



Comhairle Cathrach
Bhaile Átha Cliath
Dublin City Council

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Report to the Finance Strategic Policy Committee

Report on Rates Debtors 31st December 2017

The Local Government (Financial Procedures and Audit) No. 2 regulations 2014 provide that a rating authority on completion of the schedules of uncollected rates at the end of each financial year submits a report to the members of the Local Authority.

This report on commercial rates arrears at the 31st December 2017 sets out the following information:

- 2017 Local Authority Sector target improvement for rates collection
- Commercial rates funding
- Level of arrears during the period 2013 - 2017
- Rates Collection Percentages Y2013 – Y2017
- Age Profile of the 2017 arrears
- Analysis of the 2017 arrears accounts
- Analysis of the 2017 arrears by rate description category
- 2017 arrears schedule status
- 2017 arrears by electoral area
- Conclusion

2017 Local Authority Sector target improvement for rates collection

A local government debt management project group was set up in the 1st quarter 2015 which consisted of representatives from a number of Local Authorities, the DoHPLG and the LGMA in response to a government review of the collection of all public sector debt. Commercial rates arrears of €394M were outstanding at 1/1/15 within the sector and the focus of the group was to:

- Achieve a target improvement in rate collection for each authority
- Improvements in collection and administration of debt management procedures

The 2017 % collection targets as assigned were banded as below with the lower performing authorities required to improve collection by those higher percentages as outlined in the table.

	Collection % AFS 2016	Increase in collection rate 2017
Band 1	Above 90%	No change
Band 2	85% - 89%	+0.5%
Band 3	80% - 84%	+0.75%
Band 4	75% - 79%	+1%
Band 5	Minimum Collection	75%

The 2017 target for Dublin City Council was a collection target of 89.5%. The actual outcome in 2017 exceeded the target levels with a collection of 91.5% and year-end arrears of €32.4M, a reduction of €8.7M (21%) on the 2016 arrears outcome.

Commercial Rates Funding

The City Council exercises restraint in setting commercial rate charges in order to support competitiveness in the economy, nationally and locally, and to sustain the commercial rate base within the City. It should be noted that the City Council's 2018 revenue budget is 35% funded by commercial rates and therefore the performance on rate collection is critical to the funding provision of services.

I have set out in the table below, details of movement in the Council's ARV since 2011.

Table 1 – Movement in Annual Rate on Valuation

	2011	2012	2013	2014	2015	2016	2017
ARV	-0.69%	-1.7%	-0.5%	-0.4%	-0.5%	0.0%	+0.78%

Whilst the annual reduction in the Council's ARV over the period was modest, the cumulative value is estimated at €69M. The performance of Dublin City Council in the area of commercial rates and other charges it imposes on the business sector compares favourably with the performance of other sectors where above inflation price increases have been the norm over recent years. The percentage change in the CPI index for the period is 3.6%.

The commercial rates annual charges over the period 2013 – 2017 are detailed in table below.

Table 2 – Commercial Rates Income

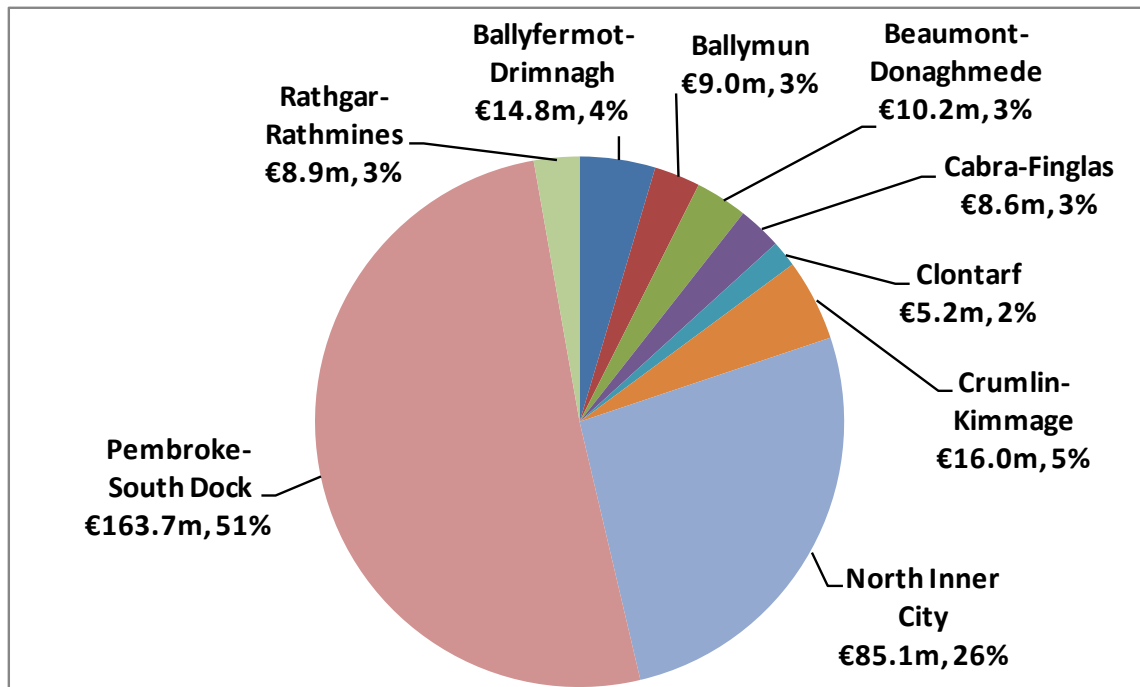
Year	Rates Income
2013	€341,150,111
2014	€342,234,446
2015	€336,255,813
2016	€324,501,784
2017	€321,481,363

Source: DCC Annual Financial Statements 2013 – 2017

The 2017 income reduction of €3M is primarily due to the financial loss resulting from appeals to the valuation tribunal and the exemption of rates on the Irish Water network. The loss of commercial rates funding on the Irish Water network is compensated by an equivalent DoHPLG annual grant payment direct to the local Authority which was €14.3m in 2017.

The graph below identifies the breakdown of charges per electoral area. Pembroke-South Dock and North Inner City account for 77% of the annual charge.

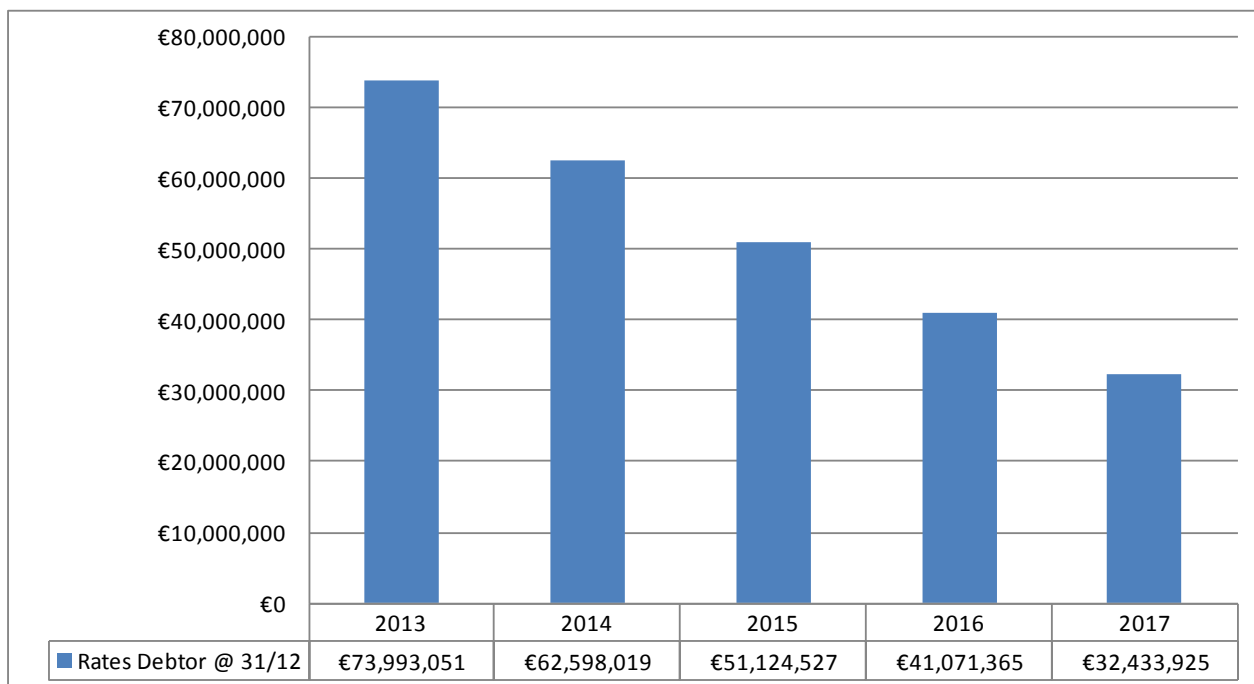
Graph 1 – 2017 Commercial Rates Income by Electoral Area



Level of Arrears During the Period 2013– 2017

The economic downturn and global financial crisis which initiated the recession post 2008 significantly impacted to the increased level of arrears of €76.3M in 2012. The table below clearly outlines the changing level of arrears over the period. The reduction in arrears to €32.4M in 2017 is primarily due to an improvement in the annual % collection, a focused debt management approach, improvement in economic factors and the conclusion of liquidation / receivership cases. Arrears have reduced by 56% during the period.

Graph 2 – Rates Debtor Y2013 – Y2017



Rates Collection Percentages Y2013 – Y2017

Table 3 below outlines the year on year improvement by DCC in the collection of rates having increased collection performance by 10.5% since 2013.

This compares favourably with the comparative average of the Irish Local Authority Sector being 77%, 77%, 83% and 84% respectively for the years 2013 - 2016. The 2017 DCC collection at 91.5% represents an improvement of 2% on 2016 which equates to a value of approx. €7M. Whilst noting the improvement in collection, it is also acknowledged that some sectors and locations have not benefitted from marginally improving economic factors.

No 2017 comparative figures for the sector are available to date.

Table 3 – Analysis of DCC Rates Collection Y2013 – Y2017

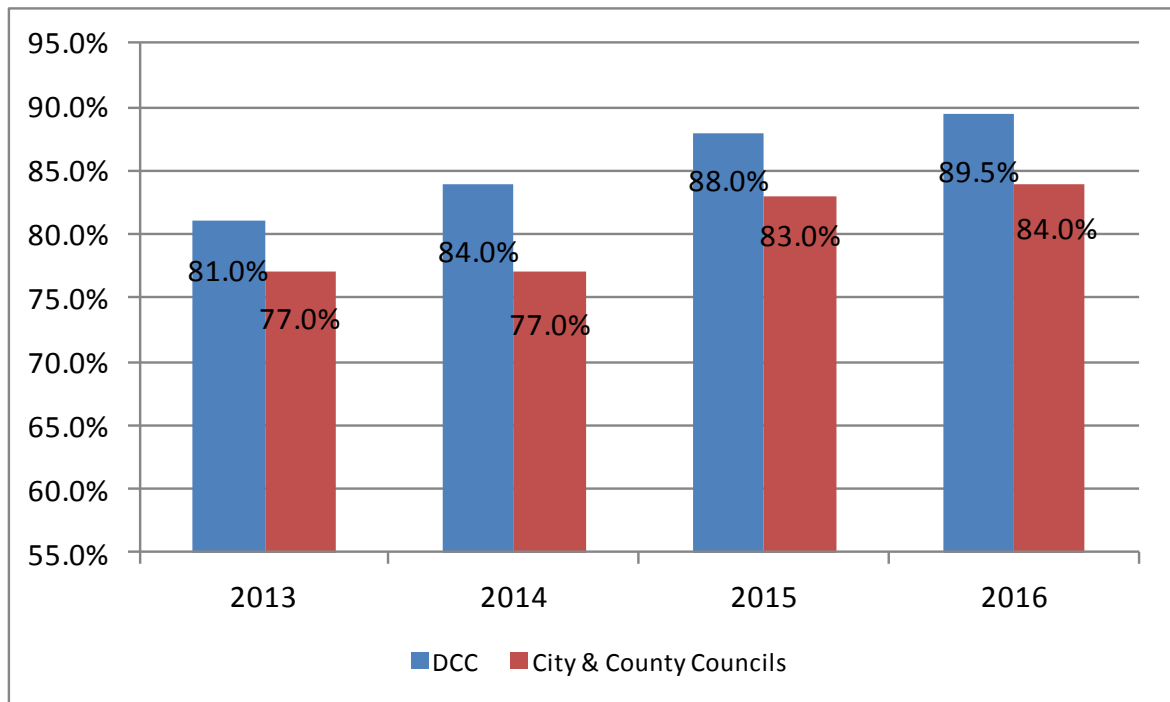
Year	Arrears 01-Jan	Charge	Write Off	Total for Collection	Receipts	Arrears at 31-Dec	Specific Doubtful Arrears	% Collected
	€m	€m	€m	€m	€m	€m	€m	
2013	76.3	341.2	37.8	379.7	305.7	74.0	0.0	81.0%
2014	74.0	342.2	33.7	382.5	319.9	62.6	0.0	84.0%
2015	62.6	336.3	33.6	365.2	314.1	51.1	7.1	88.0%
2016	51.1	324.5	31.4	344.2	303.1	41.1	5.7	89.5%
2017	41.1	321.5	23.2	339.4	306.9	32.4	3.6	91.5%

Source: DCC Annual Financial Statements 2013 – 2017

The increase of €14.2m in the 2014 receipts compared with 2013 is primarily due to changes in valuation of the global, multi and interdepartmental categories which had a net increase in valuation of €10M. The balance of €4.2M refers to an improved performance in the other commercial sectors. The reduction in receipts of €5.8M in 2015 compares favourably in comparison with the reduction of the total warrant for collection €17.3M (arrears + annual charge) between 2014 and 2015. The reduction in receipts of €11M in 2016 compares favourably in comparison with the reduction of the total warrant for collection €21M (arrears + annual charge) between 2016 and 2015. The increase in receipts of €3.8M in 2017 compares favourably with a reduction of €4.8M in the 2017 total warrant for collection.

The 2017 write offs include €9.9M in respect of vacancy refunds as provided by S71 of the Local Government Dublin Act 1930 as amended by S31 of the Local Government Act 2014. In addition, an amount of €2.9 M was written off in 2017 following determination of appeals on valuation by the Valuation Tribunal. The balance of amounts written off is primarily in respect of those cases where debt recovery procedures have been exhausted and there is no prospect of recovery.

Graph 3 – DCC vs City and County Councils Rates Percentage Collection

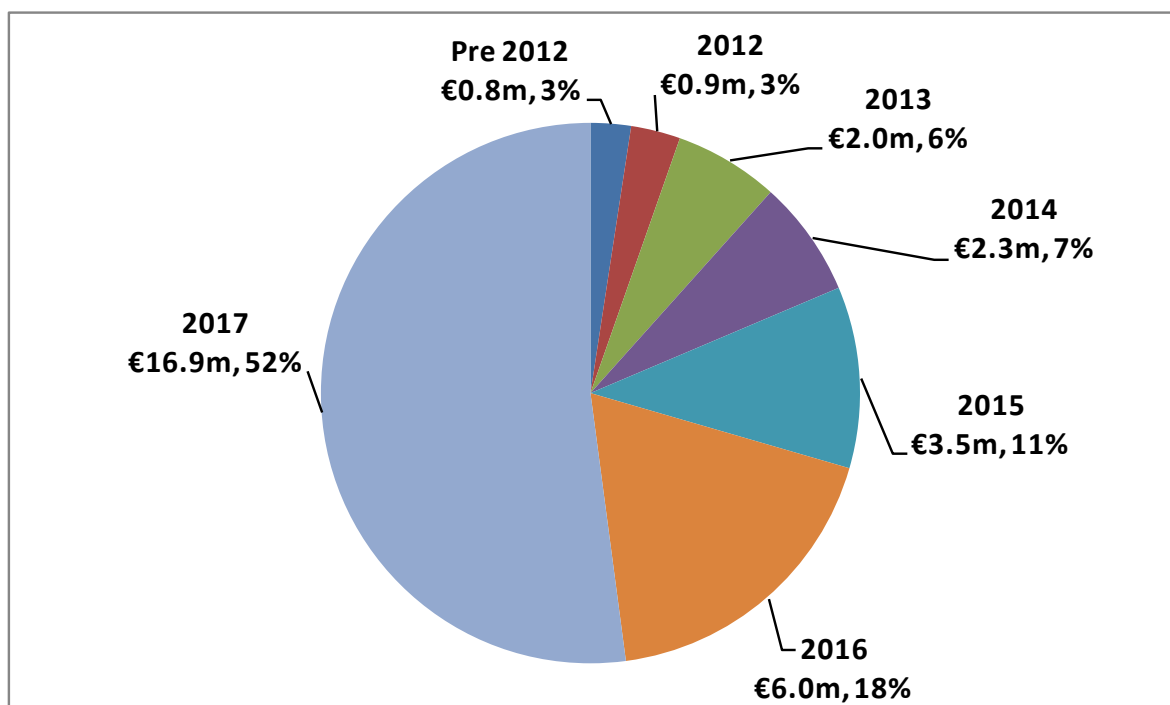


Source: DCC Annual Financial Statements 2013 - 2016
Local Government Audit Service Activity Report

Age Profile of the 2017 Arrears of €32.4m

The graph as below shows that €16.9m (52%) of the arrears comprise of charges accrued in respect of 2017 and €5.9m (18%) refers to charges accrued in 2016 with the balance of €9.6m (30%) in respect of charges pre 2016.

Graph 4 – Age Profile of 2017 Arrears



Analysis of the 2017 Arrears Accounts

There are 4680 accounts in arrears @ 31/12/17 which equates to 23% of the total number of rate accounts in 2017. The number of accounts in arrears has reduced by 759 in comparison with 2016 (reduction of 14%) which reflects the positive performance in debt management. The table below shows that 63% of those accounts in arrears have an annual charge below €5,000. In addition, 84% of the arrears value (€27m) relates to accounts where the annual rates charge ≤ to €50,000.

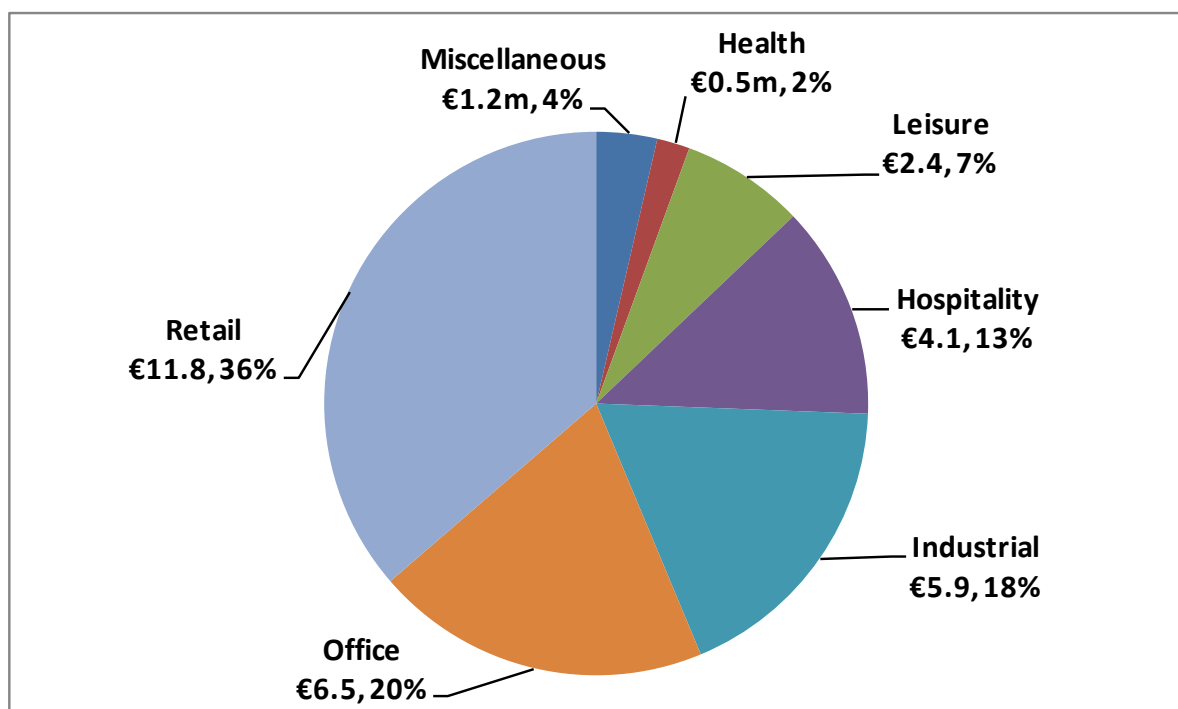
Table 4 – Rate Arrears by Charge Range

Charge 2017	No. of Accounts	No. of Accounts in Arrears	Actual Arrears Based on GL €m	Actual Arrears %
0.00-999	2,112	594	0.8	2.4%
1,000-2,999	5,959	1,424	4.1	12.5%
3,000-4,999	3,722	919	4.3	13.4%
5,000-9,999	3,910	944	7.7	23.8%
10,000-24,999	2,742	558	7.5	23.1%
25,000-49,999	1,062	152	2.8	8.7%
50,000-74,999	370	37	1.1	3.4%
75,000-99,999	173	13	0.3	0.9%
100,000+	426	39	3.9	11.9%
Total	20,476	4,680	32.4	100.0%

Analysis of the 2017 Arrears by Rate Description Category

Further analysis of the arrears identifies the breakdown per category as per the graph.

Graph 5 – Arrears by Category



2017 Arrears Schedule Status

The table below outlines the current status of the breakdown of the €32.4M arrears.

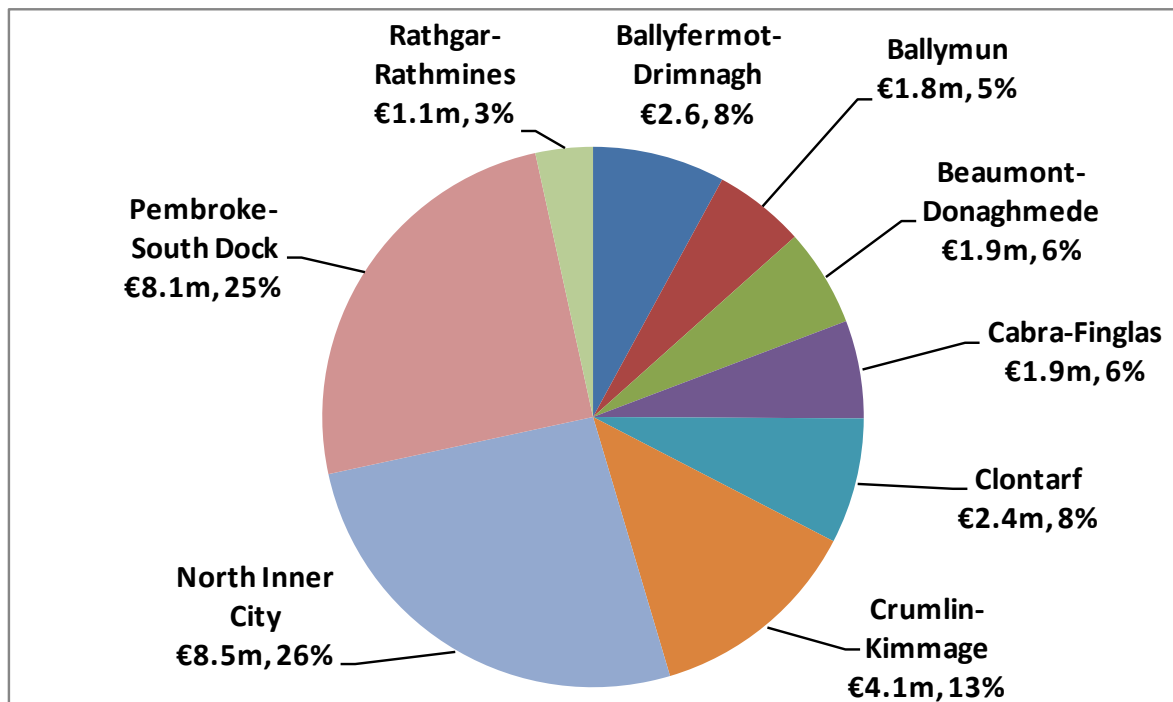
Table 5 – Analysis of Arrears Schedule Status

Status	Arrears Amount	Arrears Amount %
	€m	
Court Proceedings	6.5	20.1%
Liquidations / Receiverships / Ceased Trading	2.5	7.6%
Revisions / Appeals / VTA	2.6	8.1%
Settlements agreed / Pending / Being Discharged by Instalments	10.3	31.7%
Under Investigation / Law Dept	3.9	12.1%
Account For Write Off / Written Off	1.6	5.1%
Decree Obtained / Warrant	5.0	15.4%
Total	32.4	100.0%

2017 Arrears by Electoral Area

The graph below shows the breakdown of the arrears per electoral area. It should be noted that whilst Pembroke-South Dock and North Inner City account for 51% of the arrears, these electoral areas represent 77% of the annual charge. Therefore all the other electoral areas, excluding Rathgar-Rathmines, have a proportionally higher level of arrears.

Graph 6 – Arrears by Electoral Area



Conclusion

In setting and collecting commercial rates, the Council is tasked with performing an extremely delicate balancing act in ensuring that local businesses pay rates on time and being conscious of supporting the business community through periods of economic / financial pressure.

The council operates its rates policy on a consistent basis, with flexibility and reasonableness, seeking to ensure that where difficulties exist, arrangements can be put in place which allows rates to be paid on a basis that facilitates businesses to continue trading.

However, in certain cases, legal recovery of the debt is being and will be pursued where customers have failed to agree or not adhered to previously agreed payment plans.

The 2018 opening arrears of €32.4M have reduced to €26.85M at 09/03/2018.

Fintan Moran

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