Grant Thornton

Comhairle Cathrach
Bhaile Átha Cliath
Dublin City Council

Provision of Services for Review of Local Government Funding as applies to Dublin City Council.

Dublin City Council

March 2022

Contents

Executive Summary 3
Overview of the current funding model 10
Challenges of the existing funding model for Dublin City 19
Impact of COVID-19 on local authorities 38
Legacy of COVID-19 44
Opportunities for local authorities 49
The unique role of Dublin 54
Conclusion 65

Executive Summary

Executive Summary

Introduction

Grant Thornton was engaged on behalf of Dublin City Council (DCC) to review the current system of Local Government funding and specifically an evaluation of its impact on Dublin City Council. The review considers the recent evolution of the Local Government funding model since the 2008 global crash and the subsequent financial crisis that subsequently impacted upon Ireland and provided a catalyst for many of those funding model changes.

The review considers the funding challenges facing Dublin City Council, especially in the post COVID economy both from an ongoing income and expenditure challenge. It also considers the longer-term legacy of the impact of COVID on how we live, work, and participate in leisure activities and what that means for the future of urban centres and local authorities that both rely upon city centres for their income base and provide services to support residents and businesses. The report does so at a time when there is both a trend of rising costs, flat income, and increasing demand and expectation for service delivery from local authorities.

Finally, while addressing the funding challenges of the national local government system, the report seeks to place the role played by Dublin City as a globally competitive city, the bridge between America and Europe, and a key gateway for foreign direct investment to Ireland overall in to that overall context.

The approach taken in developing this report has consisted of a:

- A desktop review of relevant available literature and Government statistics;
- Detailed analysis of the Adopted Revenue Budgets of Dublin City Council and the local authorities across Ireland;
- Engagement with Council staff with responsibility for delivery of services;
- Engagement with Government and Government Agency representatives; and
- Comparative analysis of the challenges facing other jurisdictions and their approach to these challenges.

Dublin City Council

Dublin City Council is the largest Local Authority in Ireland, employing approximately 5,600 staff. The 2022 Revenue Budget amounts to €1.13 billion, while the three-year Capital Programme 2022 to 2024 amounts to €2.4 billion.

The Council provides a wide and diverse range of services to the citizens of Dublin City (population in excess of 550,000), to businesses and to visitors to the city. Activities are carried out in both the physical works area (e.g. provision and maintenance of housing, roads) and in the areas of arts, sports, recreation and social services (e.g. art gallery, libraries, sports facilities, parks, community development and housing welfare services).

The City Council also provides emergency services through Dublin Fire Brigade and supports homeless services through the Dublin Region Homeless Executive where Dublin City Council is the lead statutory local authority in the response to homelessness in Dublin and adopts a shared service approach across South Dublin County Council, Final County Council, and Dún Laoghaire-Rathdown County Council

The Council facilities are spread geographically throughout the city and are also located outside the Dublin City Council area. The Council headquarters are located at Wood Quay, Dublin 8.

The Council is responsible for the social, economic, infrastructural and cultural development of the city, that is the City as is today and the planned City for the future. The range of services provided by Dublin City Council could best be summarised by listing the programme group structure used by central government to classify the activities of all local authorities as follows:

- Housing & Building
- Road Transportation & Safety
- Water Services
- Development Incentives & Controls
- Environmental Protection
- Recreation & Amenity
- Education, Health & Welfare
- Miscellaneous Services

Dublin City Council is one of 31 local authorities operating across Ireland.

Current Funding Model

The Local Authority Funding Model in Ireland has undergone significant change over the past decade with the potential for further reforms in the future. This in and of itself creates uncertainty and limits the degree of longer term planning that councils can utilise. The transition to the current funding model has impacted on local authorities in a number of ways, namely:

- Local Property Tax collected is considerably less than General Purpose Grants that were previously provided by Central Government – with a high of €999 million of GPG in 2008 compared to LPT of €530 million in 2021.
- The Equalisation Fund provides perverse incentives to maintain the tax rate at the base rate for local authorities who can be considered both winners or losers.
- LPT 80/20 equalisation fund distributions based on a 2014 baseline is arbitrary and without an agreed funding formula is open to 'black box' concerns around its fairness.
- The use of a 2014 baseline does not reflect the respective needs of local authorities in the current period nor does it take into account the significant rises in the cost base of local authorities.
- LPT funding levels have remained low in large part due to the significant number of exemptions to the tax, the unwillingness of councils to apply the 15% discretionary uplift, and most importantly the continuing decisions to repeatedly delay the kick-off of the revaluation process of residential properties at a period when the Irish housing market has seen considerable price growth.
- A large proportion of the LPT and much of the other funding provided to councils is non-discretionary in that its use is specifically directed by Central Government Departments reducing the autonomy of local authorities to respond to the priorities of its citizens.
- The Local Government Fund has seen previous funding streams from the Exchequer to local authorities reversed with local authorities either making payments to the Exchequer or seeing funds distributed on behalf of the Exchequer - €47 million for Local Authorities due to Irish Water Rates exemption and ongoing loss of €8.4 million following the revaluation in 2020.
- Proposed reforms of the current LPT funding model set out by the Minister in June 2021 address some of the issues with the current system but as yet there is a lack of clarity over the mechanics of the new methodology for distributing funding.

The revaluation process that is to commence after much delay is essential as the largest single factor that may uplift overall Local Property Tax fund raising levels. It is the intention of the Government that this process is completed prior to finalising amendments to the local property tax legislation and the operation of the equalisation fund and so changes will come in to effect from 2023 onwards. This will result in approximately 10,000 additional properties in the Dublin City area becoming liable for the LPT, however, the impact on discretionary funding is as yet unconfirmed.

The removing of the 20% equalisation fund element of distribution will result in a potential uplift of around €16 million per annum to Dublin City Council, however, it remains to be seen if this will be discretionary funding or directed or indeed if it will be offset by a reduction of funding elsewhere.

The impact of the proposed reforms therefore remain to be seen.

Challenges for DCC – Flat Income and Rising Costs

The financial trends facing Dublin City Council, and indeed all local authorities, can be seen as one of flat income versus a rising cost base.

After a decade of stagnation enforced by austerity following the financial crisis Dublin City Council's budget has risen steadily since 2017 from €863 million to over €1.1 billion in 2022 an average annual increase of 6%. Further analysis of funding sources, however, highlights that the vast majority of this growth has been in the form of Government Grants, 66%, with 'own-source' revenue accounting for the remaining 34%.

This presents a number of challenges for DCC. First, it goes against the principle of the original reform of local authority funding as it fails to address the need to grow 'own-source' revenue. Second, much of the grant funding is provided for direct service provision in areas such as housing and homelessness in which the council itself has a limited policy role but is equally required to contribute significant proportions of matched funding e.g. for Homeless Services the DCC contribution is fixed at €14.7m, any expenditure above that is funded by the Dept. Third, it limits the ability of the council to prioritise the direct needs of the local authority and its citizens creating an imbalance and a democratic deficit between the expectations and needs of those within the local authority and the services that are actually provided to them. It also runs the risk of blurring the lines of accountability between what is the remit of Central Government and that of the local authority.

This is also the case with the implementation of the local property tax. Residents within the local authority pay their taxes, as collected by the Revenue Commission but, with the understanding that these funds will be used within the local authority for its enhancement and development and to prioritise the needs of the local community. However, with Dublin City Council calculating that just €4m of the estimated €80 million tax based collected is being made available for discretionary use within the local authority this creates undue expectations for service levels that cannot be delivered upon in reality.

The Council itself, however, has also taken decisions which have impacted upon this tax take in their continued refusal to implement the available 15% uplift in LPT and indeed their ongoing use of the discretionary 15% discount to LPT. Over the past eight years this is estimated to have resulted in approximately €96 million of lost revenue to the Council due to the failure to apply the base rate and circa €200 million if the 15% uplift is considered.

The lack of funding delivered by the LPT places greater pressure on the Council to maximise commercial business rates to make up for the shortfall. While the Council has remained supportive of business in limiting increases to the Annual Rate of Valuation this has come at the expense of the overall ability to fund services which support both the local community and business and make Dublin an attractive place to live, work and visit.

These income side challenges are occurring at a time of significant rises in the cost of delivering services across all departments and sectors. Rising inflation, whether temporary or ongoing, will only further impact upon costs with the end result being that the same amount of funding will ultimately be capable of delivering reduced service levels. National policy pressures in the form of transitioning to a greener, more energy efficient and sustainable society further impacts on the Council's ability to generate traditional own-source while increasing costs in delivering that transition.

While the Council continues to try to find efficiencies and develop modern ways of working there is a limit to how much can be achieved and how long more can be delivered with less.

The Impact and Legacy of COVID-19

Notwithstanding the indescribable personal suffering that it caused so many, the COVID-19 pandemic has also had a devastating impact upon local authority funding. Public health measures over the past two years have significantly impacted upon many of the revenue sources that local authorities rely upon to fund their operation. Closure of entire sectors such as retail and hospitality as well as the limitation on non-essential roles working in the city centre have necessitated breaks in commercial rates for many businesses and delays in payment for those not exempted. Other revenue generating goods and services which the Council provides to the community have equally remained closed or seen significantly reduced numbers as the pandemic has persisted.

Government supports have been substantial and welcome in maintaining services and limiting the direct impact of these changes. They have also inflated the proportion of Government Grants received by local authorities but uncertainty remains as to how long the pandemic will persist for, how long and to what level Central Government will continue to provide those supports, and what will normality look like when/if the pandemic ends.

The huge uplift in online retail as all but the essential retail stores remained closed is a continuation of an ongoing trend that calls in to question the future of the physical retail sector and again continues a trend of the decline of the high street for many places. Restrictions on travel limit those areas and businesses that rely upon tourist trade to provide essential revenue sources.

Overall footfall in city centres while it will increase is unlikely to return to pre-pandemic levels with implications for businesses that rely upon them and councils that rely upon taxes upon those businesses to fund goods and services for the community.

It remains to be seen to what extent this new normal will persist but local authorities must be prepared and adequately funded to transition to whatever new model is required.

Dublin’s Unique Role

While it is important to note that the consideration of a local authority funding model should be analysed in the context of improving places and services for all communities whether urban or rural it is relevant to address the point that the position, needs and requirements of each local authority differ substantially.

Dublin’s position is a challenging and at times controversial one. While suggestions of Dublin’s exceptionalism) to the rest of Ireland are sensitive it is fair to note that Dublin does occupy a unique position to other urban centres and rural locations. Balancing the need to ensure that the benefits that Dublin’s role as a ‘Global City’ brings to Ireland as a whole are supported and maintained with the need to provide sufficient support to develop other areas is a difficult task.

However, it is essential that much needed improvements in other communities outside Dublin are not done so at the expense of the need to continue to grow and develop the capital. As a globally competitive city and one which acts as the gateway between North America and Europe Dublin occupies a unique position that supports investment, tourism, knowledge development and ultimately jobs and the wider economy across Ireland.

Any changes to the local authority funding model and indeed wider Central Government funding need to take account of the benefits that a successful, ambitious and growing Dublin does and can bring to Ireland.

Overview of the Current Funding Model

Local Government Funding

The Function of Local Government

Ireland has 31 local authorities that are responsible for a range of local services, including:

- Housing – the main providers of social housing and enforce standards in private rented accommodation
- Roads – responsible for improving and maintaining regional and local roads as well as associated services
- Recreation and amenities – provide funding to local services and maintain and operate public amenities such as swimming pools and leisure centres
- Planning – oversee planning permission for new buildings, extension to existing buildings and change of purpose or use of a building
- Libraries – operate the library network
- Environmental protection – issue licences such as waste disposal, air emissions, dog licences etc.
- Fire/Ambulance services – operate local fire and ambulance services
- Register of electors – collate and maintain voter registration

The function of these authorities is to provide a broad range of services in the locality and facilitate the matching of public service outputs with local preferences.

Funding local authorities in Ireland

As local authorities are required to align service/plans budget to financial resources, services can only be provided to the extent that funding is made available. The funding model used by Irish local authorities is primarily based on rates, user charges and intergovernmental grants from central government. Broadly speaking, there are four main income streams. They are:

1.Commercial Rates

A business tax on occupiers of rateable properties. A valuation is carried out nationally by the central Valuation Office, but rates are determined locally using the Annual Rate of Variation (ARV).

2. Charges on Goods and Services

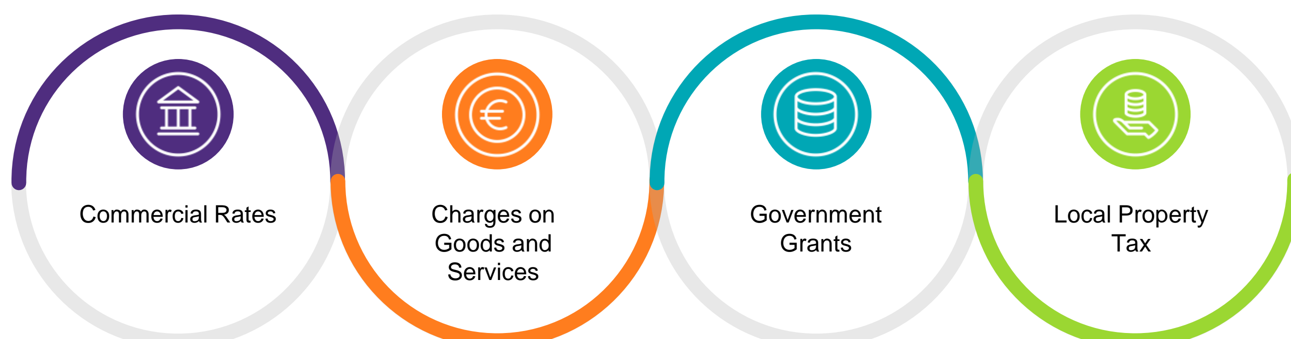
Fees and charges placed on certain services by the Local Authority. These charges primarily include housing rents, car parking charges and fees for planning.

3. Government Grants

Local authorities receive a substantial part of their annual funding from a range of central government departments and agencies through grants for specific purposes.

4. Local Property Tax

A tax on owners of residential properties, with periodic self-assessed valuations.



Classifying sources of Income to local authorities

An important distinction should be drawn between funds a Local Authority raises itself and those which come from central government in the form of grants. As such, these sources of income are classified as either own-source income or central government grants.

Own- Source Income
Own-source income is categorised into charges (fees for services) and taxes, with taxes further classified into commercial rates and the Local Property Tax

Central Government Grants
Grants are divided into specific purpose and general purpose grants, both from central government.

A key and ongoing debate is the extent to which local authority budgets should be primarily funded through central government grants or through local developed own-source income.

Prior to the 2008 financial crash and subsequent crisis there was an relatively balanced split in the proportion of local authority funding that was sourced from central government in the form of general purpose and specific purpose grants to own-source funding – circa 55% own-source to 45% grants in 2006. However, the years since the 2008 financial crisis and subsequent economic crash have witnessed significant changes to the funding of the local government system in Ireland reflecting the austere policy decisions of central government in response to the economic and fiscal crisis. By 2016 just 27% of funding consisted of central government grants.

In part, this shortfall has been met by the ability of local authorities to levy their own taxes on citizens within their geographical remit in the form of commercial rates and the Local Property Tax.

There are pros and cons to a greater reliance on own-source than central government funding e.g.:

- Own-source revenue is typically discretionary and provides greater autonomy but also greater accountability for local authorities
- Own-source revenue is typically in the form of user charges and fees allowing those who use those services to directly pay for them
- Local user charges and taxes can be locally adjusted to factor in local circumstances and priorities

For Dublin City Council, the funding position, historically, has been different to the national position with only 26% of funding coming from central government in the form of grants in 2006, €203 million out of a total budget of €788 million. While this has grown to 35% in 2022 the substantial majority of DCC’s budget remains self-funded.

However, ultimately the key issue is whether those income sources are sufficient to provide the level of services required within an authority. Over the same period from the financial crash to 2016, local authority revenues collapsed by over 20%.

The period also reflected an era of significant reform of the funding model for local government which in 2022 still continues.

Background of the Local Government Funding system

In 2009, the Commission on Taxation produced a report which considered future financing for local government. This report favored a funding model based on a local authorities own-source income.

This proposed model aimed to reduce fiscal support from central government and make the local government system less dependent on central government funding and more reliant on locally generated own-source revenues.

The Commission hoped its recommended changes would mean that "… by the end of the five-year period, local authorities would source well over 75% of their income from their own generated sources…".

Local Government Reforms 2014

In 2014, the Local Government Reform Act introduced some significant reforms to the funding model for local authorities in Ireland. The key changes implemented under the act, can be summarised as:

1. The Creation of Irish Water;
2. The Introduction of a Local Property Tax; and
3. The Local Property Equalisation Fund.

The Creation of Irish Water

Prior to 2013, public water services in Ireland were provided by each of the local authorities separately. These Water and Drainage services were locally funded through local authority charges, commercial income and commercial rates. This period saw local authorities having certain discretion in setting charges for water services provided in their locality. This led to charging structures that varied widely across the country from one county to another. In 2013, Irish Water was established with the aim of becoming a new national water utility provider. Though this was independent of the 2014 Local Government Act, the 2014 reforms formalised the transfer of water services to this newly established entity. It marked the transition form the old system of Local Authority controlled water service provision to a new national system.

An interim Service Level Agreement model was designed to facilitate the transition from the old regional system. Under this model, local authorities signed Service Level Agreements with Irish Water. These agreements recognised that Irish Water was responsible for Ireland's public water services system, but operating the system would continue to be delivered by local authorities. The model also outlined how the funding for this service would be determined annually in the service plan produced by Irish Water and individual local authorities.

This aimed to ensure that the Local Authority received the required funding to undertake the service provision on the behalf of Irish Water. This transitional model was proposed to last 12 years, however, this planned deadline is currently under revision with government hoping to have Irish Water become an independent entity by 2023.

The Introduction of a Local Property Tax

Local Property Tax (LPT) is charged on residential properties in Ireland. It is a recurring tax on owners of residential properties where the tax is based on periodic and self-assessed property values the value of their property and pay the resulting rate.

A basic Local Property Tax rate is set by central government, but power is delegated to local councils who can increase or decrease the basic rate by +/- 15% annually.

The LPT baseline is historically linked, for the most part, to funding previously received by a Local Authority from the Local Government Fund as a General Purposes Grant and to the levels of Pension Related Deductions retained by an authority in 2014.

Effectively, the LPT allocation replaced both of these previous sources of funding to local authorities. Certain local authorities with large property bases receive additional income from LPT compared to their baseline (minimum funding level). The Government decided that these local authorities use this surplus funding in two ways,

- A portion available for their 'own use' and
- The remainder, if any, to fund some services in the Housing and Roads areas.

This process is known as ***self–funding***.

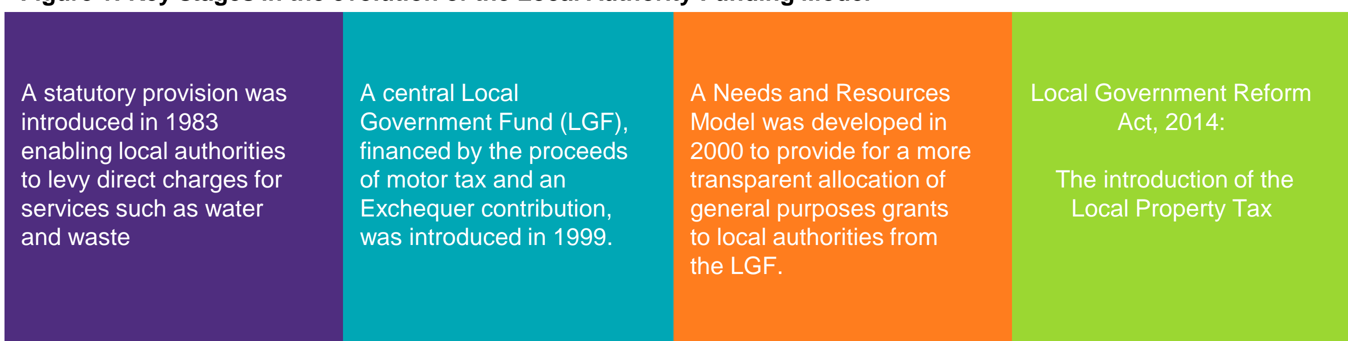
The portion retained by these 'surplus' authorities for their 'own use' is an amount equal to their individual baseline plus 20% of the total expected LPT income.

In their respective area, self-funding LPT monies replace central Government funding for some of these services. Every local authority has the power to vary the basic rate of LPT by up to 15%.

In the event that a local authority decides to increase LPT rates, they retain 100% of the additional LPT collected. Whereas a Local Authority that decides to reduce LPT rates, the full cost of that reduction is reflected in a reduced LPT allocation to that local authority. In recent years, Dublin City Councilors have expressed concerns that should LPT rates be increased, the additional funds would be dealt with under the 'self-funding' category resulting in no new funds to DCC.

These local authorities generally meet their LPT baseline and are net contributors to the LPT equalisation fund. Local authorities in surplus include the greater Dublin area (including Kildare, Meath and Wicklow County Councils) and in the South West of the country.

Figure 1: Key stages in the evolution of the Local Authority Funding Model



The Local Government Fund (LGF) and the LPT

The Local Government Fund (LGF) is a special central fund which was established in 1999 under the Local Government Act 1998 with the purpose of *'providing local authorities with the finance for general discretionary funding of their day-to-day activities and for nonnational roads, and funding for certain local government initiatives'.*

The profile of income and expenditure of the Local Government Fund has undergone significant changes in recent years.

Income, which historically comprised motor tax income along with some payments from the Exchequer, is now made up of income from the Exchequer and, since 2014, Local Property Tax. All monies within the fund were allocated to the provision of local government services. The Exchequer contribution to the Fund ceased in 2012 and a contribution has since been made from the Local Government Fund to the Exchequer. Motor tax receipts no longer fund the Local Government Fund.

The government decides the expenditure from the Local Government Fund each year as part of the budgetary process. In recent years, expenditure from the Local Government Fund includes:

1. Payments to the Department of Transport for non-national roads and public infrastructure
2. A subvention to Irish Water
3. Local Property Tax allocations to local authorities
4. Local Authority Pay and Pensions contribution
5. Funding for certain local government initiatives

LPT Funding Deductions and Allocations

LPT funding undergoes statutory deductions which can be broken down into the following:

1. Equalisation Fund:

20% of total LPT funding goes straight into the equalisation fund. 80% is to be kept locally for the Council's use.

2. Council Margin Vote Increase:

15% of the total LPT sum is then taken from the remaining 80%. This happens because the council vote down the 15% margin increase on LPT every year.

Despite these deductions, there is still a sizeable amount of LPT funding left. In theory this represents a new locally generated source of revenue for the Council. However this is not the case. Following the statutory deductions, the remaining LPT funding must undergo the following three allocations:

- The ***Department of Housing, Local Government and Heritage*** will direct the Council to allocate an amount of LPT funding for the ***'self-funding'*** of ***housing*** **and** ***roads***. 'Self-funding' is a term used by Government which implies that local authorities who are 'self-funding' have enough resources to meet their needs. In the context of LPT, 'self-funding' local authorities use LPT funding as a substitute for previous central government grant funding.
- The Council must also use LPT funds to pay a fixed amount for ***Pension Related Deductions (PRD)*** and ***General Purpose Grants (GPG)*** that were previously funded by central government.
- Finally, after these allocations, the remaining sum of LPT funding becomes the ***discretionary funding*** for the council. This funding can be used by the Council on whatever they wish. However, the amount remaining after all the deductions and allocations leaves only a nominal sum compared to the original total with some €4.1m in available in 2022.

In respect of the 2014 Local Government Reforms, the LPT was envisioned as a starting point for local government to fund themselves from own-source taxes rather than by reliance on central government grants. This model aspired for own-source taxes (and user charges) to be the primary revenue for local authorities, with intergovernmental transfers viewed as a supplementary source of income. As such, LPT replaced General Purpose Grants which were provided through the Local Government Fund, on the behalf of central government to local authorities.

The Local Property Equalisation Fund

The LPT was also designed to help achieve fiscal equalisation. In Ireland, significant fiscal imbalances exist between local authorities. Some local authorities, by nature of socio-economic and population factors, may not have a large enough revenue base to fund required public services and fulfil the local authorities functions. In general, more rural local authorities have less own-source income when compared to their urban counterparts and could not provide the same level of services. Originally, this disparity between income and expenditure was addressed by central government supports.

With the introduction of the LPT, government decided that 80% of LPT receipts would be retained locally by the Local Authority. This income forms an element of a local authorities own-source taxes and funds public services provided by the Local Authority.

However, the remaining 20% of LPT collected is ring-fenced for other local authorities who have smaller revenue bases. This portion is taken and pooled into an equalisation fund, which allocates equalisation grants to local authorities that require fiscal assistance.

Local authorities who have a shortfall between LPT retained locally and the LPT baseline (this is defined by the Department as the minimum amount of funding available to each local authority), receive a top-up amount equal to this shortfall in the form of an equalisation grant.

Conversely, if the LPT collected by a Local Authority is greater than the Department set baseline, the local authority is considered to be in surplus and will receive no equalisation funding.

These equalisation transfers aim to enable local authorities with limited fiscal resources to provide public goods and services comparable to larger local authorities through correcting the effects of the unequal distribution of potential sources of finance and of the financial burden they must support.

Prior to the introduction of LPT, equalisation grants were based on the Local Government Fund General Purpose Grants which the LPT tax system replaced. To ensure continuity central government took a decision that no Local Authority would receive less income from the LPT in 2015 than the allocated general purpose grant in 2014. As such where 2015 LPT receipts exceeded the 2014 general purpose funding, local authorities were allowed to retain a portion of the surplus as discretionary spending.

Local authorities who are net receivers of the LPT equalisation fund are, generally, rural, less densely populated areas with less economic activity and smaller tax bases. Primarily these local authorities are based in the border, midland and western areas of the country. In contrast, and partly recognising the variation in property values across the State, local authorities in the more urban and densely populated areas have greater levels of economic activity and bigger tax bases to draw upon but also a larger demand for services to provide.

Allocation Formula:

$E = BL - 0.8*LPT$

Equalisation Fund (E) is based on the difference between the LPT retained locally (0.8*LPT) and the LPT baseline (BL).

The Future of the LPT

The LPT has faced a number of issues since its inception some of which are beyond the control of local authorities and some of which are directly impacted by choices made by local authorities. These were set out by Dr Gerard Turley and Stephen McNena[1] of J.E. Cairnes School of Business and Economics, and the Whitaker Institute NUI Galway as:

- LPT was initially believed to be an additional source of local revenue, however, it in fact replaced the central government general purpose grant which was largely considered available for discretionary spending for local authorities. This is particularly relevant given that general purpose grants provided to local authorities unconditionally peaked at around €1 billion in 2008 prior to their replacement by LPT.
- LPT does not raise a large amount of revenue for local authorities with a modest rate and yield by international standards typically making up less than 1% of total government tax revenue. Again the €500 million generated is considerably less than the €1 billion of general purpose grants previously distributed.
- LPT is reliant in the first instance on property valuations, however, for various reasons these were not revalued from 2013 for several years at a time when property prices were rising considerably with previous revaluation exercises abandoned.
- LPT payment is subject to a large number of exemptions with, for example, new builds considered exempt until last year.
- Local councils have the discretion to vary the tax rate by up to 15% up or down from the base rate, however, many have opted to apply a discount choosing not to maximise their tax income. This was in part due to the perverse incentives that the model encouraged for 'winners' from the scheme to not raise their own revenue but instead rely on redistribution from the equalisation fund and Central Government making up the shortfall and 'losers' from the scheme opting not to increase taxes on their tax base when they do not feel they can utilise that funding directly as they see fit.

Some of these issues have been addressed through subsequent changes in legislation. Exemptions that were available such as new builds from 2013 or homes that were previously part of 'ghost building sites' have been restricted or removed altogether. Additionally, as councils' financial positions have become increasingly challenged, more and more are applying the full 15% increase from the base rate largely out of sheer necessity. It is also proposed that 100% of funds collected under the LPT within an authority will remain within that authority with imbalances between councils' collected rates and their 2014 baseline being met through Central Government funding.

However, the revaluation process for residential properties has still not been completed a measure that in and of itself is likely to increase funding by the most significant level. It therefore remains to be seen if these measures can bridge the gap between current levels of LPT collected and those that were provided under general purpose grants previously, however, it seems unlikely that will be the case leaving a continuing shortfall for local authorities.

The other challenge for reform is the somewhat arbitrary and ill-defined approach taken to determining the baseline level of funding above which surpluses are redistributed and below which deficits are compensated for. The lack of a coherent funding model formula creates a 'black box' concern that there is no underlying understanding of how or why funds are redistributed under the current approach. The use of a 2014 baseline, while understandable at the time, takes no account of whether this was a typical year for any individual council. It also bears no reflection of the relative needs or funding requirements of each individual council in any given year and its retention results in councils' funding effectively being frozen at a point in time with no consideration of rising costs of other expenditure pressures. These issues have not clearly been addressed even within the proposed reform of the funding model.

[1] Turley, G. and McNena, S. (2019) Local government funding in Ireland: Contemporary issues and future challenges. Administration, Vol.67 (Issue 4), pp. 1-26. https://doi.org/10.2478/admin-2019-0024

Challenges of the existing funding model for Dublin City

Challenges - Income

Flat or low income growth

The Local Government funding model, as it applies to Dublin City Council, has consistently changed over the past decade. While this has created ongoing uncertainty over funding levels, in general, these shifts have not been viewed as advantageous to Dublin City Council. The changes have also occurred at a time when the Council faces a range of challenges related to its funding model, and both income base and expenditure profile. The Council has experienced a period whereby budgets have been constructed with the constraint that income sources will remain largely flat. While this reflects the ongoing desire of the Council to prioritise providing continuing support to businesses and employment it does not recognise the growing costs of service in parallel with growing demands for services.

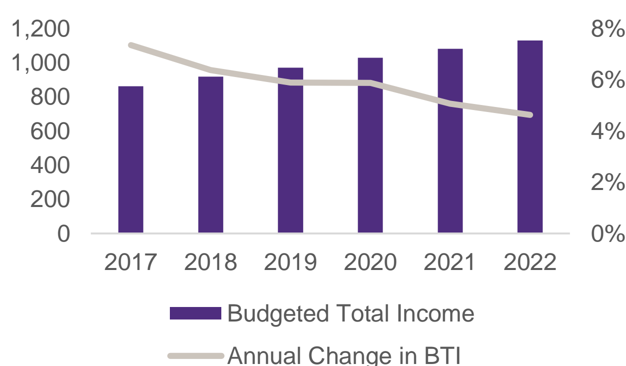
It is important to note that the funding challenges of the national local government system are acknowledged and Dublin City Council may not be unique among local authorities in experiencing what may be longer-term trends in its income and expenditure profile. While it is felt that that there is a lack of understanding of the challenges facing urban areas and in particular Dublin City it is not the intention of this review to debate on an urban versus rural basis.

Instead it is appropriate to state that both urban and rural communities face the same considerable challenges for which the local government sector is struggling to meet the growing demand for and cost of services with largely stagnant levels of resources. Highlighting these challenges, within the Dublin City context, seeks to encourage addressing them in such a manner that will benefit all communities.

This section of the report details some of those challenges and highlights some of the measures taken by the Council to increase efficiency in order to continue to be able to maintain the same level of service with fewer resources. It is not an exhaustive list, nor does it claim to be unique amongst Councils in Ireland, however, it demonstrates both the current level and the ongoing nature of some of these challenges.

The COVID-19 pandemic has brought in to sharp focus the precarious nature of funding general and specific challenges that the Local Government sector has faced over the past decade. While councils have sought to make efficiencies alongside and in some cases in conjunction of modernisation of processes and services these have struggled to keep pace with the growth of expectations for service delivery and the cost of doing so. This has also been a period of relatively flat or low income growth in a number of key revenue sources for Dublin City Council in particular what can be considered ‘Own-revenue’ or non-Government Grant based funding.

Fig 2: Dublin City Council Budgeted Total Income by Year 2011-2022



Source: Grant Thornton analysis of Dublin City Council Adopted Revenue Budget reports

Since 2016, revenue has grown consistently at an annual rate of 6% on average from €862 million to €1.13 billion in 2022.

However, when the contributing funding sources of that growth are analysed it is clear that Government Grants are by far the largest contributor. Between 2017 and 2022, the overall budget increased by 31%, however, Government Grants increased by 89% over the same period compared to just 10% and 14% for Goods & Services and Rates.

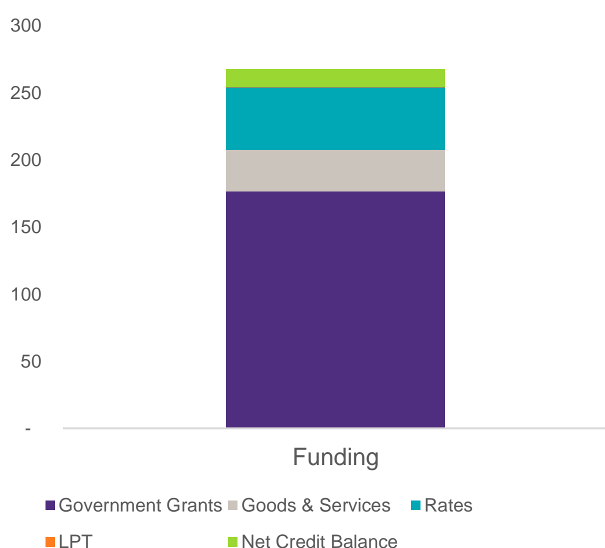
Fig 3: Dublin City Council Budgeted Total Income by Year 2017-2022

Funding Source	2017	2018	2019	2020	2021	2022	Growth %
Government Grants	199	239	268	300	338	376	89%
Goods & Services	298	313	322	331	330	329	10%
Rates	321	325	338	358	362	367	14%
LPT	23	23	23	23	23	23	1%
Net Credit Balance	22	18	20	17	26	35	60%
Total	**863**	**917**	**971**	**1,028**	**1,080**	**1,130**	**31%**

Source: Grant Thornton analysis of Dublin City Council Adopted Revenue Budget reports

Of the €267 million of growth over the 6 year period, €177 million has come from Government Grant sources, some 66% of the growth over that period. However, the vast majority of this growth has been driven by increases in Homeless Services, Housing Assistance Payment, Rental Accommodation Scheme and Social Leasing funding, none of which DCC has any discretionary control over. While the 60% growth in the net credit balance is substantial this can largely be explained by excess COVID funding over budget being received by the Council.

Fig 4: Contribution to Growth of Dublin City Council Budgeted Total Income between 2017-2022



Source: Grant Thornton analysis of Dublin City Council Adopted Revenue Budget reports

While there has been growth in the actual values of the other funding sources over the period they have been outstripped by growth in Government Grants in recent years.

This has resulted in a material rebalancing of the contribution of each funding source to Dublin City Council to the extent that Government Grants are now the largest single contributor to budgets in 2022 at 33%. This is a significant change from the situation 5 years ago when Government Grants made up just 23% of funding.

Fig 5 % Contribution to Dublin City Council Budgeted Total Income by Year 2017-2022

Funding Source	2017	2018	2019	2020	2021	2022	Change %
Government Grants	23%	26%	28%	29%	31%	33%	**10%**
Goods & Services	35%	34%	33%	32%	31%	29%	**-5%**
Rates	37%	35%	35%	35%	34%	32%	**-5%**
LPT	3%	3%	2%	2%	2%	2%	**-1%**
Net Credit Balance	3%	2%	2%	2%	2%	3%	**1%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	

Source: Grant Thornton analysis of Dublin City Council Adopted Revenue Budget reports (figures may not add to 100% due to rounding)

This means Government Grants make up a larger proportion of DCC's income position than at any point since the financial crisis with, for example, an equivalent of just 26% of funding in 2008.

However, it is appropriate to reflect that this change has been exacerbated since 2020 with the necessary increased Government supports in light of the pandemic it is clear that this trend is more longstanding than the pandemic era with Government Grants contribution levels growing every year since 2017. Indeed, every other source of funding has fallen as a proportional contributor to the overall budgeted total income except the Net Credit Balance.

It is also fair to note that much of the Government Grants funding provided is ring-fenced for specific Central Government policy priorities and is therefore non-discretionary in terms of how the Council can utilise this funding. It is also correct to highlight that this funding may or may not be considered sufficient given the required levels of expenditure to implement these policies in an appropriately efficient and effective manner. Finally, it must be noted that for many of these policy areas these are jointly funded areas whereby the Council contributes a not inconsiderable amount of their own funding, approximately 10% of total funding up to a maximum of €14.7 million in the area of Homeless Services for example, with little or no policy input as to how this funding is allocated.

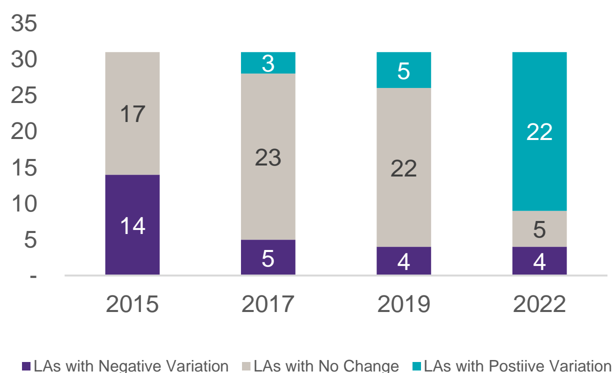
However, despite these important caveats the overall message is clear, Council generated revenues have largely stagnated over the past five years in comparison to Government Grants. This is in part due to policy choices that the Council has made in choosing to support businesses and tenants through direct financial savings at the expense of generating additional income to support them through additional services. In effect, choosing not to pass on the costs of providing those services.

Local Property Tax

The most significant policy choice made by Dublin City Council has been the continued decision to utilise a negative Local Adjustment Factor Variation (LAFV) on Local Property Tax values since 2014. Local authorities have the discretion to increase or decrease the LPT rate by up to 15%. In the case that local authorities decide to increase the LPT rate, the full amount of additional LPT collected is retained by those local authorities with the uplift considered prior to equalisation fund transfer calculations. If a local authority decides to reduce the LPT rate, the full costs of that reduction is reflected in a decreased LPT allocation to that local authority.

Figure X below highlights the trend for local authorities to shift from no local authority choosing to increase the LAFV in the initial years to a situation where in 2022 the vast majority, 71%, chose to increase the LAFV by between 5% and 15%.

Fig 6: Trend in Local Authority Local Adjustment Factor Variations since 2014



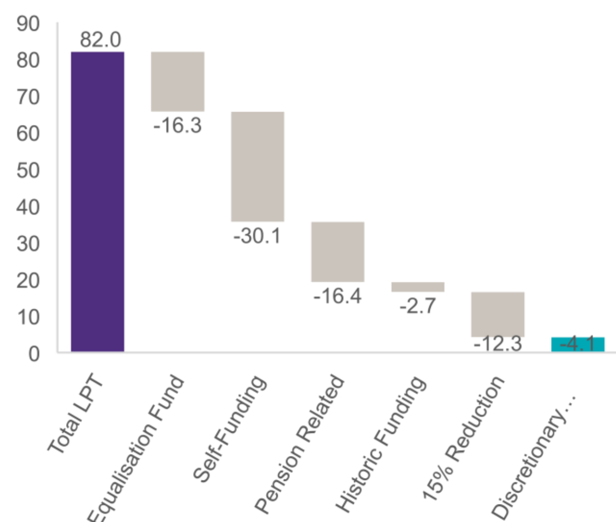
Source: Grant Thornton analysis of Department of Housing, Planning and Local Government data

Indeed, only Dublin City and South Dublin County Council have consistently opted to negatively vary the LAFV by the full 15% each year since its inception in 2015. Since 2015, it is estimated that some €96 million in LPT income has been foregone by Dublin City Council or so circa €12 million per annum with almost €200 million in total if a 15% increase had been consistently applied. Figure X shows an estimated breakdown of how the LPT may be utilised.

In the case of Dublin City Council as a local authority with a large property base this funding could have been utilised in two ways: 1) retain a portion of the funding for their 'own use'; 2) use the remainder (if any) to fund services in the Housing and Roads service division areas as self-funding.

In 2022, Dublin City Council has once again opted to reduce their LAFV by the full 15%.

Figure 7: Estimated discretionary funding available to the Council from the LPT



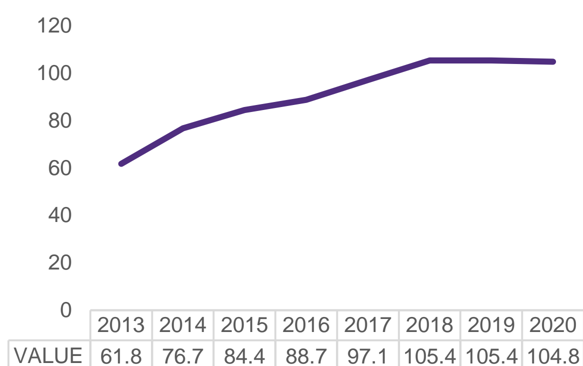
Source: Grant Thornton analysis of Department of Housing, Planning and Local Government data

While this supports local business it also highlights the perverse nature of the 80/20 equalisation fund in that it incentivises actions that may be contrary to the benefit of local authorities. This is shown by the fact of the €82 million in LPT to be collected in 2022 just €4.1 million is returned to the Council as discretionary spending.

For local authorities with higher capacity to collect LPT e.g. higher property values (typically large urban centres) the benefit of maximising the tax rate through regular increases is reduced or at least its benefit perception is reduced by the inability to retain 100% of that revenue for discretionary purposes. While the redistribution that ensures losers from the approach will not see their funding fall below a certain level may be encouraged to hold their LPT at the base rate or lower as well.

The opportunity lost in terms of gaining additional revenue and the need for reform of the LPT is highlighted further when considering the baseline price for residential properties established within the LPT. Residential property prices have increased considerably over the period since the baseline was established.

Figure 8: Residential Property Price Index (Base 2005) for Dublin – All Residential Properties



	2013	2014	2015	2016	2017	2018	2019	2020
VALUE	61.8	76.7	84.4	88.7	97.1	105.4	105.4	104.8

Source: Grant Thornton analysis of CSO data

From 2014 to 2020 there has been circa 28% growth in the County Dublin region while nationally comparable growth is circa 63%. Internal analysis from the City Valuer of the Council indicated that average residential property valuations increased by as much as 87% for Dublin between 2013 and 2020.

This growth is not currently reflected in the current LPT baseline which provides the basis for determining the value of residential properties and the tax to be paid by homeowners. Previously planned revaluations in 2016, 2019 and 2020 have merely increased the opportunity cost of that lost revenue.

It was hoped that the LPT would open a new revenue stream for the City Council and that this additional funding could be spent at the discretion of the City Council to provide additional and higher quality existing services.

Unfortunately this has not come to pass. This is illustrated in the accounts since its inception. Annually only approximately 4-5% of the LPT goes to discretionary spending. Instead the majority of it acts as a substitute for previous funding provided by central government grants.

As a result, the net effect of this LPT system has not seen a significant increase in funding available to the City Council. Instead the LPT has raised service expectations among the city's residents as they are paying more local tax. However in reality the LPT produces little additional discretionary income and is not adequate to meet these higher service expectations in part due to choices made by Dublin City Council.

Reforms announced in 2021 included:

- Property valuations to take place every 4 years
- New properties entered on to the system each November
- Lapsing of certain exemptions to LPT

The largest proposed reform is the adjustment to the equalisation fund which will see 100% of LPT collected in an authority retained for use within that authority. Imbalances that were previously met by redistribution of 20% of the total collected will instead be met by Central Government.

It remains to be seen as to how this will be implemented and therefore how significant an uplift these measures will provide.

Commercial Rates

While the balance between Government Grants and Commercial Rates has been impacted by COVID, as for most Councils, commercial rates are typically the single largest annual income source for Dublin City Council amounting to circa 35% of all funding.

Commercial Rates are a significant funding source to councils in the day to day delivery in ensuring that their local authority is safe and attractive for living, work and business environments.

While the levying of commercial rates against property valuations as opposed to revenue, profit or contribution etc. provides for greater stability the current system can lead to anomalies such as where a business can operate in a low value commercial property area will have lower rates than those who operate in a high value commercial property area with no regard to their respective ability to pay or overall economic contribution.

There is also the ongoing question as to the proportion that business should contribute when compared to the general population at large who also benefit from the services provided by local authorities. The sustainability of the level of reliance on commercial rates is also in doubt with the continuation of global megatrends in the form of online retail, remote working, and city centre businesses and their workforce seeking relocation in their search for lower costs and more space which will see businesses with large physical workplaces disproportionately burdened.

The setting of commercial rates is a two-step process consisting of activity by initially the Valuations Office and then the Local Authority.

The role of the Valuations Office is to:

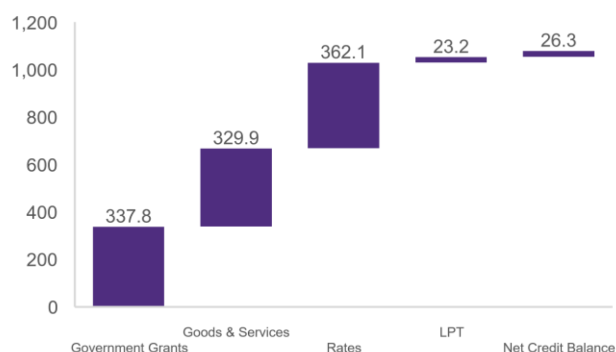
- Provide up to date valuations of commercial and industrial properties to ratepayers and to rating authorities;
- Deliver the national revaluation programme; and
- Deliver a programme of ongoing revision of existing rateable valuations.

In short, the Valuation Office determines the bands under which a property is valued for levying of Commercial Rates by the local authority. An initial valuation takes place once a property is added to the valuation list. Revaluations then typically take place every 10 years.

The actual commercial rate that is charged to occupiers/owners of property is calculated by multiplying the ‘rateable valuation’ by the ‘annual rate on valuation’.

There are, however, a large number of challenges with the current system that impact upon the ability of local authorities to generate appropriate levels of income from the measure.

Fig 9 Dublin City Council Average Annual Estimated Sources of Funding 2019-2022



Source: Grant Thornton analysis of Dublin City Council Adopted Revenue Budget reports

Initial Valuation Delays

It was noted that there had been 565 new buildings across Ireland which were valued for commercial rates for the first time in 2020 which the Valuations Office estimated would provide additional rates income of €20.9 million for local authorities. However, there can be significant delays in initial valuations being carried out with estimations of up to 6 months for properties to get added to the valuations list. This is a period during which no rates can be levied resulting a lost income for local authorities. This highlighted some of the data sharing and processing challenges between ratepayers, authorities and valuers.

Backlog of Revaluations

As well as delays in initial valuations of new properties there is a further ongoing delay in processing revision cases that majority of which typically come from local authorities 4,576 out of 5,039 received in 2020. In 2020, there was a backlog of approximately 5,700 revision cases. While a plan of action was in place by the Valuations Office to address this backlog the COVID-19 pandemic has severely hindered the ability to reduce this list.

Revaluations given that they are infrequently conducted on a regional/national scale are also subject to considerable variation in terms of the wider economic context. The Ireland of 10 years ago was considerably different to Ireland now in terms of property values across commercial, industrial and residential sectors. While this can vary depending on the economic cycle the previous revaluation cycle took place in April 2011.

Delays in revaluations can again result in lost income for local authorities.

Appeals Process

Ratepayers who are dissatisfied with any aspect of a valuation can appeal to the Independent Valuation Tribunal. However, this can be a lengthy process and one which can ultimately end up in the High Court. As a result, the system is currently experiencing a significant backlog of approximately 2,300 cases at the end of 2020. These delays can again significantly impact local authorities in terms of lost income. Analysis from Dublin City Council in 2018 highlighted that the previous appeals process post-2011 revaluation resulted in lost rates income of approximately €43 million over a four-year period.

While there are factors external to the Council that impact upon the ability to efficiently collect income from Commercial Rates there are also factors which are more within their control that could improve funding if the Council so decided to.

The Annual Rate of Valuation remained largely unchanged for the decade between 2009 and 2018 with only a 0.78% increase in 2017. Since then the Council has largely sought to ensure that any increase has been equally modest and held significantly below prevailing inflation levels. While this has presented challenges to the Council in terms of requiring greater efficiencies to be found elsewhere across the budget to make up for this lost revenue it has continued the show the support that the Council has provided for businesses in the city.

The competing variables of rising inflation and an increasing cost base has had to be weighed against the uncertainty over the timetable for returning to business as usual if at all post-COVID. This has encouraged the Council to continue to hold off on increases in the Annual Rate of Valuation. However, the longer it does so the greater the pressure will become on the Council's budget and ultimately its ability to continue to deliver services which in both a direct and indirect manner also support business and citizens in the City.

Rents

Rents are a key income source for the Council with some €92 million of funding arriving from circa 26,000 units across the Council's rented housing stock. This has consistently increased in recent years from €75.8 million in 2016.

The Council operates a Differential Rates Scheme which assesses rental charges against the income of the tenant e.g. tenants with higher incomes pay higher rents than tenants with low incomes for comparable properties. As a tenant's income increases so the charge to tenants increases accordingly.

To ensure affordability even the highest rents paid under Dublin City Council's differential rents scheme are considerably lower than a typical market rent. The scheme provides for a baseline rental allowance with a top-up calculated on the remaining weekly income of the principal earner. Where there are multiple earners in a household, subsidiary earners are further assessed up to a maximum level.

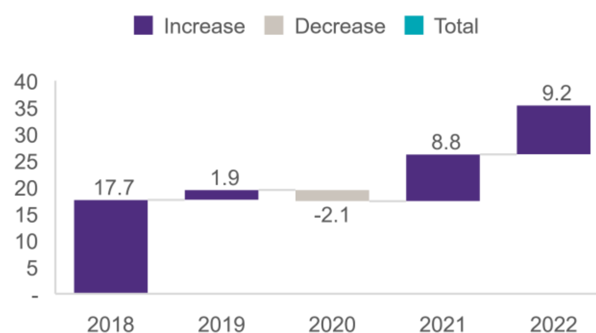
While all rents are reviewed on a two-year basis to ensure the correct charge is applied, ultimately, the average Council rent is not reflective of market rates and the Council has consistently chosen not to increase the differential rent rate from 15% which has remained unchanged since 1996.

While this is to the benefit of supporting Council tenants it does not reflect the reality of the funding required to maintain properties. This imbalance results in a discrepancy between available income and expenditure necessary to maintain properties which necessitates the need to prioritise some repairs over others. While this is somewhat inevitable as resources will always be relatively scarce it runs the risk of increasing costs in the future as additional work may be required that could otherwise have been avoidable.

Reliance on Credit Balance as a Funding Source

In recent years, the Council's reliance on credit balances from prior years to fund future expenditure has increased rising from €17.7 million in 2018 to over €35 million in 2022.

Fig 10 Dublin City Council Annual Credit Balance 2018-2022



Source: Grant Thornton analysis of Dublin City Council Adopted Revenue Budget reports

While COVID provides mitigating circumstances for these shortfalls that may be considered temporary the overall trend is not positive with credit balances not a suitable basis for deficit funding over anything other than the short-term.

Additional National Policy impacts

In recent years, a number of Central Government and Departmental policy decisions have negatively impacted upon the income sources for Dublin City Council. While individually some of the values may be immaterial, collectively, and particularly when considered holistically with other challenges, they materially impact upon the Council's ability to deliver expected services.

Green Agenda

Ireland like every country in the world faces significant environmental challenges in the form of Climate Change. These require transformational actions if associated targets to reduce emissions by 40% on 2005 levels by 2030 are expected to be the met. Dublin City Council has set out a Climate Action Plan for 2019-2024 to play its role in this global challenge and to aid ensuring that Dublin remains a climate resilient region.

The key action areas of the plan focus on:

- Energy and Buildings
- Resource Management
- Transport
- Nature Based Solutions
- Flood Resilience.

These are intended to complement the national policy agenda as well as ensure that Dublin City is a leading local authority in this area.

While on a macro level the costs associated with this essential change are far outweighed by the benefits on a micro level they may be harder to balance at least in the short-term. Significant investment is required across a whole range of areas whether it be upgrading buildings to make them more energy efficient, protecting and maintaining green spaces, or encouraging greater use of public transport or implementing bike share schemes and constructing segregated cycle routes. These have costs associated with them both directly and indirectly.

To provide just one example. The encouragement of the use of greener transport alternatives such as cycling necessitates the construction of segregated cycle routes alongside existing roads in the city. These are typically implemented by taking away existing spaces alongside roads. These spaces previously may have provided car parking capacity which as well as ensuring convenience for those living, working, shopping nearby also acts as a further income source for the Council through both parking charges and fines. While is just one small example when extrapolated to the move towards prioritising climate change and the need for a zero-emissions transport network and associated reduction in both car parking and car usage in general this has the potentially to impact upon a series of key revenue sources for the Council

Irish Water Related Rates

While progress has been made in transitioning to a national approach to water services through an independent Irish Water there remain concerns with the funding model, agreed in the Service Level Agreement model. These concerns include:

- What funding will substitute the income under the existing agreement when it expires?
- Legacy Costs (e.g. obsolete assets)
- Pension liabilities in relation to Irish Water Services staff etc.

In 2020, the Department of Housing, Planning and Local Government (DHPLG) applied a 'global' valuation apportionment approach to Irish Water properties, using population as the basis of apportionment. Dublin City Council considered that this disadvantaged the local authority given that a more nuanced analysis would indicate that the significant level of commercial and industrial activity that takes place within the region would exceed the relative population portion attributed to the region.

Dublin City Council estimates that this results in approximately €8.9 million in lost rates income from 2020 onwards in perpetuity. While partial grant funding for Dublin City Council from the DHPLG was considered as part of a transition process for 2020 alone, no funding was forthcoming resulting in a material ongoing budgetary issue.

In addition, a number of staff who were due to transfer to Irish Water from local authorities have been unable to do so as yet. Irish Water and the local authorities are currently in discussions to determine whether and how LA employees will transfer to employment under Irish Water. At this point it is uncertain what the final outcome of the talks will be, or what role DCC will have in the delivery of water services in the future.

The uncertainty regarding the future of staff who wish to stay with DCC in terms of both payroll and pension liabilities represents a financial risk for the council.

Funding of Dublin Fire Brigade Emergency Ambulance Service

Dublin Fire Brigade operates an emergency ambulance service across the administrative areas of the four Dublin local authorities. The Health Service Executive (HSE) operates the National Ambulance Service and is the sole provider in all other counties outside of Dublin. However, the Dublin local authorities have been unable to recoup the full costs of the DFB emergency ambulance service with funding remaining flat since 2013. While discussions have taken place regarding a new funding model this has not reached agreement. This has resulted in significant levels of funding being written off including an annual provision for €4 million in the period 2017-2019 with no further provision being provided for in the budget in subsequent years. Indeed the full cost of providing the ambulance service is budgeted at €25.7 million of which €9.2 million is charged to the HSE leaving an annual lost income of approximately €16.5 million.

Challenges - Expenditure

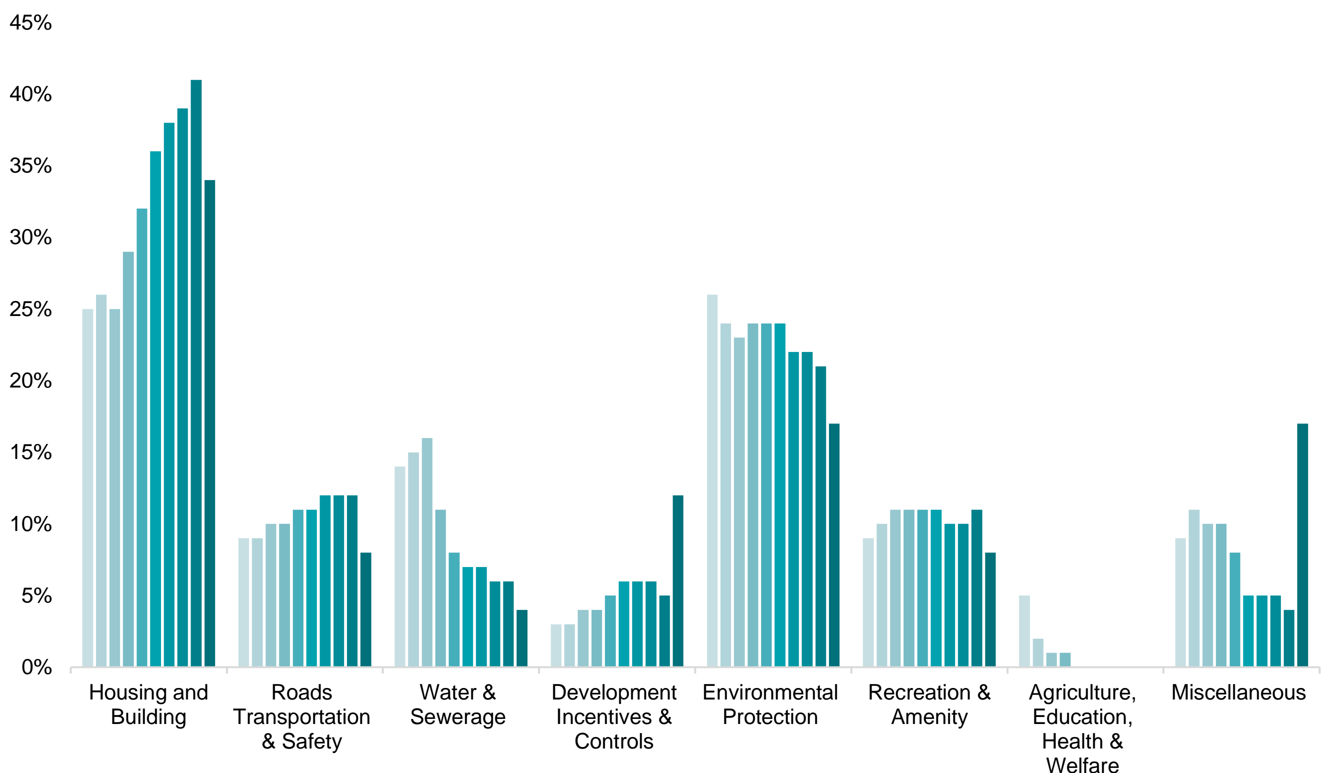
Rising Costs of Services

An analysis of Council expenditure over the past decade highlights a number of items that can be set out as:

- Changes in the policy priorities of Central Government (increased funding of Housing and Building); It should be noted that increased costs in this area are met by increased exchequer funding (Homeless, HAP, RAS & Long Term Leasing
- Changes in the mix between Central and Local Government spending (establishment of Irish Water);
- One-off increases in Miscellaneous inflated by the Rates Waiver in 2020 and Development similarly due to Restart Grants.
- Rising cost of maintaining services in certain sectors, particularly those related to areas that were underfunded post financial crisis (Housing and Building); and
- Increasing cost base overall.

The overall trend, however, is that after a period of enforced austerity and despite the Council's efforts to maximise efficiencies, costs are rising considerably even prior to the impact of the pandemic. These trends are not aligned with service delivery expectations which with rising tax costs and on paper rising income levels for local authorities are increasing accordingly.

Fig 11: Dublin City Council Changes in Profiled Expenditure by Division 2011-2020



Source: Grant Thornton analysis of Dublin City Council Annual Financial Statement reports

National Pay Agreement

The Public Service Stability Agreement (PSSA) is the national public sector pay agreement, negotiated by Central Government, and applicable across the public sector. The funding of the cost of implementation of these increases are decided by the vote of each department. The Department of Housing Planning and Local Government has not fully funded these costs in any year to date. In 2018, funding of 80% of the value was met falling to 74.8% in 2019, resulting in a combined shortfall of €9.1 million. Subsequent pay increases have resulted in a further €2.7 million shortfall in the Adopted Revenue Budget for 2022.

While the Council has managed to reduce its cost base overall in recent years, with new work practices, reduced staff and increased innovative use of technology, these funds would be hugely beneficial if available for supporting service provision.

Pensions Deficit

A significant gap exists between the contributions received from current local authority employees and the pensions paid to retired individuals. Funding pension liabilities is a challenge for almost every sector and local authorities are equally under pressure. This gap is unfunded by Central Government and while at a national level a Report of the Commission on Pension was published in 2011 seeking to address the sustainability of the State Pension system significant reform is required and challenges remain.

Housing and Homeless Services

Housing

Direct Housing and Building related expenditure accounts for 44% of the Council's €1.13 billion annual estimated expenditure in 2022, more than double the next most significant expenditure line.

The objective *'to maximise provision of suitable accommodation for those who are unable to provide their own, through the provision of social housing. To manage and maintain Council housing stock, to regenerate specific areas as part of improving sustainability, to facilitate the development of sustainable communities'* is at the core of Dublin City Council.

A period of austerity following the post-global financial crisis has severely limited the ability of local authorities to build new and maintain the existing stock of social and affordable housing both in terms of reduced direct capital funding but also diminished capability to deliver even if sufficient capital funding was available.

Homeless Services

Homeless Services are the largest single expenditure item for the Council reflecting both the importance of the issue and the challenge that it poses. Homeless Services is an example of protocol arrangements with a Government Department, DoHLGH, whereby the Council is funded and in turn co-funds service provision in the area but is instructed how to utilise that funding with little or no discretion.

Costs of providing Homeless Services have increased significantly in recent years as Ireland's housing crisis has become more acute rising from circa €145 million in 2018 to an estimated €201 million in 2022. The Council co-funds the total cost of providing these services to an upper ceiling limit of €14.7 million beyond which the DoHLG&H provides funding.

Management Fees

Annual management fees are typically a feature of apartment living providing services such as insurance for the building, refuse collection, common area facilitation and upkeep, security and repairs etc. The charges range considerably from €235 to just under €3,000 with an average of €1,800 per apartment in Dublin. These are incurred where a body acquires housing units under Part V arrangements i.e. the proportion of new builds which must be provided by developers as social, affordable or cost rental housing.

Whereas Approved Housing Bodies (AHB) can receive a refund for the costs of management fees for units acquired, when incurred by Dublin City Council, these costs cannot be recouped and fall upon the Council to fund. In 2020, these fees were an estimated €2.7 million. The ***Housing for All: A New Housing Plan for Ireland*** strategy will see a significant increase in the contribution by developers under Part V, up from 10% to 20%, which while providing additional much needed housing units will also see an uplift in unfunded costs for the Council.

While the Council has sought to negotiate discounts on such management fees they are reliant on the cooperation of private owners.

Maintenance of Housing Units

The Council has a dual responsibility as part of its commitment to the provision of a high quality management, maintenance and repair systems for its housing stock providing both ongoing structural repairs as a landlord and through its strategic plan to upgrade its overall existing housing stock that is over 60 years old, to modern standards. For example, a key role played by the Mechanical and Energy Efficiency Unit is to modernise properties through retrofitting energy efficient heating systems. The Council also funds a programme of refurbishment of void housing units as they become vacant.

Outside of homeless services this is one of the largest expenditure line items in the annual budget for the Council and is funded in combination through grants and own-source revenues. Typically these own-source revenues would largely consist of rental income, however, as highlighted in analysis contained in the income section of this report rents have largely been held flat over a number of years as the Council has tried to support its tenants.

However, the current housing stock managed by the Council is considered to be old while some sites, if it were possible, arguably would benefit from demolition and redevelopment rather than inefficient maintenance. As highlighted, the scarcity of resources can mean that some maintenance work is prioritised over others increasing the risk of greater cost as a result of further conditional deterioration in the meantime.

Therefore, in recent years the Council has sought to invest in these areas through entering in to new loan borrowings.

This is a further example of the efficiencies that the Council has tried to introduce in to its approach to providing services in that it recognises the potential efficiencies that can be achieved through ensuring repairs/upgrades are carried out in a timely manner minimising the risk of costlier works being required later. It also reflects the energy efficient savings and wider environmental benefits that can be achieved through modernising properties aiding the Council’s focus on Sustainable Environmental Infrastructure.

Insurance

Dublin City Council generates significant risks by virtue of the activities it engages in e.g. an estimated €7-9 million is spent by DCC on insurance claims related to the road network alone each year.

Prior to 2017, it operated a hybrid risk transfer/insurance model that saw areas of high risk/potential liability through self-insurance of up to a €500,000 threshold per individual claim in each risk class.

In 2017, Dublin City Council moved from this self-insured model to a 'ground-up' insurance cover basis across all risk areas reducing the Council's exposure to new claims from that point forward. Since then, as has been the case across Ireland, insurance premia costs have increased significantly as have the costs of settling outstanding legacy claims for which there is material funding implication.

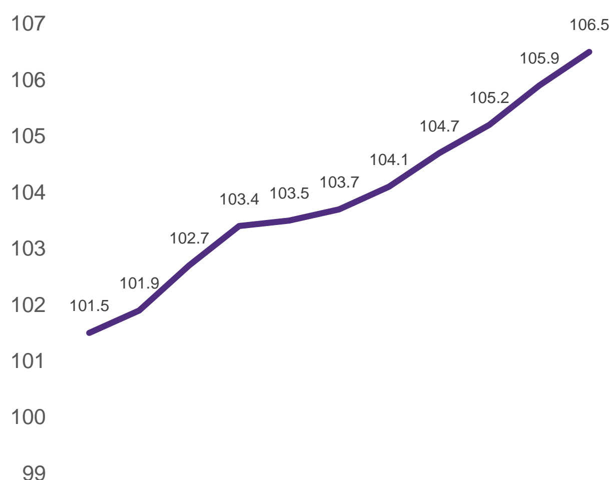
While insurance costs remain under close review with the Council securing a reduction of €2.3 million on the €28.6 million value, the situation merely reflects the reality of significant increases in insurance costs across what is a limited marketplace and as such the Council is restricted in its ability to reduce these costs further.

Inflationary Pressures

Already in 2021, costs across a wide range of inputs within the goods and services supply chains were seen to be rising with the consequence that inflationary pressures were visible at levels not seen in many years. The annual rate of inflation rose to 5.3% in December, its highest level since June 2001, the 13th consecutive month of rises. The key driver of this has been energy prices with an underlying 2% inflation rate when energy price spikes are excluded.

This places significant strain on the budget of Dublin City Council impacting upon service delivery. However, if these additional costs are passed on to business in the form of higher commercial rates, this will both reduce the competitiveness of Dublin further and also likely be passed on to the consumer placing further burdens on those already struggling.

Fig 12: Consumer Price Index Monthly Growth 2021: Base 2016



Source: Grant Thornton analysis of Dublin City Council Adopted Revenue Budget reports

Case Study – Environment and Transport

As part of the engagement, Grant Thornton consulted with stakeholders directly involved in service provision within two key areas for Dublin City Council to better understand their method of operating and also the challenges that they currently face.

Environment and Transportation

Maintaining the City Road Network

Through the Road Maintenance Services (RMS), DCC are responsible for maintaining the entire city road network. This network, as of the most recent report from 2020, extends to 1,250 kilometre.

The maintenance work is carried out by both direct labour crews and external contractors. The direct labour crews are permanent DCC employees and generally carry out “Reactive Maintenance Work”. This typically involves repairing or making safe specific road defects, such as pot holes. External contractors are utilised to provide “Planned Works”, typically larger scale work such as full road resurfacing projects etc.

In order to direct and effectively co-ordinate road maintenance, the RMS operates the Transport Asset Management System (TAMS). This system measures and identifies roads that have significant road defects, as well as monitoring repair rates of these hazards.

In tandem with this, the Road Management Office (RMO), which operates under the Department of Transport, Tourism and Sport, has compiled visual condition surveys of the DCC road network, during the period between 2018 and 2019. These visualisations show the level of work required by the DCC to maintain the city road network to an appropriate standard.

Prioritising Road Maintenance

The RMO visual reports and the TAMS reports are used to prioritise roads for maintenance. Prioritisation is based on a number of factors. These include:

1. Major issues which need to be addressed
2. User demand for the road
3. Significance of the road for traffic control

In this system, national primary roads would be prioritised over smaller suburban roads, such as cul de sacs. While this is necessary to maintain the integrity of the road network, it does not facilitate preventive road maintenance.

Instead of maintaining roads at a certain standard, work is only commenced when the road becomes a hazard. This often results in higher costs than would be incurred through more frequent ongoing maintenance across the road network.

Funding the Maintenance of the City Road Network

It is felt that the maintaining roads network service by DCC is and continues to be underfunded. Just 1% of the entire 1,250 kilometre roads network operated and maintained by DCC is able to be resurfaced annually resulting within current funding levels. This underfunding in turn means roads are not optimally maintained, leading to the standard of the network declining. This has been demonstrated in the work conducted by the TAMS and Road Management Office.

Increasing Contract Costs for Road Maintenance

There has been significant cost inflation on road maintenance tenders over the last number of years. However, funding levels have not changed to reflect the increased costs. The same level of expenditure now results in much less work being completed than was previously the case.

Utility Projects and their Impact on Road Maintenance

Utility projects, such as gas or telecommunications installation or repair, can adversely effect road quality and result in permanent damage. These projects require providers to dig up sections of the road to access utility lines. This excavation work can result in long-term damage to the road which requires repair work.

And while the utility providers are required to restore the road surface after their excavations, the restored surfaces often degrade at a faster rate than the original road surface, requiring more frequent repairs or shortening the time before the road needs to be completely resurfaced.

At present, DCC do charge a long-term damage cost to the provider to cover repair costs.

Insurance Claims from the Road Network

It was estimated that around €7-9 million is spent by DCC on insurance claims related to the road network. These claims are reflective of road quality; as road quality decreases the frequency of insurance claims increases.

It may be the case that spending more money to maintain a higher standard of road quality would be more cost effective than spending less on maintenance, but having to pay more in claims as a consequence.

Greater numbers of incidents leading to insurance claims also causes higher direct and indirect costs to citizens and business in the city area beyond those captured in the claims paid by DCC.

Direct Labour force for the Road Network

There is a need for a direct labour workforce to respond to emergency situations. The mean age of this workforce currently stands at 55-56, with most of those involved in physical manual labour retiring earlier than 65.

DCC have found that recruitment for manual labour positions receives a lot of applications, whilst positions that require a craft or technical ability are harder to fill due to external competition.

Case Study – Housing and Community Services

Housing and Community Services

Housing Maintenance

DCC is responsible for the provision, management and maintenance of public/social housing in the city area. Eligible people enter into a tenancy agreement with the Council and are charged rent. This rent is calculated using a Differential Rent system which ensures the rent increases or decreases in line with the income earned by the tenant. This ensures that the rent is fair and does not cause financial hardship.

A major service provided by the Council is the management and execution of any structural repairs to the Council's housing stock. The Council typically carry out repairs to roofs, floors, external walls (excluding glass), and external doors.

These repairs are only conducted if a structural repair is needed and a tenant's rent is up to date. These repairs are completed by a combination of the DCC direct labour force and external contractors. External contractors are primarily used for larger scale maintenance projects.

Funding issues with Housing Maintenance

There is concern around the increasing costs of maintaining the aging DCC housing stock. This is compounded by the fact that while housing rents have been buoyant in recent years as tenants' income levels have increased resulted in a commensurate increase in rents under the current differential rates scheme the differential rate itself has not been increased from its 15% since 1996. Rents collected from tenants are not used exclusively for providing maintenance services, covering a range of services. It was also noted that the Council often faces a challenge collecting rents that are due with the 2021 year end net debtor balance at €33.5 million.

The discrepancy between income and expenditure for maintenance means that not all structural repairs that are needed can be carried out. As such, certain repairs need to be prioritised over others.

However, not repairing minor issues can lead to further deterioration and so cost more to fix in the long run. The funding of maintenance duties poses a major issue to the Council and requires a long-term re-evaluation.

Current Housing Stock

The current housing stock managed by DCC is old and in need of maintenance and repair work. Ideally, some sites should be demolished and newer more space efficient dwellings built. However, this is not always possible. As a result, ageing units, which require more substantial maintenance, continue to be used. This may not be the most efficient use of funding.

Similarly, since certain sites are not maintained to a level that is acceptable, complaints from tenants increase and this reflects poorly on the Council's ability to provide adequate housing services.

Possible role of Approved Housing Bodies

Approved Housing Bodies are independent, not-for-profit organisations that provide affordable rented housing for people who cannot afford to pay private sector rents or buy their own homes; or for particular groups, such as older people or homeless people. These bodies predominantly manage newer build housing compared to the Council and so have lower maintenance costs. It was felt, therefore, that DCC would find it hard to transfer management of their existing Housing Stock to one of these bodies.

Homeless Services

This is a major issue facing the Council. Approximately 90% of funding for Homeless services is legislated to come from central government funding. However, the Council has established a fixed contribution of €14.7 million above which any additional expenditure is funded by the DoHLGH. Even with this the Council has no control over the level of spend on homeless services or how this funding is allocated. Ideally, central government should fully fund these services, as that is where the decision on the level of services to be provided is made.

DCC staff are stretched providing Homeless services. Staff have often been relocated to Homeless services from their original work areas. This can pose knock on staffing issues for other housing services provided by the Council and impact on their provision.

Social Inclusion Activities

DCC will have a role in providing assistance with certain Sláintecare and Community social inclusion services in the near future. It was noted that these social programmes are a good investment that will help to alleviate social issues in disadvantaged areas in the city. It is hoped that this, in turn, will have a positive impact on the social environment that – directly and indirectly – affects DCC housing provision and maintenance services.

Funding for these social programmes will be provided by Government. However, DCC staffing levels pose a potential issue here, similar to the impact of providing homeless services. Concerns were raised over the capacity of DCC to provide these services through its existing structures.

Impact of COVID-19 on local authorities

Impact of COVID-19 on local authorities

Unprecedented impacts

At a local level, the unprecedented COVID-19 pandemic and the emergency measures taken to mitigate it have had a significant impact on the finances of local authorities. This has resulted in a reduction in and uncertainty over various income sources, together with increased levels of unexpected expenditures. The Exchequer funded the financial impacts of COVID-19 in providing grants of €34.1 million and €20.1 million in 2020 and 2021 respectively.

At the beginning of the pandemic, epidemiological models predicted that without mitigation strategies, the disease would spread faster in urban metropolitan areas than rural areas. Through implementing COVID-19 containment measures such as widespread closures of commerce and strict limits on travel combined with voluntary social distances, led to large declines in mobility by foot, care and public transport. While the availability of remote working has helped, a large share of lower-wage workers in urban areas hold service jobs in hospitality, childcare, retail and personal services that depend on face-to-face interactions. Many of these service jobs were declared essential and necessitated taking place in person increasingly vulnerability to infection in urban areas.

COVID-19 had a major impact on general government revenue and expenditure overall, especially the targeted government supports and public health measures. The global economic shock created by the COVID-19 pandemic has been faster and more severe than the 2008 financial crash.

The 2021 Adopted Budget Revenue for Dublin City Council set out the impacts as:

'2020 has been a year like no other as we have dealt with the health, social, financial and economic impacts of the Covid 19 pandemic. There is evidence that the pandemic is having a disproportionate impact on the economy of Dublin, given the importance of key service sectors (retail, tourism, hospitality, arts/culture and transport) and especially the economy of the City Centre.
Apart from the direct impact on businesses, Covid restrictions, which curtailed public transport capacity, have seriously restricted access to the City Centre and further undermined City Centre retail and associated business activity.

The pandemic has also provided an extraordinary boost to remote working and encouraged the wholesale relocation of what were previously City Centre based employees to the detriment of its economy and a boost to online retail activity, again to the detriment of physical retail activity. Dublin is not unique in this regard. Evidence from around the world is pointing to a more severe pandemic impact for cities as against small towns and rural areas.'

With continued risk from new variants and ongoing disruption and delay to a 'return to normal', if such a thing is even possible, it will be some time before there is any clarity on the overall cost of the pandemic or the financial impact on local government funding and projects for local authorities.

Local authorities have continued to provide services during this period supporting individuals, communities and businesses as part of a national effort to respond to the economic and social challenges arising from the pandemic.

At a national level, the Government, in recognition of this, introduced a number of schemes to support local authorities and businesses in 2020, some of which have continued to various extents in 2021, though there is still uncertainty as to what 2022 will bring. What seems clear is that some level of disruption, either direct or through the after-effects of the pandemic, will continue presenting ongoing challenges for local authorities and their already constrained budgets.

Rates

During the pandemic, public health restrictions intended to limit the spread of COVID-19 meant many businesses were forced to close, while many businesses that remained open operated at a reduced level, resulting in a dramatic loss of income for commercial ratepayers. Figure 2 below sets out the estimated potential impact on commercial rates income of the public health measures introduced as a result of COVID-19.

Fig 13 Breakdown of the potential Rates Income and Business categories impacted in 2020 as estimated in April 2020

Business Category	9 months (April – December 2020) income impacted	% of this budgeted category
Retail (Shops)	206,514,442	82%
Industrial Uses	175,817,753	54%
Office	158,301,091	80%
Hospitality	103,454,825	99%
Miscellaneous	33,429,806	70%
Retail (Warehouse)	28,282,547	94%
Leisure	25,211,945	100%
Utility	20,208,774	29%
Health	13,376,426	63%
Fuel/Depot	11,369,688	60%
Minerals	5,911,630	75%
Total	**781,878,927**	**63%**

Source: AFM Report No.32: Analysis of Rated properties impacted by COVID-19 Final

At a national level, the Government, in recognition of this, introduced a number of schemes to support local authorities and businesses in 2020,
For Dublin City Council what would have been a devastating impact on finances due to the loss of essential rates income was mitigated in 2020 through an additional €159 million payment from national Government.

Fig 14: Breakdown of the potential Rates Income and Business categories impacted in 2020 as estimated in April 2020

City and County Councils	Rates Waiver Scheme Payment	Overall % of Businesses Impacted by COVID-19
Retail (Shops)	159,340,104	72%

Source: Department of Housing, Local Government and Heritage (DHLGH)

Some of these national Government supports, albeit at a reduced level reflecting the changing circumstances as COVID-19 responses were adjusted, have been maintained in 2021 with an additional circa €100m in rates waiver scheme payments provided in 2021 for example.

COVID emergency expenditure

Local authorities have continued to provide services during the pandemic period supporting individuals, communities and businesses as part of a national effort to respond to the pandemic. In doing so, additional COVID related service costs have been incurred.

The most significant element of COVID-19 specific additional expenditure encompassed what is effectively emergency expenditure across a range of areas, including;

- Costs associated with converting/adapting to remote working;
- Costs associated with adapting office space and other facilities including libraries, vehicles etc. to protect staff and customers
- Costs associated with setting up Community Call services
- PPE equipment purchased outside of the OGP contract, including specific PPE for local authority emergency services i.e. fire services and the Civil Defence
- Cleaning contracts across services and public spaces e.g. public toilets, parks, playgrounds
- Hire of equipment and machinery necessary for works associated with emergency works/cleaning
- Cleaning materials, including sanitisers, gloves, and masks
- Communications, signage, and advertisements.

Loss of income goods and services

Alongside rates related income, local authorities also derive funding from own-source activities across the authority they represent. The response to the pandemic has seen these revenue source equally impacted. Revenue sources affected have included:

- Parking meters;
- Leisure services;
- Toll bridges;
- Parking enforcement;
- Entry year property level; and
- Dublin bikes etc.

Central Government supports

As a result of additional COVID emergency expenditure and a loss of income from goods and services provided by the local authority, Dublin City Council has seen a material financial loss over the pandemic.

DCC calculated that the actual loss in 2020 was in the order of €34 million with a further €27 million arising in 2021.

This loss has been, in part, mitigated in part through additional support from the Department of Housing, Local Government and Heritage with 100% covered in 2020 but only 72% provided for in 2021 leaving a shortfall of circa €7.7 million.

The Adopted Revenue Budget for 2022 conservatively estimates that 60% of any lost income/additional incurred costs in 2021 as a consequence of COVID will be met by central Government. For the revised Year 2021 budget, DCC estimated Government grants of €19 million against lost income/incurred costs of €31.5 million.

Fig 15: Analysis of COVID related additional expenditure and income loss, Dublin City Council 2020 & 2021

	2021 Actual	2021 Recouped	2020 Actual	2020 Recouped
Loss of Income Goods and Services	20,100,921	17,904,717	23,611,216	23,611,216
Covid Emergency Expenditure	7,642,000	2,157,276	10,466,751	10,466,751
Total	**27,742,921**	**20,061,993**	**34,077,967**	**34,077,967**

Source: Dublin City Council

After-effects of COVID-19

There is still significant uncertainty as to what 2022 will bring. What seems clear is that some level of disruption, either direct or through the after-effects of the pandemic, will continue presenting ongoing challenges for local authorities and their already constrained budgets.

The earlier we can adapt how we live so that workplaces can be attended, social events occur and leisure and recreational activities resume, the sooner we will experience the dividend of Dublin being back on track, with all the associated economic, financial, social and health benefits.

Inflation

As highlighted elsewhere in the report rising inflation will only place further pressure on the cost base of the council and reduce its ability to provide services at appropriate levels to meet demand.

Valuation Office Revaluation Programme

Prior to COVID-19 the Valuation Office had commenced a national programme of revaluations of all commercial and industrial properties in Ireland. This exercise typically takes place every five to ten years on a recurring basis. This is important for local authorities in that it provides the basis on which local authorities calculate and levy rates on such properties.

However, like all organisations, COVID-19 has had a significant detrimental impact on the Valuation Office's ability to carry out their activities resulting in a significant backlog with associated implications for local authorities until this exercise is completed.

Other challenges

Other ongoing challenges regarding what will constitute the 'new normal' post-pandemic such as the impacts of Remote Working, Online Shopping, etc. are discussed later in the report.

Legacy of COVID-19

Legacy of COVID-19

Transformational Change?

The COVID-19 pandemic while transforming what we consider ‘normal’ about our lives is also acting as a catalyst and accelerator for other trends that were already in train.

The adoption of online shopping, with consumers increasingly more likely to purchase household goods online than in a store has experienced an additional boost. With physical stores largely closed even those with no prior experience of online shopping were encouraged to buy their weekly shopping as well as all other goods and services online.

The pandemic has also made working from home acceptable and online meetings rather than meeting in person the new norm, freeing endless hours of business related travel and associated expense, whether personal or company, for better use. The ability to reduce the frequency of commute to work or in some instances end it altogether has provided greater flexibility in terms of where individuals chose to locate themselves, freed from the need to access the office.

While for some these changes may be transitory and they will return to their previous ways, for many more it may be that a return to the old ways of doing things is unlikely.

With the loss of domestic commuter footfall as fewer people choose to come in to big cities and towns to work and shop, a big space may be left in areas that were once characterised by bustling shops and offices. This may be further impacted by the unknown lingering impacts of the general public’s, both domestic and international, reticence to travel.

While these variables may result in a transformational change to our towns, cities and high-streets necessitating a reconsideration of their purpose it will most significantly impact those who rely on traditional city centre activity for revenue sources. This will include local authorities who generate much of their own-source revenue from spaces and activities that may not be as popular as they were prior to the pandemic. For example trends associated with reduced levels of Vacancy Refunds of Commercial Rates for the properties which are unoccupied may reverse if workers, shoppers and leisure seekers do not return in sufficient numbers to support to maintain demand for commercial premises.

If these trends retain a degree of permanence then they will necessitate a reimagining of our towns, city centres and high streets that may prove painful for those reliant on their traditional status.

Remote working

Possibly the largest single change of the pandemic has been the realisation of how effectively many people can work from home. As the pandemic took hold, many businesses proved surprisingly agile in transferring the location of their workers' activity away from offices and in to their homes. Taking advantage of new telecommunication platforms, while not all smooth sailing, was one new mode of working and living which was adopted to and which can be said to have provided gains for both companies and workers:

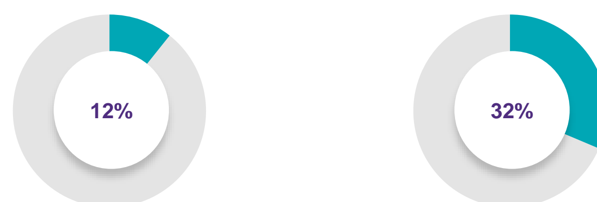
- increased flexibility has led to reduced absenteeism in many workplaces with many seeing an uplift in hours worked and productivity
- suspending the daily commute allowed workers to save money and time, increasing flexibility and for many improving work-life balance even if the dividing line between the two was somewhat blurred.

While there is a debate as to how permanent some of these changes will prove to be if and when the virus is no longer a threat for many a return to old habits would seem anathema.

For many businesses there are tangible benefits to the bottom line in terms of the opportunity to cut costs by downsizing on expensive centrally located property requirements as well as reducing operating costs associated with running those offices. A survey of UK workers conducted by YouGov in March 2021 showed that just 37% of workers' preference was to return to the office full time after the pandemic. This compared to 65% who held this preference before the pandemic.[1]

An equivalent survey conducted by NUI Galway and the Western Development Commission reflected this surge in support for remote working with a tripling in the number of employees who wished to work solely from home since the start of the pandemic and 78% of organisations who had decided on a future model choosing to operate a hybrid model.

Fig 16 % of workers who wish to exclusively WFH, April 2020 to April 2021



Source: NUI Galway and Western Development Commission Survey

Most workers would prefer a hybrid model over a full-time return to the office combining days with clients and colleagues in the office and the opportunity to work from home.

The implications of this may be significant for those reliant on city and town centres for revenue sources. Business support services from taxis, landscaping, security services etc. may see reduced demand. The fall in commuter footfall will further hit businesses providing offerings aimed at office workers including cafes, retail, and personal services.

For local authorities, reliant on Commercial Rates provided by office space and associated supporting businesses, this may see a significant downturn in both the quantity of businesses contributing but also the capacity to charge or raise charges for those that remain. Revenue budgets may be further squeezed by a similar reduction in many of the typical 'Own-source' revenue streams that local authorities rely upon such as parking charges and planning receipts.

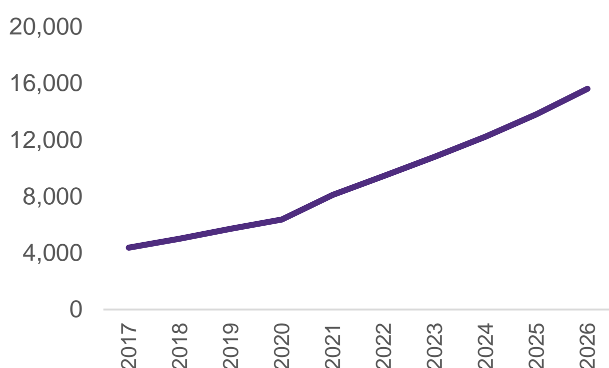
[1] https://yougov.co.uk/topics/economy/articles-reports/2021/04/13/one-five-want-work-home-full-time-after-pandemic

Online shopping

Unlike the revelation of remote working, COVID has seen an acceleration of the longstanding trends around the shift towards online retailing. The pandemic had the compounding effect of increasing businesses' share of online sales by existing customers and expanding their reach to new consumers. This in turn pushed many businesses to either introduce or expand their online offering or transition to an 'online first' approach.

Many consumers, left with no choice during lockdown, experienced online shopping for the first time. Meanwhile, even when all shops reopened, a combination of diminished customer experience due to continuing social distancing or restrictions on activities, combined with a persistent fear of exposure to the virus, deterred consumers from returning to the high street. This resulted in a 27.3% increase in total transaction value in the year to 2021 compared to 11.4% in the year to 2020.

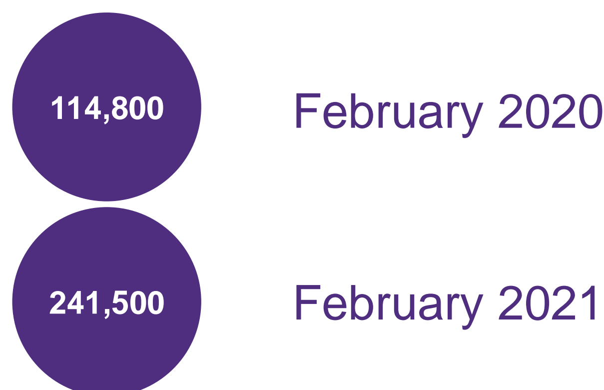
Fig 17: Annual growth in online sales transaction value (€ million)



Source: Grant Thornton Analysis of Statista data, March 2022

While purchases through the online channel has long been trending upwards, the big structural change in online caused by the pandemic and the one which has introduced many to online shopping for the first time is within the food channel. As customers purchased more and more of their 'weekly shop' online so barriers to purchasing other items using online retail were broken down for many.

Fig 18: Number of online grocery orders pre and during pandemic



Source: Grant Thornton Analysis of Kantar data, April 2021

Other barrier breaking impacts of the pandemic included restrictions on the ability to try on clothes in-store removing a key factor in favour of in-person customer experience and encouraging/necessitating clothing stores to introduce changes to returns policies.

It is difficult to see how these trends will reverse inevitably resulting in downsizing or repurposing of physical retail space and reducing footfall in areas reliant on same. This combination will see retail further lose prominence in city centres and high streets but provides an opportunity for alternative uses to be imagined. For local authorities for whom retail businesses make up a significant proportion of commercial rates this may be challenging.

Future of the city

Even in a scenario whereby we are not perennially moving between various tiers of COVID related restrictions and a return to normality the future of the city as a space is in flux like perhaps no other time.

With the projected reduced footfall for traditional work or shopping activities for city centres, alternative opportunities will need to be found to provide an attractive proposition to encourage shoppers, workers, tourists and locals alike to return to cities in their previous numbers.

Those places that are most at risk are those that have little else to attract locals and visitors from farther afield. Towns and cities globally will need to rethink the purpose of their centres. The high streets of the future will need to become multi-purpose locations, combining retail and hospitality amenities within residential, education, healthcare, cultural, technology, community and more. Office space will need to be transformed for three main purposes: collaboration, creativity and culture, with less space devoted to tasks that could be done remotely. Transport links will need to be reconsidered, as well as additional infrastructure needs. The pandemic has made it essential for places to galvanise their centres for the new way of living.

The transition may be painful for some and as always uncertainty and change can be challenging but Dublin, and other urban centres, must position themselves and be supported in doing so to ensure they are prepared to minimise negative consequences of this change and to take advantage of opportunities as they emerge.

Opportunities for local authorities

Opportunities local authorities

Opportunities

The challenges facing Dublin City Council and other local authorities both emerging from the unprecedented impacts of COVID-19 and those that were prevalent prior to the pandemic also provide an opportunity for the Council to reconsider existing services, processes and ways of working.

Crisis often provides opportunities and can act as a catalyst for transformational change that can confer greater benefits in the long-term.

However, there may still be need for greater funding to be provided from other sources to ensure that councils can deliver the services that their communities need and as such other funding sources should be examined.

Motor tax allocation

Before the local government reforms and the introduction of the LPT in 2013, motor tax constituted a key revenue source for local authorities. While not directly provided to local authorities, instead it was paid into the Local Government Fund from where it was allocated to local authorities in the form of central government grands for both general purpose and specific purpose measures. After the reforms, motor tax, while still collected by local authorities, is now paid to the Exchequer for central government spending.

Motor tax constitutes around €1 billion of revenue annually. Turley and Mcnena[2] posited in a recent paper that revenues from motor tax should be shared between central government and local government. This form of revenue sharing is common in other jurisdictions.

Analysis indicates that a 25%/75% split would see an additional €241 million of funding provided to local authorities which could be used to fund additional services or to underpin reductions in the ARV for business rates to support post-covid recovery.

Turley, G. and McNena, S. (2021) After Lock-down Municipal finance and the local economy post-Covid-19: revenues reassigned and rates reduced IPA Local Authority Times Vol.23 No.6 Winter 2021 ISSN No. 07 91-8267

Options for new revenue streams

The potential of DCC's existing asset base to generate revenue is not being fully exploited. An example of this may be commercialising the granting of access to rooftops or under-street ducting to telecoms companies.

Glasgow has brought in standard rate cards for access to city-owned rooftops and poles to make the process as straightforward as possible.

The kerbside is another city asset whose potential is not fully appreciated. There have been some pilot projects in blocking out kerbside areas at certain times and making it available to logistics companies. This facilitates large deliveries being broken up and transferred from a truck to smaller vehicles, including bicycle couriers. In addition to providing revenue to the Council and a service to the private sector, it also reduces the number of large trucks or vans on smaller roads.

Transforming the efficiency of existing services

DCC has a focus on delivering existing services as effectively and efficiently as possible. This may include the integration of new technologies and/or innovative approaches to an existing operational model.

An example of this would include integrating climate action, adaption and mitigation measures into the Smart City strategy.

The collaboration with UPS to develop a walking and cycle-based system designed to optimise deliveries is one such example. Operating out of mini urban distribution centres and combining powered e-walkers and e-quad cycles, the model allows for last mile deliveries that do not contribute to local emissions or congestion. To date the scheme has successfully facilitated the removal of five diesel vehicles from the road, reducing carbon emissions by up to 45% while also improving customer service levels.

Service models versus asset ownership

The division of the Council's funding into Capital and Revenue leads to some unnecessary rigidities that can limit the options available to the DCC. Large investments in physical assets that the Council retains ownership of are often preferred to a service mode, where the Council would enter into a long term agreement with a third party who would provide, maintain and update the physical or digital infrastructure.

One of the benefits of the service model is that the third party provider would be responsible for replacing assets that are outdated, ensuring more timely upgrades without the need for new funding requests. However, expenditure on this type of service model would be more likely to fall within the Revenue budget rather than the Capital budget, and it is more difficult to persuade people to fund major projects where there is no ownership of the assets.

An example of a successful project implemented under a service model was the provision of big belly bins in the Docklands. Instead of purchasing and installing new bins, DCC are renting them from a third party which retains ownership of the bins.

The potential for selling advertising on this type of street furniture could also be accounted for in the service contract, reducing the demand on DCC officials' time.

Other examples include the energy performance strategy implemented for leisure centres and the Docklands WiFi partnership with Virgin. However, there is significant further potential to partner with private sector organisations to deliver waste management, energy management, and telecom services.

Energy Performance Contracts

When embarking on a project, it is important to keep the true objective of the project in mind. For example, if a decision is made to replace a heating system, the objective should not be to "purchase a new boiler", but rather to "ensure the premises is kept at the desired temperature for designated hours, in the most efficient manner possible".

Energy performance contracting (EPC) is one example of how this type of objective can be built directly into the design of an energy infrastructure project in such a way as to share risk between the supplier and procurer, and to incentivise all parties to continually examine whether more gains can be made.

Big Belly Bins in Grand Canal Dock

Instead of purchasing the bins outright, the Council entered into a multi-year agreement with a service provider to install and maintain a number of bins in the Grand Canal Dock area.

The benefit of this model is that it is the responsibility of the service provider to ensure that the bins are maintained in good working order, and are updated as appropriate.

Digitalising the delivery of appropriate services

Digitalisation has been on the cards for sometime. The pandemic gave an impetus to deliver more services online and, as a result, many services have had to make this transition. The choice of in-person services is still provided but it was felt that digitalisation is beneficial. It is believed that digital delivery offers time saving opportunities to service users and service providers, it is cheaper to run this service digitally and digital services offers increased productivity when compared to in-person services.

It was noted that though digital transformation has happened during the pandemic, it has not always be implemented to optimise the user's experience. This was further expanded on to say that certain services need to be redesigned and restructured to reach maximal efficiency. To date they have been put in place through to meet efficacy requirements rather than efficiency and so further investment may release further efficiency opportunities.

Availing of co-funding

Other sources of additional revenue that could be expanded are European funds that provide matching funding for appropriate projects. There are a number of such funds supporting RDI or sustainability initiatives, but DCC's participation in these funds is quite low. DCC is addressing this through the establishment of a European Programme Support Office (EPSO). The office will implement Dublin City Council's ***EU Programme Participation Strategy 2021-2027.***

The EPSO focus will be on the 'Smart' & digital domain with an emphasis on the green economy, low carbon transition and climate change, social & economic and urban and regional development. Its remit aligns with the European Commission's New Green Deal and Dublin's ambition to be a greener, cleaner, smarter and more digitally connect city, and to engage in projects funded under the EU 2021 - 2027 budget.

The new office will provide support services for staff participating or intending to participate in EU partnership projects, including capacity building, training and development and supporting the linkages with EU Programmes and funding opportunities. The office will act as a contact point for educational and research institutions as well as other organisations wishing to engage with the City Council as a potential project partner. It will also have a key co-ordination, liaison and communications role both internally among Dublin City Council staff and with external stakeholders including other local, regional and European authorities and representatives as well as the public.

The unique role of Dublin

The unique role of Dublin

Dublin – a gateway to the world

Dublin, as both the largest city and Capital city, plays a vital international role and has been a major part of Ireland's economic success in recent decades with the result that its primacy continues to grow. The Dublin City Region now accounts for 28.5% of the national population and 40% of economic output in Gross Domestic Product (GDP) terms. Dublin plays a major economic, administrative and cultural role as Ireland's capital city. Dublin is a major power house within the Irish economy and offers a highly competitive global environment for the attraction of Foreign Direct Investment. Foreign Direct Investment plays a significant role in the city's economy, with Dublin being the European headquarters to some of the worlds biggest multinational corporations.

City-regions are internationally recognised drivers of economic development, creating growth, innovation and employment for the whole country of which they are situated. Cities are the homes of most jobs, businesses and higher education institutions and are the key actors in achieving social cohesion. They are the centres of change, based on innovation, entrepreneurship and business growth.

Unique to Ireland, Dublin is an international city that operates as a gateway to the European Union and North America for many businesses. These range from massive multi-national corporations in tech and pharmaceuticals to highly skilled local SMEs. The city is also a major European tourist destination with rich historical, cultural and social attractions.

As the link between America and Europe, the strength of historic trading relationships to the UK, and the sole native English-speaking country in the European Union, Ireland, and Dublin, is uniquely placed to succeed on a truly global basis.

Across areas such as trade, tourism, business etc. Dublin's success as a city-region has helped to facilitate Ireland in competing in an international context – the ***Ireland 2040 Our Plan – Issues and Choices, 2017*** paper states that

'If Dublin is underperforming, Ireland is underperforming.'.

Department of Housing, Planning, Community and Local Government

As evidenced here, Dublin has consistently overperformed against its peers to the betterment of Ireland as a whole and with continued support will continue to do so.

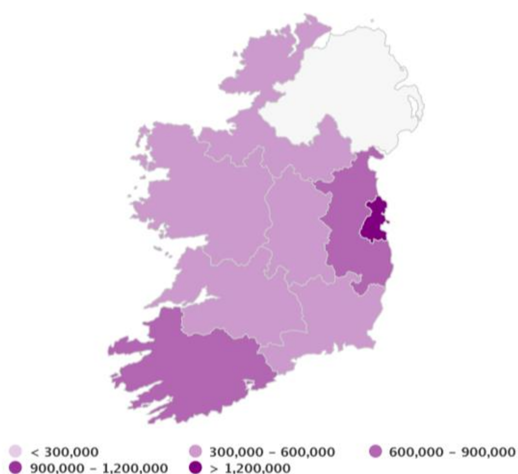
That support must seek to ensure that Dublin remains attractive in terms of liveability and competitiveness otherwise as the the ***Ireland 2040 Our Plan – Issues and Choices, 2017*** paper states

'a loss of competitiveness and become a less attractive place in which to invest as a result of housing and infrastructural bottlenecks, investment and influence will inevitably be attracted to other similar city-regions in Europe or elsewhere."

Population

At a basic level, the Dublin City Region accounts for 28.5% of the national population with almost 1.43 million of Ireland’s 5.01 million living across the four council areas.

Fig 19 Population by region, 2021



Source: CSO Statistical Yearbook of Ireland, 2021

As stated elsewhere in this report, the needs and expectations of that population in terms of provision of services continue to grow.

With responsibility for housing and community, roads and transportation, urban planning and development, and amenity and culture and environment, the four local authorities that make up Dublin

An increasing population further places strain on the ability of the local authorities to continue to deliver those services to the same standards as expected by the public.

Tourism

Tourism is one of Ireland's most important sectors contributing some €5.6 billion from the 11.2 million international visitors alone in 2019 and supporting approximately 260,000 jobs in the tourism and hospital industry. Of that €5.6 billion, €2.2 billion was estimated to have been expended in Dublin. Beyond the direct financial benefits, tourism acts as an opportunity to showcase Ireland to overseas visitors who may seek to live, study, work or invest in the country in the future. With one seventh of all international visitors (14%) travelling to the island of Ireland for business reasons this represents a significant prospect for attracting foreign direct investment (FDI) for example.

Dublin Airport in particular is of high importance to the Irish tourism industry with 70% of the 9.5 million visitors to Ireland entering and leaving through Dublin Airport.

Fig 20: Total passenger numbers handled by airports, 2019

Source: Grant Thornton Analysis of CSO data

Tourism Ireland data for 2019 indicates that these visitors travel not just to Dublin but throughout the island of Ireland, with 20% visiting Northern Ireland and circa 40% other parts of the Republic leaving 59% of visitors to Ireland choosing to spend their time almost solely in Dublin.

With six times as many air passengers passing through Dublin Airport as all of the other airports in Ireland combined, and 70% of passenger vehicles arriving in Ireland doing so via Dublin Port, the city-region is the gateway to the rest of the Ireland for those travelling from overseas.

Fig 21: Total passenger vehicles handled by ports, 2019

Source: Grant Thornton Analysis of CSO data

Beyond the direct financial benefits, tourism acts as an opportunity to showcase Ireland to overseas visitors who may seek to live, study, work or invest in the country in the future. With one seventh of all international visitors (14%) travelling to the island of Ireland for business reasons this represents a significant prospect for attracting foreign direct investment (FDI).

For many international travellers, Dublin acts as their first (and often their main) experience and introduction to Ireland. It is essential that Dublin is seen as the vanguard of Ireland's overall appeal.

Business

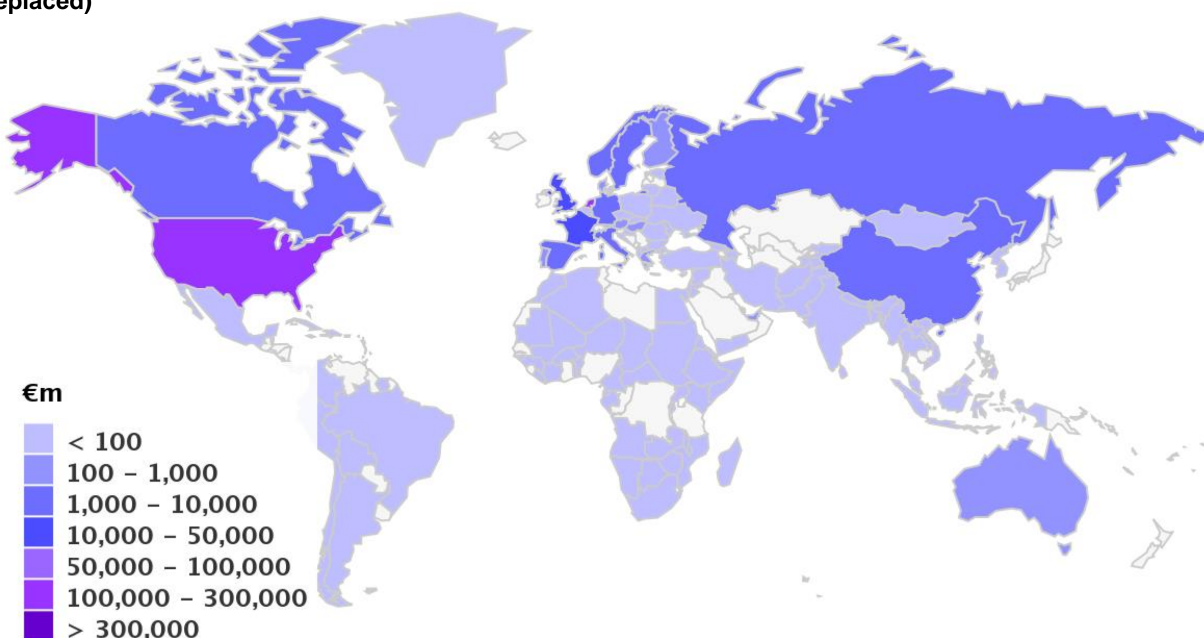
Ireland has an impeccable track record for attracting Foreign Direct Investment for over 50 years, helping Ireland's economy beat global trends. In 2019, Ireland's stock of FDI exceeded €1 trillion for the first time – equal to 283% of Ireland's GDP compared to the EU average of 62%. While some of this constitutes pass-through investment, inward investment (investment tied to tangible economic activity in Ireland still exceeded €250 billion. This reflects what the CSO refers to as "the highly globalised nature of the Irish economy".

For many companies, global reach and consequently dependence on air transport to access markets, manage suppliers and collaborate on R&D projects is an intrinsic part of business. Due to their high propensity to fly, access to an international hub airport of global standing is essential to their efficient operation.

Consequently, Dublin, through Dublin Airport, is essential to the ability of Ireland to continue to attract the kind of inward investment and, as shown previously, tourism that has been driving recent economic performance prior to the pandemic. Dublin Airport plays a significant role in terms of employment generation, efficient functioning of the wider regional economy and the ability of Ireland as a whole to travel to and trade with the rest of the world.

The success in developing areas such as the 'Silicon Docks' highlights both the appeal of the city and the need to continue to remain appealing. CBRE ranked Dublin as the 3rd largest tech cluster in Europe with 70,000+ tech employees concentrated in the city. As a result of such clustering success across a range of industries, Dublin is able to significantly contribute to the national economy directly through tax revenues and indirectly through wider R&D and knowledge transfer.

Fig 22: Direct Investment in Ireland, 2019 (to be replaced)



Source: CSO Foreign Direct Investment Annual, 2020

Competitiveness

A country's competitiveness is a major determinant of its ability to compete internationally. While there is no single definition of competitiveness: it is a complex mix of talent, technology, efficiency in markets, infrastructure, connectivity and policy agility, Ireland has consistently punched above its weight in global terms. Dublin has played, and continues to play, a vital role in driving Ireland's overall competitiveness. Dublin's performance in a number of key international benchmarks has been very favourable, relative to various comparator cities.

As can be seen from these independent rankings, Dublin continues to perform extremely well in attracting FDI, building strong start-up and tech sector ecosystems and fostering connectivity.

Fig 23: International Benchmarks

DUBLIN'S LATEST INTERNATIONAL RANKINGS				
Source	**Benchmarking Criteria**	**Year**	**Ranking**	
Condé Nast Friendliest Cities in Europe	Votes by readers of Condé Nast Traveller magazine based on experiences in European cities	2020	2	-
Eden Strategy Institute Top 50 Smart City Governments	10 key factors covering governance, resourcing, smart programmes, policies and ecosystem	2021	26	▲
IMD Smart City Index	Economic and technological factors, and citizens' perceptions of "smart" city credentials	2020	34	▼
fDi x TNW European Tech Cities of the Future	FDI performance, connectivity, cost effectiveness, economic potential, innovation & attractiveness	2021	3	-
fDi Market Top Headquarter Locations (Financial Times)	Weighting of fDi Markets data (since 2015) against locations' population size	2020	1	▲
fDi Global Cities of the Future	FDI performance, connectivity, cost effectiveness, economic potential, innovation & attractiveness	2021	5	▼
EY Financial Services Brexit Tracker	Movement of services and staff at financial services firms in the UK since the Brexit referendum in 2016	2021	1	-
Global Talent Competitiveness Index	Regulatory, market and business/labour landscape, external and international openness, education and access to growth opportunities and sustainability and lifestyle	2020	13	▲
Mercer Cost of Living City Rankings	Cost of consumer goods and services	2020	46	▼
PwC-ULI Emerging Trends in Real Estate Europe	Outlook for investment and development, and the scale/liquidity of the city's market	2020	12	▼
Economist Intelligence Unit Global Liveability Index	Stability, healthcare, culture and environment, education and infrastructure	2021	51	▼
Nestpick Work-From-Anywhere Index	Attractiveness to digital nomads in terms of legislation and liveability factors	2021	32	-
Startup Genome Global Startup Ecosystem Report 2020	Performance, funding, market reach, connectedness, talent, experience	2020	36	▼
QS Best Student Cities	Desirability, affordability, student mix, student perceptions and employer activity	2022	39	▼
QS World University Rankings	University quality	2021	101*	▲
IMD World Competitiveness Ranking	332 competitiveness criteria related to competitiveness, digital competitiveness and talent	2020	12	▼

Source: Dublin Economic Monitor

Global City

The concept of the global city while not new emerged in the early 1990's and was popularised by the sociologist Saskia Sassen. The concept comes from geography and urban studies, and the idea that globalisation is created and furthered in strategic geographic locales according to a hierarchy of importance to the operation of the global system of finance and trade. The global city is linked or bonded to other cities and has a direct and tangible effect on global socio-economic affairs. While there is no established criteria typical characteristics of global cities are:

- A variety of international financial services, notably in finance, insurance, real estate, banking, accountancy, and marketing
- Headquarters of several multinational corporations
- The existence of financial headquarters, a stock exchange, and other major financial institutions
- Domination of the trade and economy of a large surrounding area
- Major manufacturing centres with port and container facilities
- Considerable decision-making power on a daily basis and at a global level
- Centres of new ideas and innovation in business, economics, culture, and politics
- Centres of media and communications for global networks
- Dominance of the national region with great international significance
- High percentage of residents employed in the services sector and information sector
- High-quality educational institutions, including renowned universities, international student attendance, and research facilities
- Multi-functional infrastructure offering some of the best legal, medical, and entertainment facilities in the country
- High diversity in language, culture, religion, and ideologies.

Foreign Policy noted that "the world's biggest, most interconnected cities help set global agendas, weather transnational dangers, and serve as the hubs of global integration. They are the engines of growth for their countries and the gateways to the resources of their regions."

It is at this international level that Dublin finds itself competing at in terms of jobs, investment and knowledge. While Dublin has performed above its level across a wide range of competitiveness metrics there is a degree of fluidity and fluxuation across 'global cities'.

Without necessary investment in the infrastructure to support the ongoing attraction of jobs, FDI and knowledge, Dublin will suffer at this globally competitive level with negative consequences on the standard of living across Ireland.

As such, there is an argument for Dublin to be treated separately in terms of local government funding. While this would be controversial and has the inherent risk of exacerbating the Dublin vs the Rest of Ireland narrative the pervades much discussion of local funding the uniqueness of Dublin means it merits consideration.

Dublin City's Future

Dublin plays a major economic, administrative and cultural role as Ireland's capital city. Dublin is a major power house within the Irish economy and offers a highly competitive global environment for the attraction of Foreign Direct Investment. Foreign Direct Investment plays a significant role in the city's economy, with Dublin being the European headquarters to some of the worlds biggest multinational corporations.

Unique to Ireland, Dublin is an international city that operates as a gateway to the European Union and North America for many businesses. These range from massive multi-national corporations in tech and pharmaceuticals to highly skilled local SMEs. The city is also a major European tourist destination with rich historical, cultural and social attractions.

Truly Dublin is the foremost innovative and global city in Ireland and as such, continued development of Dublin city to fulfill it's potential as a modern and completive city is very important to both the national, regional and city economy. Dublin City Council does and will continue to play a major role in the city's future development. The Council is instrumental in enhancing the city's infrastructure to meet the needs of tomorrow.

Challenges facing the City's Future Development

- Constraints on increasing the revenue base of the council to finance additional services & service levels.
- The expenditure base is significantly constrained by limited ability to generate additional buoyancy and therefore service levels are not reflecting or meeting the demand.
- View held that DCC has limitless resources which can contribute, in full or in part, to services, without regard to financial capacity.
- Climate change resulting in devastation of infrastructure and the disruption of services.
- A shortage of affordable and social housing.
- The continued impact of COVID-19 on the city economy. Especially the impact on the retail/hospitality industry, the shift to remote working on office blocks and consumers shifting to online shopping.
- Threats to the Council's revenue streams. In 2020, the Council saw major losses in incomes from the delivery of operational services. This included commercial rates, parking charges and planning fees
- Loss of funding for Capital projects, bar social housing. This is particularly acute in underdeveloped public transport links and public infrastructure projects.

Opportunities to Improve Operations and Encourage Smart City Developments

The pandemic has greatly damaged the city economy and by extension Dublin City Council over the past 19 months, however there are amply opportunities for Dublin City to develop the city and its operations into the future.

The pandemic offers the Council the opportunity to reimagine and reinvent the city in a manner that improves services, meet citizen's needs and prepares the city for future environmental and economic crises.

Digitalising the City

The city has had great success in the piloting of digitalisation in service provision over the last few years. This work mainly has been completed in the Smart City initiative, which aims to integrate technological and digital solutions into the city's functions. The adoption of new technologies is underpinned by the City Council's digital transformation agenda, which is focused on enabling digital service delivery, digital working and a data driven culture.

A Smart Sustainable City

As discussed above, the future of Dublin City is being shaped by digital integration. In tandem to this, there is a growing move to make cities more sustainable. These twin movements of digitalisation and sustainability aim to transform modern cities by making them greener and more efficient. For cities, this approach is summed up by the smart sustainability city concept.

Smart sustainable cities also mean a more interactive and responsive city administration, safer public spaces, and an ability to react to the needs of citizens. They can be defined as: *"An innovative city that uses ICT and other means to improve quality of life, efficiency of urban operation and services, and competitiveness, while ensuring that it meets the needs of present and future generations with respect to economic, social, environmental as well as cultural aspects".*

Through the Smart Dublin and City initiatives, Dublin City Council have a role in implementing digital and sustainable changes to Dublin's cityscape.

Other city-wide sustainable infrastructure projects include:

- A general upgrade of the city's digital infrastructure, which will include a widespread roll out of 5G mobile and high speed fixed fiber networks
- Retrofitting the Council's housing stock with better insulation to meet higher environmental standards.

Re-imaging Urban Transportation

COVID has given the Council the opportunity to reimagine the city's neighborhoods. In recent years the existing urban structure had become counter-productive with people living further from where they worked or went to school. This urban sprawl had underserviced and underdeveloped public transport links which resulted in an overreliance on private transport by car in the city.

One way to combat this challenge is the concept of the 15-minute city popularised by local government in Paris. This concept idea is that most of a city's population should live within a 15 minute radius of their work and amenities reachable by sustainable transport modes. If Dublin is reconfigured with this vision in mind, then the goal of the significant reduction in greenhouse emissions is reachable because the need to extensively travel by car is reduced. It will also be a significant benefit to public health and safety with reductions in noise and air pollution.

Over recent months, significant strides have been made increasing sustainable transport infrastructure in the city. This is most clearly seen by the amount of cycle ways that have been developed and completed over the past year.

Dublin City Development Plan 2022-2028

Though this plan is still in development, it illustrates the future direction that the City Council must follow to ensure Dublin remains an attractive city for business and residents. It must help fulfil the Council's vision to

"*create a vibrant city centre complemented by well serviced and connected neighbourhoods*".

The plan aims to address 10 key strategic issues that currently face the future of Dublin City. The strategic areas are:

- Shaping the City
- Climate Action
- Quality Housing and Sustainable Neighborhoods
- The City Economy
- Sustainable Movement and Transport
- The City, Urban Villages and Retail
- Green Infrastructure, Open Space, Recreation and Natural Heritage
- Built Heritage and Archaeology
- Culture
- Sustainable Environmental Infrastructure and Flood Risk

This plan illustrates the opportunities that should be seized by the Council in the future development of the city.

Key to implementing these opportunities, is a funding model that supports and enables the Council to conduct projects that will mould the city into a modern, smart and sustainable European capital city.

Though, EU funding may be available, in keeping with the EU Green Deal and subsequent commitments and fund creations, it is imperative that Dublin City Council, receive appropriate levels of funding through the local government funding model to ensure Ireland's leading city to fully realise it's future potential. This will benefit both the City and it's economy, and the national economy by extension.

Urban Improvement and Development in an EU Context

European cities will play a pivotal role in achieving the European Green Deal goal of EU climate neutrality by 2050. Though cities only occupy 4% of the EU's land area, they are home to 75% of EU citizens and, globally, account for more than 70% of global Carbon Dioxide emissions. To combat these issues, many European cities, and cities elsewhere, have started to implement the smart sustainability cities concept.

In Europe, this concept has been implemented by initiatives undertaken in several EU cities with political and economic support from the EU's infrastructure. For instance, the Commission has launched a Call for Expression of Interest addressed to cities in the second half of November 2021. This call encourages cities to state their interest in becoming climate-neutral by 2030 and to submit information on their current situation, ongoing work and future plans with regard to climate neutrality.

This call is embodied in the Horizon European Strategic plan 2021-2024, which aims to accelerate the development of smart sustainable cities in the EU. As part of this plan, the EU have committed sizeable financial efforts to support these transformations, though they have not yet been specified.

Other sources of European capital funding include options offered by European Investment Bank(EIB) as part of the EU Green Deal. The funding offered covers a range of financing products that can be used to invest in smart sustainable cities, including:

- Investment Loans;
- Framework Loans;
- Equity Investment; and
- Investment Platforms.

Though EU capital funding should be sought for appropriate urban development initiatives in Dublin, Dublin City Council can and should continue to avail of public-private sector partnerships to introduce innovative and long-term projects. In the past, such arrangements have proven beneficial as seen with the green delivery service provided in collaboration with UPS and Fernhay.

These partnerships are an attractive option, as innovative ideas can be jointly developed with private sector partners who have the technical skills and experience needed to achieve success. They also reduce the financial burden on all parties and diminish project risks.

Conclusion

Summary

Conclusion

Ongoing Change and Challenges

On a national level, the past decade has been categorised by:

- transformational change in the form of significant reform of local authority funding, such as the introduction of the Local Property Tax and the Equalisation Fund and the creation of Irish Water;
- impacts on local authority finances and ultimately on income and expenditure trends; and
- major challenges such as recovering from the financial crisis, the repeated stalling of property revaluations and, more recently, the COVID-19 pandemic.

Local Authority Funding Reform

The reforms announced in June 2021 of the Local Property Tax system highlight that the reform agenda with regards local authority funding is an ongoing one. The goals of broadening the tax base, rebalancing funding from government driven to own-source, and providing a larger degree of fiscal autonomy and therefore accountability to local government, have been progressed substantially. However, the LPT can also be said to have created a series of perverse incentives/disincentives for some local authorities around the idea of winners and losers, it has included a range of exemptions and other areas, and ultimately it has failed to generate sufficient revenues for local authorities compared to the general purpose grants it replaced. What revenue is generated is largely non-discretionary creating a democratic deficit in terms of the expectations of citizens of local authorities compared to the reality of what the local authority is able to actually spend on local priorities. This is contrary to the stated goal of providing greater fiscal autonomy and accountability at a local level. The reforms announced are welcomed, as are the moves to complete the much delayed property revaluation exercise, however, it remains to be seen how significant the flowthrough of additional revenue for local authorities will be.

COVID-19 and the Future of the City

COVID-19 has had a devastating effect on society as a whole and individual communities across the country and indeed globally. For local authorities, closure of entire sectors and city centres upon which much of their revenue generation relies has resulted in a funding gap that if unsupported would have crippled local authority budgets. With supports from the Central Government these impacts have been severely lessened but not altogether removed. As we emerge from the worst of the pandemic for many, the old ways of living, working, and relaxing will have changed forever. Megatrends of remote working, online retail and many other changes are here to stay and may necessitate a reimagining of what our cities represent and offer. It is important that local authorities are prepared for these changes and adequately supported in transitioning to whatever form that new model takes.

Whatever changes to the local authority funding model or indeed to the future of the city, it is essential to Ireland that Dublin as the gateway of the world to Ireland and indeed a global gateway, remains competitive on a global scale.

Grant Thornton
An instinct for growth™