless Services

The costs of service provision for homeless persons continue to increase as a result of underlying homeless presentation rates. At a high level, trends in demand for homeless related services changed during the pandemic and continue to change. The costs and funding arrangements for this key service are worked through by Dublin City Council with the Department of Housing, Local Government and Heritage and the Department of Public Expenditure and Reform. Homelessness is a national issue, managed locally, and Dublin City Council welcomes the highest possible level of state funding in respect of service costs incurred.

3.5 Service Demands 2023

In framing this Draft Budget Strategy, great attention has been given to the concluding months of 2022 and the specific service demands likely to present in 2023. The most significant are:

- The impact of inflation (referenced above)
- Funding of pay increases that may crystallise from the recently negotiated national pay deal (referenced above)
- Demand for additional recruitment for Dublin Fire Brigade including two recruit classes and Emergency Control Room operators
- Management fees for social housing units in managed housing complexes
- Unfunded costs of the Ambulance Services provided by Dublin Fire Brigade in the Dublin Area to the HSE (referenced above)

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. I am acutely aware of the pressures faced by businesses and need for a functioning supportive trading environment.

3.7 The setting of the Commercial Rate (ARV)

Details of commercial ratepayers in Dublin City by band in 2022 are set out in **Appendix 4**. Over 75% of commercial ratepayers have a rates charge in 2022 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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- 2% of ratepayers pay 50% of the rates charge
 - 5% of ratepayers pay 62% of the rates charge.
 - 25% of ratepayers pay 85% of the rates charge.

This Budget Strategy is based on the recommendation of an increase of 3% in the annual rate on valuation (ARV), moving the multiplier from 0.268 to 0.276 in the financial year 2023. **See Appendix 5.**

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. 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%. Further changes are set out in

Table 1. As part of the 2022 Budget the Vacancy Refund Rate was amended to 15% (i.e. where a rateable premises has been vacant, 85% of rates due are liable).

Table 1 – Changes to Vacancy Refund Rate 2016 to 2022

| Year | GARV | % Refund |
|------|-------|----------|
| 2022 | 0.268 | 15% |
| 2021 | 0.268 | 30% |
| 2020 | 0.268 | 25% |
| 2019 | 0.261 | 40% |
| 2018 | 0.258 | 40% |
| 2017 | 0.258 | 45% |
| 2016 | 0.256 | 50% |

During the pandemic, the Government provided assistance to certain categories of ratepayers in the financial years 2020 and 2021. This support was hugely beneficial both to businesses and Dublin City Council. A consequence of the Rates Waiver Scheme is that vacant businesses qualified for a rates waiver in 2020 and therefore the level of Vacancy Credit was substantially reduced when compared to 2019 as shown in **Table 2** below. The vacancy level for 2022 will become apparent in early 2023. Owing to the absence of clear information on vacancy trends, it is proposed to maintain the Vacancy Refund at 15% in 2023 i.e. no change, with a view to reconsidering again for the 2024 Budget.

Over the period 2017-2021, the value of vacancy rates refunds in Dublin City has reduced from €9.8m to €4.5m. See **Table 2**.

Table 2 - Vacancy Credits 2022

| | 2017 | | 2018 | | 2019 | | 2020 | | 2021 | |
|--------------------|-----------------|-------------------|-----------------|-------------------|-----------------|-------------------|-----------------|-------------------|-----------------|-------------------|
| Area | 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 | 438 | €1,840,997 | 386 | €1,576,846 | 609 | €2,068,761 | 100 | €201,631 | 288 | €1,618,762 |
| North Central Area | 165 | €653,156 | 173 | €396,574 | 204 | €600,727 | 58 | €143,998 | 57 | €152,782 |
| North West Area | 271 | €1,127,763 | 274 | €906,740 | 120 | €476,906 | 78 | €122,621 | 38 | €64,045 |
| South Central Area | 258 | €1,055,855 | 255 | €992,709 | 196 | €639,039 | 60 | €142,280 | 100 | €465,254 |
| South East Area | 854 | €5,090,095 | 784 | €4,330,278 | 819 | €3,774,475 | 144 | €641,055 | 593 | €2,183,708 |
| Mics | | | | | | | | | | |
| Total | 1986 | €9,767,866 | 1872 | €8,203,146 | 1948 | €7,559,908 | 440 | €1,251,585 | 1076 | €4,484,552 |

3.9 Variation of the Local Property Tax 2023

Report 242/2022 relates to the consideration of the Local Property Tax Local Adjustment Factor in respect of the financial year 2023. 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 €28.4m in additional funds.

3.10 Resource management in 2022

Staff

Over the course of 2022, 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 for 2022 YTD reflect a modest decrease of both core and non-core staff, from 5930 in 2020 to 5908 in 2022 year to date or 5618 WTE in 2020 to 5532 WTE in 2022 year to date. (See **Table 3**)

Table 3 - Staff Numbers 2020 to 2022 YTD

| Category | Type | 2020 | 2021 | 2022 YTD |
|-----------------------|------------------------|-----------------|-----------------|-----------------|
| Headcount | Core | 5,718 | 5,652 | 5,658 |
| | Non-Core | 212 | 230 | 250 |
| | Total Headcount | 5,930 | 5,882 | 5,908 |
| | | | | |
| Whole Time Equivalent | Core | 5,412.50 | 5,346.50 | 5,286.50 |
| | Non-Core | 205.8 | 225.6 | 245.4 |
| | Total WTE | 5,618.30 | 5,572.10 | 5,531.90 |

3.11 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.

3.12 Resource Gap

A financial review has been completed in respect of the outturn of 2022 and Budget 2023 to assess the financial implications of movements in expenditure and income. The review points to a major funding deficit of €46m - €50m. To sustain current priority service levels, additional funding from both the 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 be that households or businesses .

At this time it is not possible to reconcile resources available in 2023 with the cost of maintaining services in a high cost environment let alone meet expected service demands. The Elected Members are well aware of the scarcity of resources available to Dublin City Council, a trend that seems to be increasing. New funding for the City has been at minimal levels while the cost and scope of services has increased enormously in the current year alone. The occurrence, in parallel of flat or shrinking income, increased expectation of expanded services and additional costs to continue current services, presents a difficult and unpalatable budget prospect for 2023.

3.13 Capital Expenditure and Income 2023

The Budget Strategy is based on the forecasted capital spend for 2023 as identified in Dublin City Council's 2023 to 2025 Capital Programme. A detailed Capital Programme for the period 2023 to 2025, based on further analysis, will be presented to the Elected Members at the City Council Meeting scheduled for 5th December 2022.

4.0 Summary

This draft Budget Strategy highlights the enormous challenge in the forthcoming 2023 budgetary process to secure funds for service provision. Dublin City Council is mindful of the pressures on businesses and Commercial Rates have not been increased for three years. The peak inflation and financial impact now evident is such that Dublin City Council cannot take on the cost differential and maintain service levels. For these reasons an increase of 3% in the annual rate on valuation (ARV) is proposed, moving the multiplier from 0.268 to 0.276. Government funding is also required to assist in the funding of services in 2023. The LPT rate has been consistently reduced since introduction. Due to the significance of the large gap between viable funding and demand for services, the budget strategy is based on the LPT rate to be applied to householders in Dublin City Council to be increased by 15% above the national basic LPT rate.

Kathy Quinn
Head of Finance

23rd September 2022

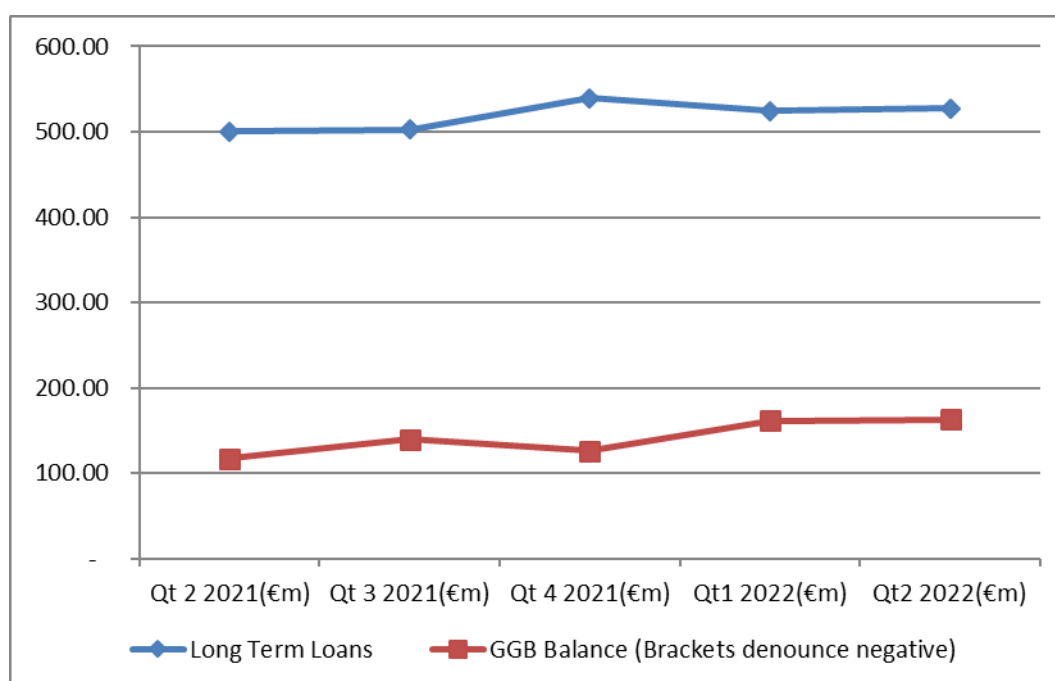
Appendix 1 – Financial Position

| | As at Year To 29th of June 2022 |
|---|---------------------------------|
| ASSETS | € |
| Current assets (including cash and investments) | 786,297,838 |
| General revenue reserve (if surplus) | 46,306,235 |
| Loans receivable | 532,615,849 |
| | - |
| LIABILITIES | € |
| Current liabilities (including overdraft) | 453,984,421 |
| General revenue reserve (if deficit) | - |
| Loans payable | - |
| Voluntary housing/mortgage loans | 364,542,717 |
| Non mortgage loans | 162,815,544 |
| | - |
| INDICATORS | - |
| Ratio of loans payable to revenue income | 46.7% |
| Ratio of current assets to current liabilities | 1.73:1 |

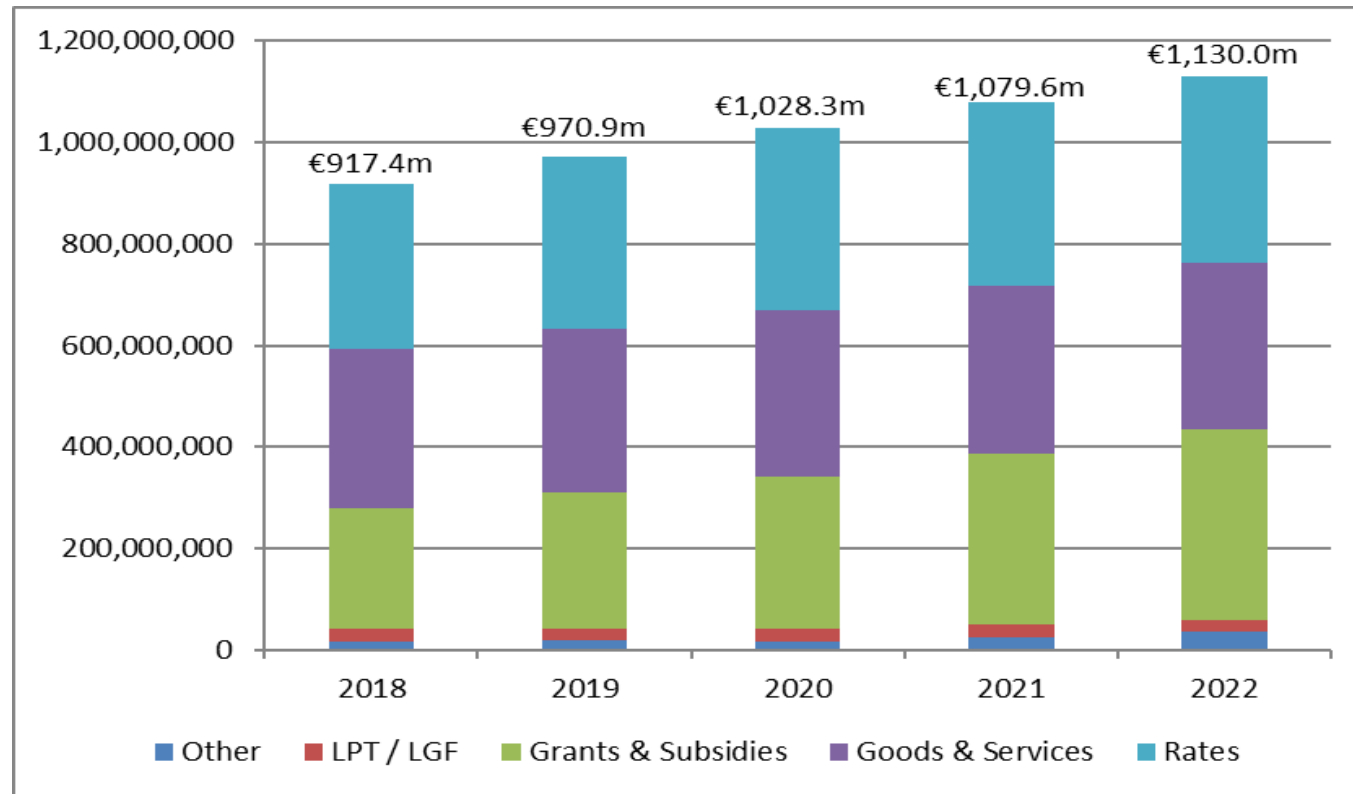
| | Qt 2 2021(€m) | Qt 3 2021(€m) | Qt 4 2021(€m) | Qt1 2022(€m) | Qt2 2022(€m) |
|--|---------------|---------------|---------------|--------------|--------------|
| Current Assets | 675.78 | 616.35 | 579.78 | 843.61 | 786.30 |
| Current Liabilities | 433.02 | 342.46 | 278.31 | 518.12 | 453.98 |
| Creditors(<1yr) | 648.41 | 650.37 | 713.84 | 698.72 | 701.58 |
| Long Term Loans | 500.50 | 502.25 | 539.30 | 524.06 | 527.36 |
| GGB Balance (Brackets denote negative) | 117.27 | 140.16 | 126.54 | 161.88 | 163.34 |
| Movement against Q4 of previous year | (12.18) | 10.71 | (2.91) | 35.34 | 36.80 |

2020 Q4 GGB Balance

129.45



Appendix 2 - Budgeted Total Income by Year 2018-2022



Appendix 3 – Table of Budgeted Total Income by Year 2018-2022

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------------|--------------|--------------|----------------|----------------|----------------|
| | €m | €m | €m | €m | €m |
| Other | 17.7 | 19.5 | 17.4 | 26.2 | 35.4 |
| LPT / LGF | 23.1 | 23.1 | 23.1 | 23.2 | 23.2 |
| Grants & Subsidies | 238.6 | 268.0 | 299.8 | 338.0 | 375.6 |
| Goods & Services | 313.2 | 322.2 | 330.5 | 330.1 | 329.0 |
| Rates | 324.8 | 338.2 | 357.4 | 362.0 | 366.9 |
| Total | 917.4 | 970.9 | 1,028.3 | 1,079.6 | 1,130.0 |

Appendix 4 - Rate Bands 2022

| CHARGE 2022 | No Of Accounts | Cumulative total | % per band | Cumulative Total | Total debit per band | % of Debit | Cumulative Total |
|---------------------|----------------|------------------|----------------|------------------|-------------------------|----------------|------------------|
| €1 - €999 | 1861 | 1861 | 9.24% | 9.24% | € 1,130,629.31 | 0.31% | 0.31% |
| €1,000 - €3,000 | 5644 | 7505 | 28.02% | 37.26% | € 11,027,650.57 | 3.01% | 3.32% |
| €3,000 - €5,000 | 3611 | 11116 | 17.93% | 55.19% | € 14,108,561.62 | 3.85% | 7.17% |
| €5,000 - €10,000 | 3969 | 15085 | 19.71% | 74.89% | € 27,865,591.95 | 7.60% | 14.77% |
| €10,000 - €25,000 | 2869 | 17954 | 14.24% | 89.14% | € 44,241,775.83 | 12.07% | 26.85% |
| €25,000 - €50,000 | 1110 | 19064 | 5.51% | 94.65% | € 38,986,722.09 | 10.64% | 37.48% |
| €50,000 - €75,000 | 401 | 19465 | 1.99% | 96.64% | € 24,321,874.28 | 6.64% | 44.12% |
| €75,000 - €100,000 | 178 | 19643 | 0.88% | 97.52% | € 15,376,889.14 | 4.20% | 48.32% |
| €100,000 - €500,000 | 427 | 20070 | 2.12% | 99.64% | € 84,834,116.61 | 23.15% | 71.47% |
| €500,000 - | 72 | 20142 | 0.36% | 100.00% | € 104,553,150.53 | 28.53% | 100.00% |
| TOTAL | 20142 | | 100.00% | | € 366,446,961.93 | 100.00% | |

Appendix 5 - Estimated Rates 2023.

| | | | | | | | |
|--|----------------|------------------------------|---|-----------|---------------------------------|---------------------|-------------------|
| | | | | | | | |
| | | | | | | | |
| | | Estimate NEV 2023 | | % | ARV 0.262 to 0.0.283 | Total Income | Difference |
| | Current | 1,361,627,630 | | 0% | 0.268 | €364,916,205 | |
| | | | | | | | |
| | Reduction | 1,361,627,630 | - | -2.24% | 0.262 | €356,746,439 | -€8,169,766 |
| | | 1,361,627,630 | - | -1.87% | 0.263 | €358,108,067 | -€6,808,138 |
| | | 1,361,627,630 | - | -1.49% | 0.264 | €359,469,694 | -€5,446,511 |
| | | 1,361,627,630 | - | -1.12% | 0.265 | €360,831,322 | -€4,084,883 |
| | | 1,361,627,630 | - | -0.75% | 0.266 | €362,192,950 | -€2,723,255 |
| | | 1,361,627,630 | - | -0.37% | 0.267 | €363,554,577 | -€1,361,628 |
| | | | | | | | |
| | Increase | 1,361,627,630 | + | 0.37% | 0.269 | €366,277,832 | €1,361,628 |
| | | 1,361,627,630 | + | 0.75% | 0.270 | €367,639,460 | €2,723,255 |
| | | 1,361,627,630 | + | 1.12% | 0.271 | €369,001,088 | €4,084,883 |
| | | 1,361,627,630 | + | 1.49% | 0.272 | €370,362,715 | €5,446,511 |
| | | 1,361,627,630 | + | 1.87% | 0.273 | €371,724,343 | €6,808,138 |
| | | 1,361,627,630 | + | 2.24% | 0.274 | €373,085,971 | €8,169,766 |
| | | 1,361,627,630 | + | 2.61% | 0.275 | €374,447,598 | €9,531,393 |
| | | 1,361,627,630 | + | 2.99% | 0.276 | €375,809,226 | €10,893,021 |
| | | 1,361,627,630 | + | 3.36% | 0.277 | €377,170,854 | €12,254,649 |
| | | 1,361,627,630 | + | 3.73% | 0.278 | €378,532,481 | €13,616,276 |
| | | 1,361,627,630 | + | 4.10% | 0.279 | €379,894,109 | €14,977,904 |
| | | 1,361,627,630 | + | 4.48% | 0.280 | €381,255,736 | €16,339,532 |
| | | 1,361,627,630 | + | 4.85% | 0.281 | €382,617,364 | €17,701,159 |
| | | 1,361,627,630 | + | 5.22% | 0.282 | €383,978,992 | €19,062,787 |
| | | 1,361,627,630 | + | 5.60% | 0.283 | €385,340,619 | €20,424,414 |
| | | | | | | | |
| | | | | | | | |

