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## Report to the Finance Strategic Policy Committee

### Report on Rates Debtors 31<sup>st</sup> December 2021

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 31<sup>st</sup> December 2021 sets out the following information:

- Commercial rates funding
- Rates Collection Performance Y2017 – Y2021
- Covid -19 and financial support
- Level of arrears during the period 2017 – 2021
- Age Profile of the 2021 arrears
- Analysis of the 2021 arrears accounts
- Analysis of the 2021 arrears by rate description category
- 2021 arrears schedule status
- 2021 arrears by electoral area
- Conclusion

### **Commercial Rates Funding**

2021 continued to be a very challenging year for businesses due to the constraints on trading imposed due to the public health measures. 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 2021 revenue budget is 34% 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 2017.

**Table 1 – Movement in Annual Rate on Valuation**

YEAR	2017	2018	2019	2020	2021
ARV	+0.78%	0.0%	+1.2%	+2.7%	0.0%

Mindful of the economic backdrop created by the pandemic the ARV remained static for 2021. 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 commercial rates annual income over the period 2017 – 2021 are detailed in table 2 below.

**Table 2 – Commercial Rates Income**

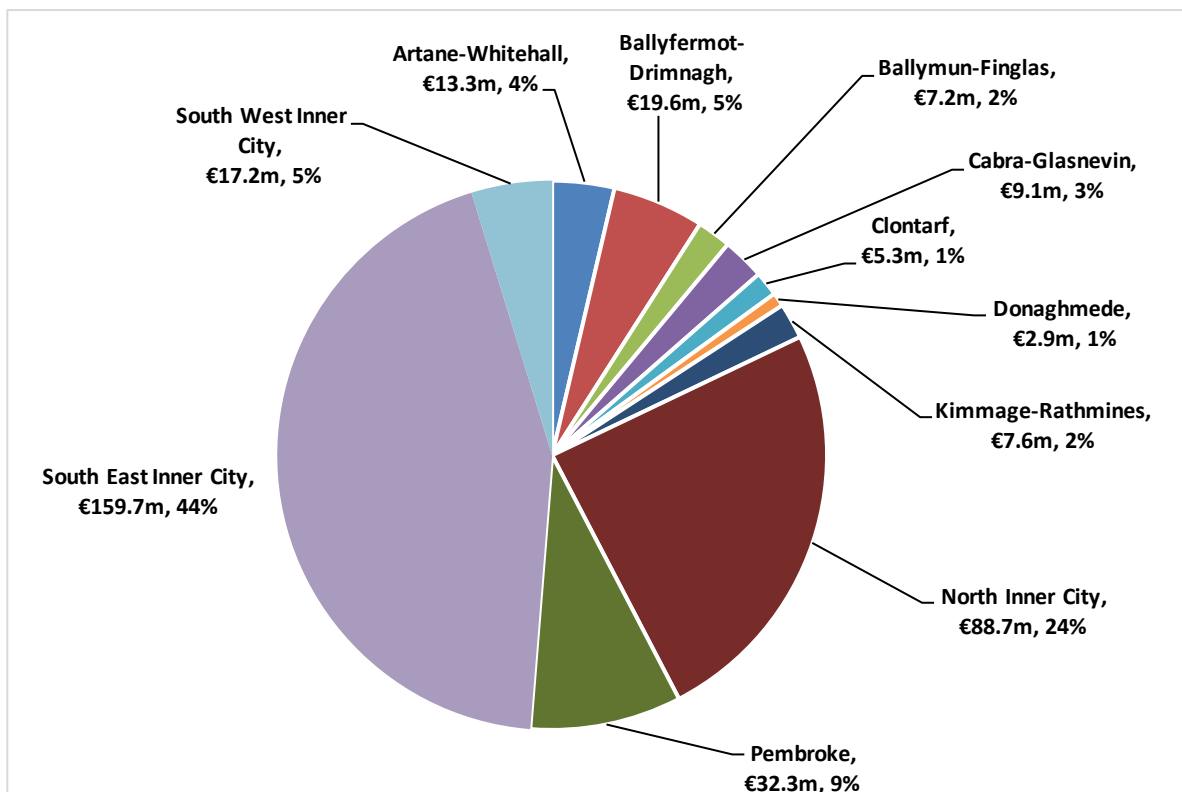
Year	Rates Income
2017	€321,481,363
2018	€324,255,552
2019	€338,299,503
2020	€357,693,512
2021	€362,887,342

Source: DCC Annual Financial Statements 2017 – 2021

The 2021 income increase of €5M is primarily due to additional buoyancy.

The graph below identifies the breakdown of charges per electoral area. South East Inner City and North Inner City account for 68% of the annual charge.

**Graph 1 – 2021 Commercial Rates Income by Electoral Area**



## Rates Collection Percentages Y2017 – Y2021

Table 3 below outlines the year on year performance by DCC in the collection of rates.

**Table 3 – Analysis of DCC Rates Collection Y2017 – Y2021**

Year	Arrears 01-Jan	Charge	Write Off	Commercial Rates Waivers	Total for Collection	Receipts	Arrears at 31-Dec	Specific Doubtful Arrears	% Collected
	€m	€m	€m	€m	€m	€m	€m	€m	
2017	41.1	321.5	23.2	0.0	339.4	306.9	32.4	3.6	91.5%
2018	32.4	324.3	22.3	0.0	334.4	306.7	27.8	2.5	92.4%
2019	27.8	338.3	22.9	0.0	343.2	320.1	23.1	2.0	94.0%
2020	23.1	357.7	16.0	159.5	205.3	171.2	34.1	1.8	84.0%
2021	34.1	362.9	20.5	99.8	276.6	238.5	38.1	2.2	87.0%

Source: DCC Annual Financial Statements 2017 – 2021

The 3% increase in collection in 2021 compares favourably with the 2020 collection performance, furthermore if the rates waiver was classed as receipts the collection performance would be 90%.

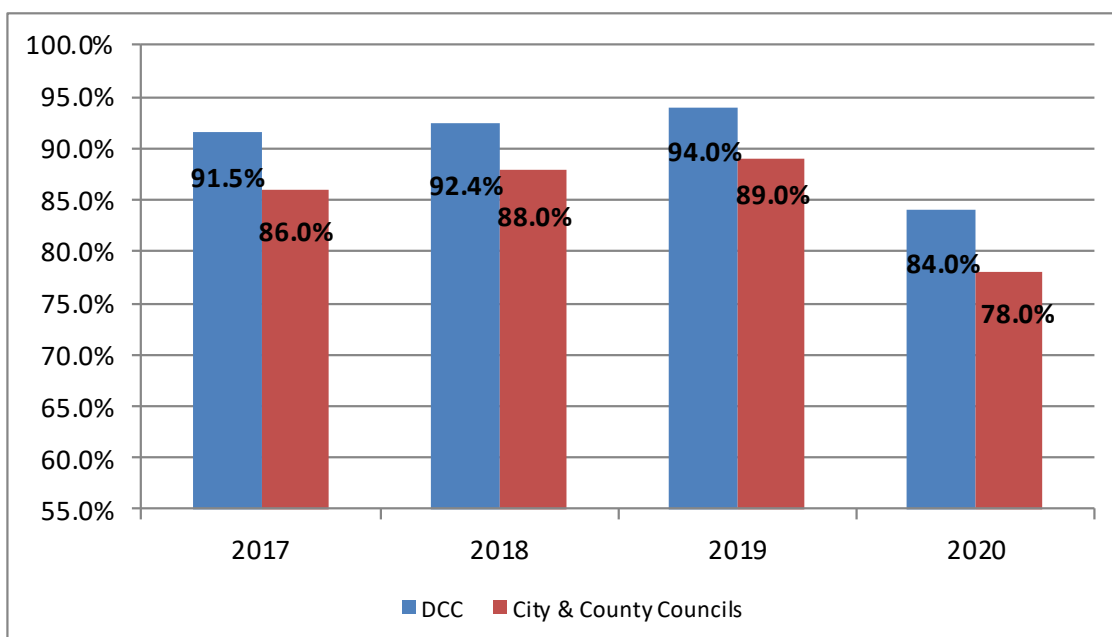
It should be noted that the number of ratepayers qualifying for the commercial rates waiver in 2021 was significantly reduced when compared to the 2020 scheme. Table 3 summarises and contrasts the value of the 2020 schemes €159.5M, (9 months) to the 2021 schemes €99.8M (€100.5M, 12 months less €0.6M 2020 reversals), on average government funding for each quarter in 2021 has been reduced by €28.1m.

Closing arrears have increased by €4M, which represents 1% of the total 2021 warrant and when viewed in the context of an exceptionally challenging year, this performance is extremely positive.

The City Council's collection performance compares favourably with the comparative average of the Irish Local Authority Sector. The graph below outlines the average annual sectoral % collection performances of 86%, 88%, 89% and 78% respectively for the years 2017 - 2020.

The DCC collection for 2020 compares favourably as the 4<sup>th</sup> highest performing authority.

**Graph 2 – DCC vs City and County Councils Rates Percentage Collection**



Source: DCC Annual Financial Statements 2017 - 2020  
Local Government Audit Service Activity Reports

## Covid -19 and Financial Support

The government amended the commercial rates waiver scheme for 2021, with a reduced number of business categories qualifying for the waiver in the first 3 quarters (18,783 accounts 2020 against 9,200 accounts 2021).

Of particular significance/importance was the exclusion of both Industrial and Offices properties, when compared with the 2020 schemes.

The Q4 scheme extended the Rates Waiver in a more targeted approach for the last 3 months of 2021, excluding Retail and Health, whilst focusing continued financial supports on the Hospitality, Leisure and Entertainment sectors.

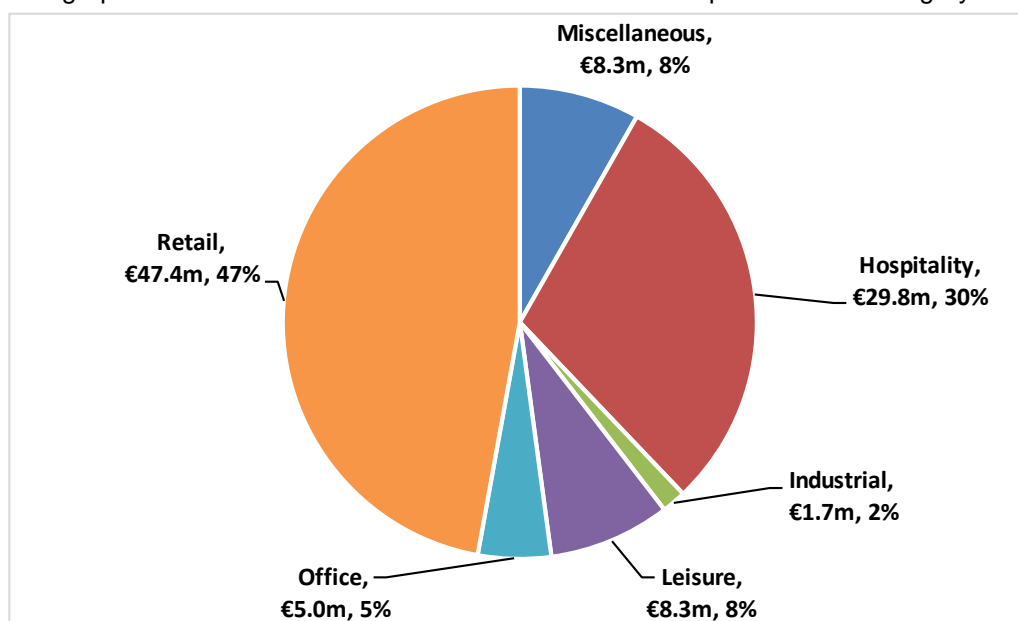
In total the waiver was applied to 9,200 accounts which represented 46% of total rate accounts. The value of the waiver as applied was €100.5M which was 28% of the charge for the 12 months period.

**Table 4 – Rates Waiver by Charge Range**

Charge 2021	No. of Accounts	No. of Rates Waiver Accounts	% of Accounts Waiver Applied	Rates Waiver Credit
				€m
0.00-999	1,858	532	28.6%	0.2
1,000-2,999	5,677	2,258	39.8%	3.6
3,000-4,999	3,590	1,985	55.3%	6.2
5,000-9,999	3,935	2,210	56.2%	12.9
10,000-24,999	2,850	1,423	49.9%	18.5
25,000-49,999	1,096	455	41.5%	13.5
50,000-74,999	396	123	31.1%	6.3
75,000-99,999	172	51	29.7%	3.9
100,000+	494	163	33.0%	35.4
<b>Total</b>	<b>20,068</b>	<b>9,200</b>	<b>45.8%</b>	<b>100.5</b>

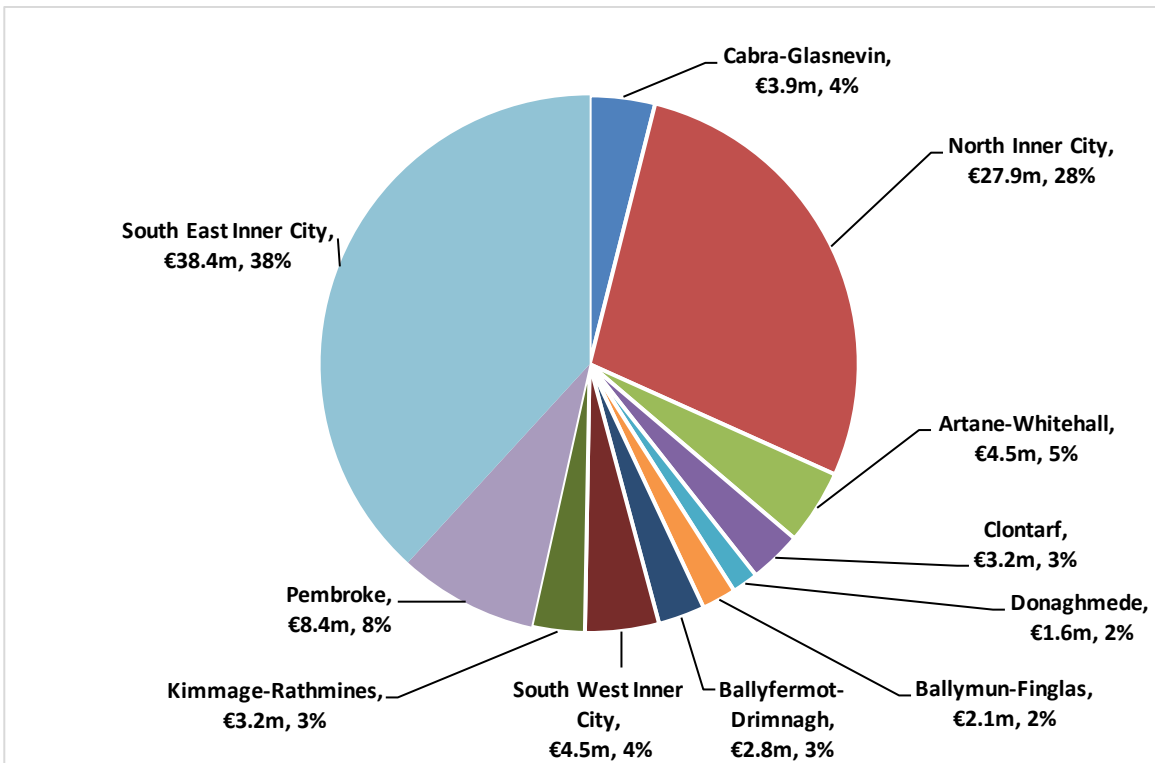
**Graph 3 – Rates Waiver by Valuation Category**

The graph below shows the breakdown of the waiver value per valuation category.



**Graph 4 – Rates Waiver by Electoral Area**

The graph below shows the breakdown of the waiver value per electoral area.

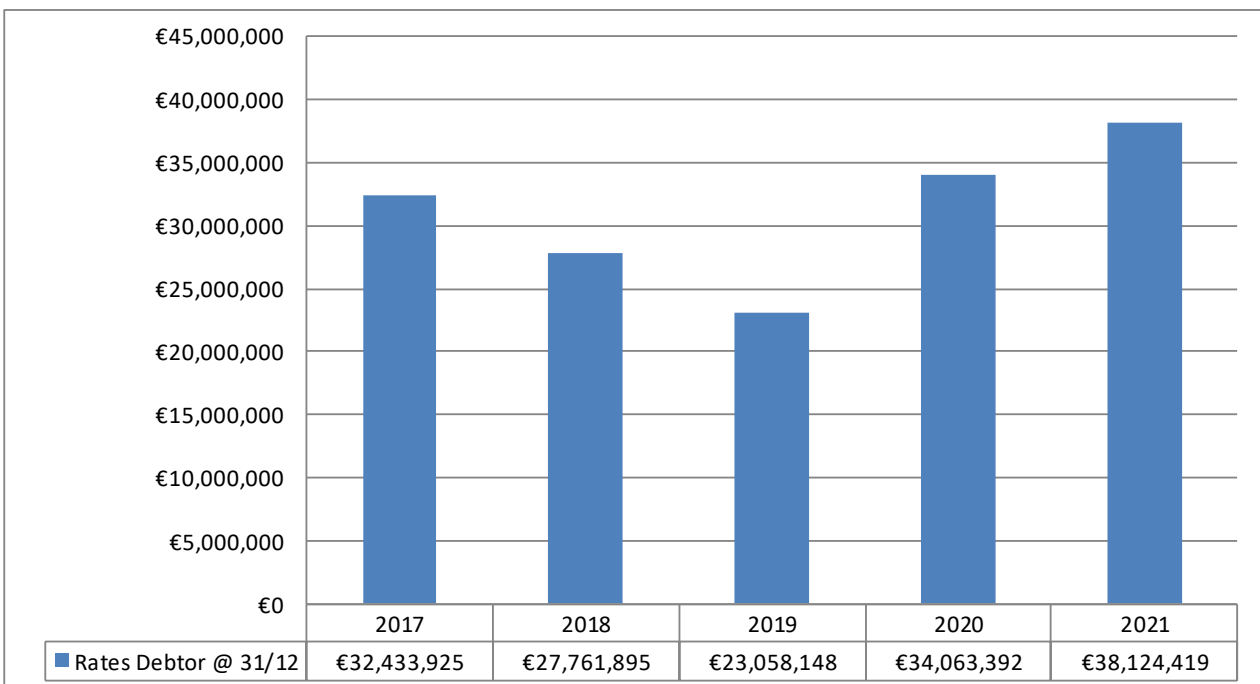


**Level of Arrears for the Period 2017– 2021**

The economic downturn and global financial crisis which initiated the recession post 2008 significantly impacted on the rates collection culminating in an arrears high of €76.3M in 2012.

The graph below clearly outlines the changing level of arrears over the period.

**Graph 5 – Rates Debtor Y2017 – Y2021**



Through improvements in the annual % collection, a focused debt management approach, improvement in economic factors and the conclusion of liquidation / receivership cases, the rates office achieved a reduction in arrears to €23.1M in 2019, the lowest level since 1999.

The 2021 level of arrears of €38.1M is an increase of €4.0M on 2020 levels and reflects the economic challenges and trading difficulties of 2021.

The impact of the withdrawal of government supports is evident when examining the 2021 performance. The categories of Offices and Industrial Units experienced a deterioration in collection levels with arrears increasing by 40% and 21% respectively when compared to the previous year's balance, see Table 5 below.

The Leisure and Hospitality debtor reflects a low level of performance on the incoming prior year arrears, this is as expected given that the majority of those ratepayers were significantly impacted by business closures and restrictions.

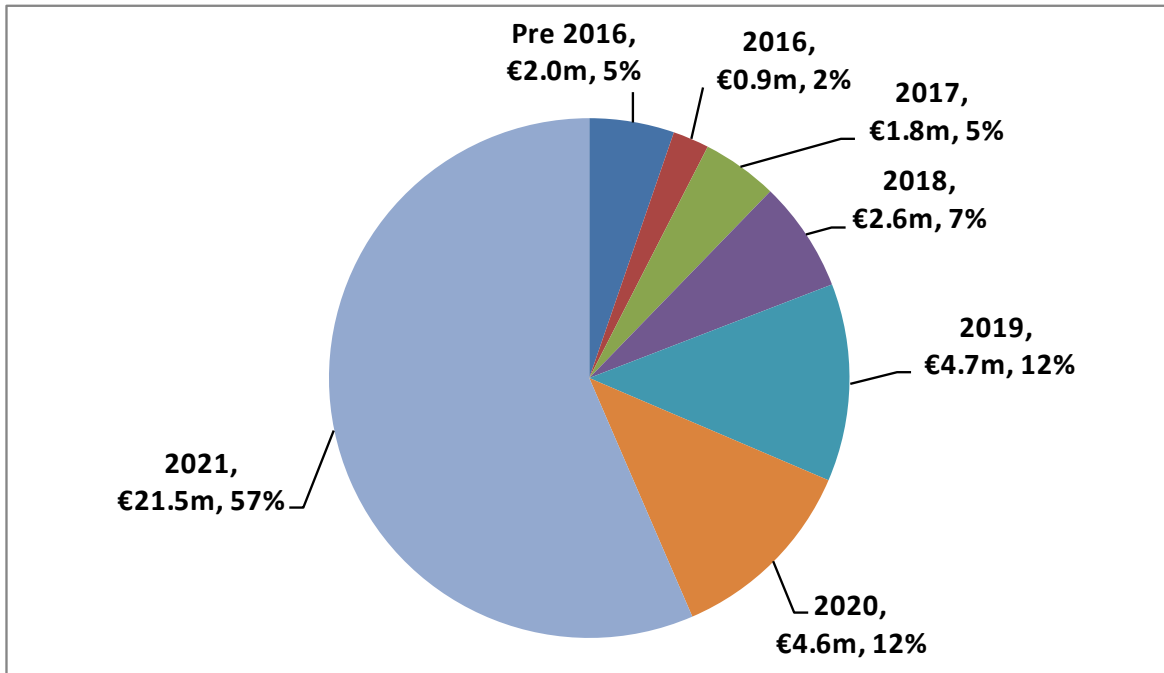
**Table 5 – Change in Arrears from 2020 to 2021 by Category**

CATEGORY	2021 Year End Arrears	2022 Year End Arrears	Change in Arrears
Fuel/Depot	€ 114,659	€ 299,932	€ 185,273
Global	€ 972,614	€ 715,036	-€ 257,578
Health	€ 23,802	€ 173,115	€ 149,313
Hospitality	€ 3,513,393	€ 2,776,857	-€ 736,536
Industrial	€ 5,033,487	€ 6,077,970	€ 1,044,483
Leisure	€ 3,438,998	€ 3,248,196	-€ 190,803
Miscellaneous	€ 1,082,913	€ 1,296,699	€ 213,786
N/A	€ 821,797	€ 791,470	-€ 30,327
Office	€ 8,647,731	€ 12,097,538	€ 3,449,807
Retail	€ 10,405,318	€ 10,647,607	€ 242,289
Utility	€ 8,681	€ -	-€ 8,681
<b>Totals</b>	<b>€ 34,063,392</b>	<b>€ 38,124,419</b>	<b>€ 4,061,027</b>

### **Age Profile of the 2021 Arrears of €38.1M**

The graph as below shows that €21.5M (57%) of the arrears comprise of charges accrued in respect of 2021, €4.6M (12%) and €4.7M (12%) refers to charges accrued in 2020 and 2019 respectively, with the balance of €7.3M (19%) in respect of charges pre 2019. This reflects the challenging economic environment as presented in 2021 and the operating constraints placed on ratepayers.

**Graph 6 – Age Profile of 2021 Arrears**



**Analysis of the 2021 Arrears Accounts**

There are 6815 accounts in arrears @ 31/12/21 which equates to 34% of the total number of rate accounts in 2021. The number of accounts in arrears has decreased by 124 in comparison with 2020. The table below shows that 61% of those accounts in arrears have an annual charge below €5,000. This is in line with the performance in 2020. In addition, 75.5% of the arrears value (€28.7M) relates to accounts where the annual rates charge exceeds €5000.

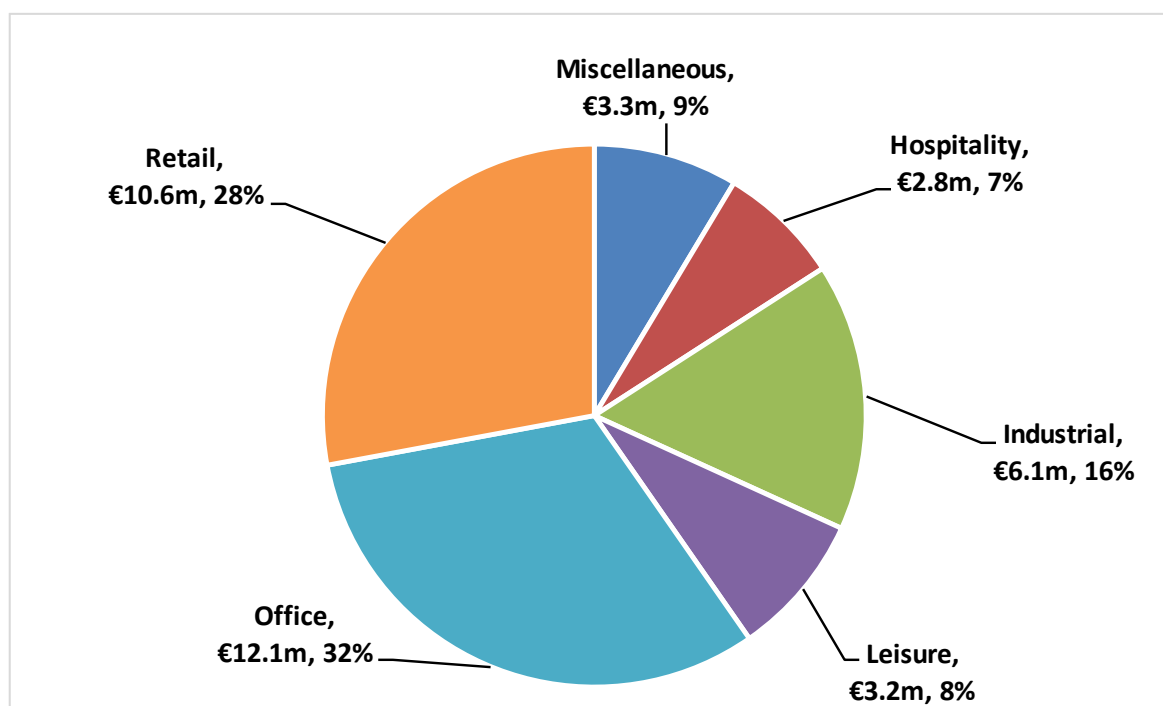
**Table 6 – Rate Arrears by Charge Range**

Charge 2021	No. of Accounts	No. of Accounts in Arrears	Actual Arrears Based on GL	Actual Arrears %
			€m	
0.00-999	1,858	725	1.4	3.6%
1,000-2,999	5,677	2,137	3.9	10.2%
3,000-4,999	3,590	1,310	4.1	10.7%
5,000-9,999	3,935	1,349	7.2	18.9%
10,000-24,999	2,850	872	8.3	21.8%
25,000-49,999	1,096	260	4.5	11.8%
50,000-74,999	396	67	2.4	6.3%
75,000-99,999	172	22	0.6	1.7%
100,000+	494	73	5.7	15.0%
<b>Total</b>	<b>20,068</b>	<b>6,815</b>	<b>38.1</b>	<b>100.0%</b>

## Analysis of the 2021 Arrears by Rate Description Category

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

Graph 7 – Arrears by Category



## 2021 Arrears Schedule Status

The table below outlines the current status of the breakdown of the €38.1M arrears.

Table 7 – Analysis of Arrears Schedule Status

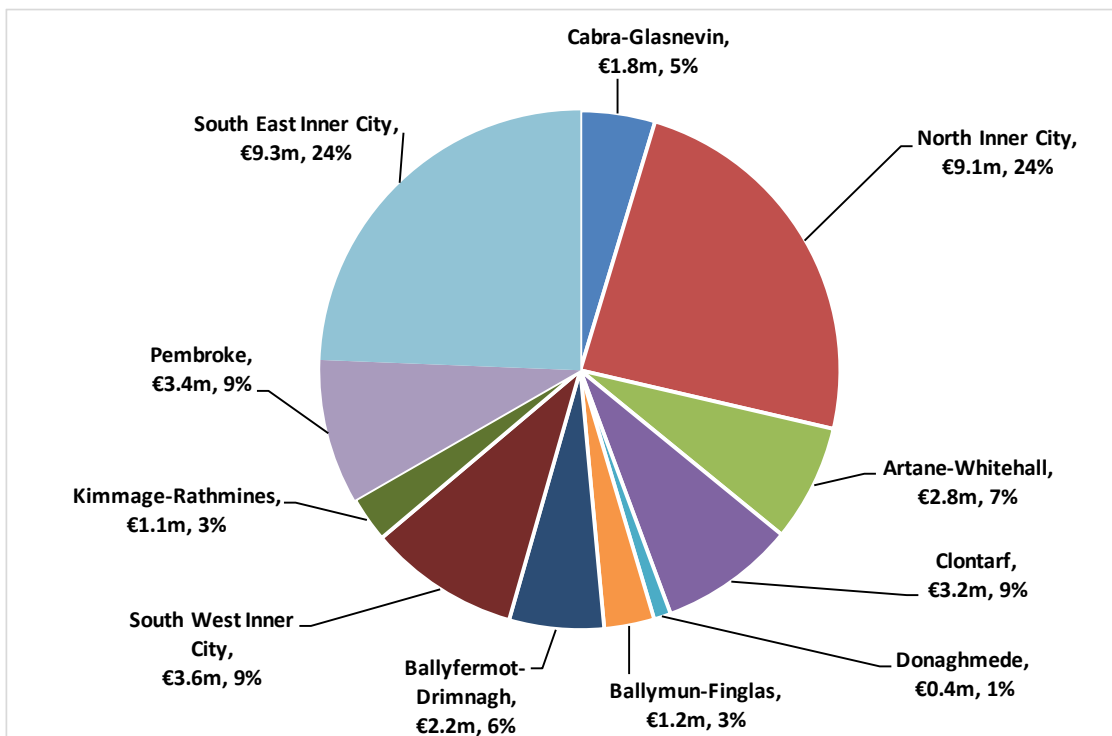
Status	Arrears Amount	Arrears Amount %
	€m	
Court Proceedings	10.1	26.5%
Liquidations / Receiverships / Ceased Trading	1.8	4.8%
Revisions / Appeals / VTA	1.1	2.9%
Settlements agreed / Pending / Discharged by Instalments	12.0	31.4%
Under Investigation / Law Dept	10.3	27.0%
Account For Write Off / Written Off	1.7	4.4%
Decree Obtained / Warrant	1.1	3.0%
<b>Total</b>	<b>38.1</b>	<b>100.0%</b>



## 2021 Arrears by Electoral Area

The graph below shows the breakdown of the arrears per electoral area.

**Graph 8 – Arrears by Electoral Area**



## Conclusion

The last two years have been unprecedented for businesses and the national economy. Business trade has been hugely disrupted during 2021, more strongly in sectors such as hospitality and entertainment, arising from the impact of public health measures, with many businesses mandated to cease physical trading, or operate at a reduced capacity or restricted services.

The Government in providing the commercial rates waiver alleviates financial pressures on businesses and provides a cash flow to the City Council to continue service delivery as planned.

In setting and collecting commercial rates, the Council is tasked with performing an extremely delicate balancing act in ensuring that local businesses pay rates and being conscious of supporting those businesses where financial pressures present from time to time.

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

Finally, I want to acknowledge the flexibility, resilience and commitment of the rate collectors and rates staff in operating in a very challenging year and ensuring the effective administration of the rates waiver schemes, the functions of the rates office and communication with all ratepayers during the year.

The 2021 opening arrears of €38.1M have reduced to €27.7M at 02/04/2022.

**Fintan Moran**  
**Head of Management Accounting**