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Report to the Finance Strategic Policy Committee

Report on Rates Debtors 31st December 2022

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

This report on commercial rates arrears at the 31st December 2022 sets out the following information:

- Commercial rates funding
- Rates Collection Performance Y2018 – Y2022
- Covid -19 and financial support
- Level of arrears during the period 2018 – 2022
- Age Profile of the 2022 arrears
- Analysis of the 2022 arrears accounts
- Analysis of the 2022 arrears by rate description category
- 2022 arrears schedule status
- 2022 arrears by Electoral Area
- Conclusion

Commercial Rates Funding

Trading conditions in 2022 presented many challenges and pressures for businesses. Difficulties in supply chains and public health concerns, following the pandemic, impacted on footfall and shopping behaviours in the city. Inflationary pressures, particularly with regards to energy costs, following the Russian invasion of Ukraine impacted on many businesses.

The City Council continues to exercise restraint in setting commercial rate charges in order to support competitiveness in the economy, nationally and locally, and to sustain the commercial rate base within the City. It should be noted that the City Council's 2022 Revenue Budget is 32% funded by commercial rates and therefore the performance on rate collection is critical to the funding provision of services.

I have set out in the table below, details of movement in the Council's ARV since 2018.

Table 1 – Movement in Annual Rate on Valuation

YEAR	2018	2019	2020	2021	2022
ARV	0.0%	+1.2%	+2.7%	0.0%	0.0%

Mindful of the economic backdrop the ARV remained static for 2022. The performance of Dublin City Council in the area of commercial rates and other charges it imposes on the business sector compares favourably with the performance of other sectors where above inflation price increases have been the norm over recent years.

The commercial rates annual income over the period 2018 – 2022 are detailed in table 2 below.

Table 2 – Commercial Rates Income

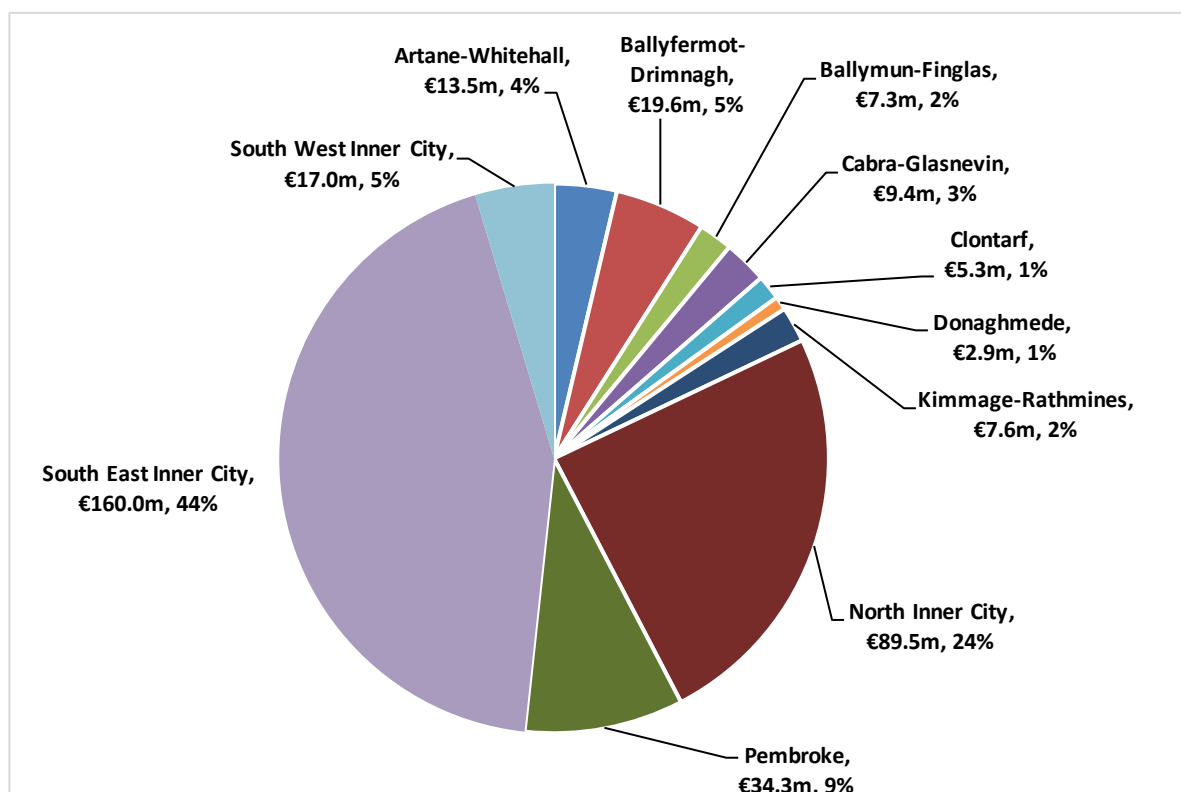
Year	Rates Income
2018	€324,255,552
2019	€338,299,503
2020	€357,693,512
2021	€362,887,342
2022	€366,446,962

Source: Dublin City Council Annual Financial Statements 2018 – 2022

The 2022 income increase of €3.6M is due to additional buoyancy.

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

Graph 1 – 2022 Commercial Rates Income by Electoral Area



Rates Collection Percentages Y2018 – Y2022

Table 3 below outlines the year on year performance by Dublin City Council in the collection of rates.

Table 3 – Analysis of Dublin City Council Rates Collection Y2018 – Y2022

Year	Arrears 01-Jan	Charge	Write Off	Commercial Rates Waivers	Total for Collection	Receipts	Arrears at 31-Dec	Specific Doubtful Arrears	% Collected
	€m	€m	€m	€m	€m	€m	€m	€m	
2018	32.4	324.3	22.3	0.0	334.4	306.7	27.8	2.5	92.4%
2019	27.8	338.3	22.9	0.0	343.2	320.1	23.1	2.0	94.0%
2020	23.1	357.7	16.0	159.5	205.3	171.2	34.1	1.8	84.0%
2021	34.1	362.9	20.5	99.8	276.6	238.5	38.1	2.2	87.0%
2022	38.1	366.4	22.4	13.6	368.6	337.9	30.7	0.8	92.0%

Source: Dublin City Council Annual Financial Statements 2018 – 2022

The 5% increase in collection compares favourably with the 2021 collection performance.

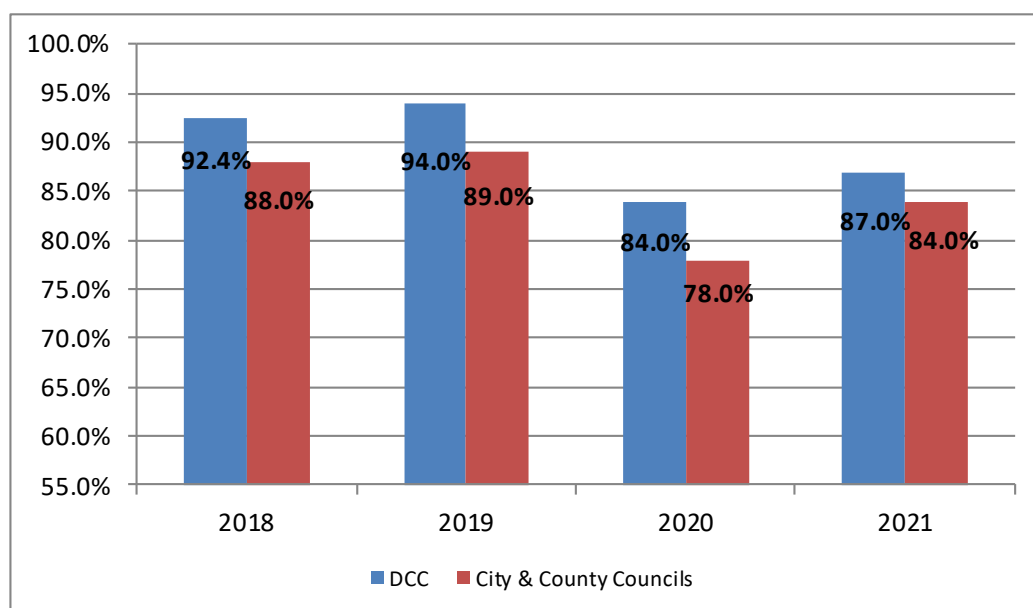
It should be noted that the number of ratepayers qualifying for the commercial rates waiver in 2022 was significantly reduced. The more targeted commercial rates waiver for Q1 2022 primarily covered the hospitality and tourism sectors.

Closing arrears have decreased by €7.4M, which represents 1.8% of the total 2022 warrant and when viewed in the context of the extremely challenging year, this performance is extremely positive.

The graph below outlines the average annual sectoral % collection performances of 88%, 89%, 78% and 84% respectively for the years 2018 - 2021. The 2020 and 2021 reduction in collection primarily results from the accounting treatment of the commercial rates waiver.

The Dublin City Council collection for 2021 compares favourably with the comparative average of the Irish Local Authority Sector.

Graph 2 – Dublin City Council vs City and County Councils Rates Percentage Collection



Source: Dublin City Council Annual Financial Statements 2018 - 2021
Local Government Audit Service Activity Reports

Covid -19 and Financial Support

The government amended the commercial rates waiver scheme for 2022, specifically targeting those businesses in the hospitality and entertainment sector who were impacted by continued restrictions.

The targeted Q1 scheme extended the rates waiver for the first 3 months of 2022, excluding Retail and Health sectors, whilst focusing continued on financial supports for the Hospitality, Leisure and Entertainment sectors.

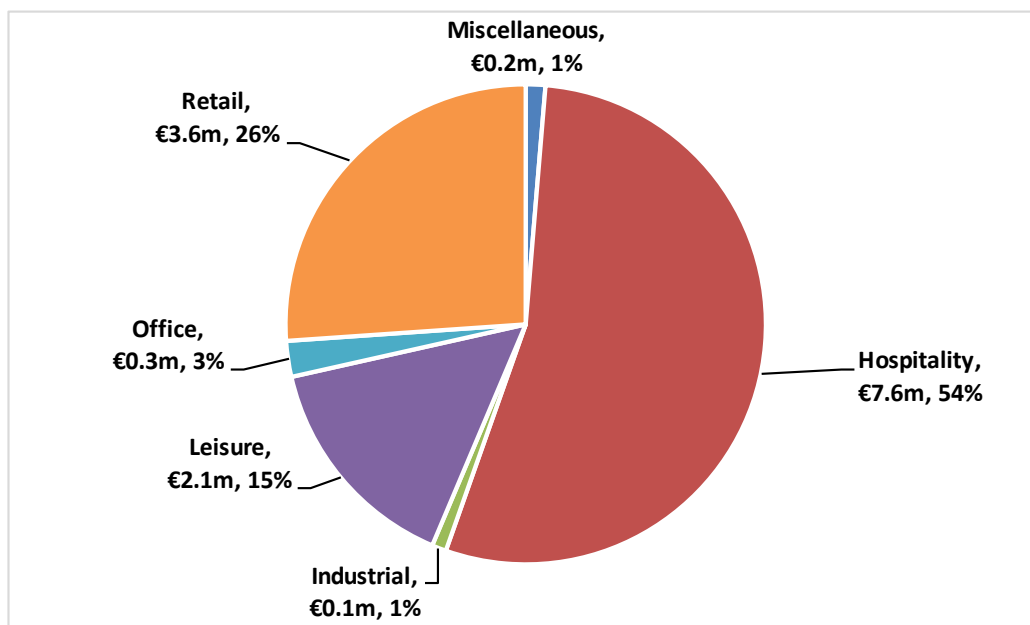
The waiver was applied to 2732 accounts which represented 13.6% of total rate accounts. The value of the waiver as applied was €13.9M which was 15% of the charge for the 3 months period. It should be noted the €13.6M referenced in Table 3 incorporates prior year adjustments.

Table 4 – Rates Waiver by Charge Range

Charge 2022	No. of Accounts	No. of Rates Waiver Accounts	% of Accounts Waiver Applied	Rates Waiver Credit
				€m
0.00-2,999	7,505	418	5.6%	0.2
3,000-4,999	3,611	406	11.2%	0.4
5,000-9,999	3,969	785	19.8%	1.4
10,000-24,999	2,869	688	24.0%	2.6
25,000-49,999	1,110	245	22.1%	2.1
50,000-74,999	401	67	16.7%	1.0
75,000-99,999	178	33	18.5%	0.7
100,000+	499	90	18.0%	5.5
Total	20,142	2,732	13.6%	13.9

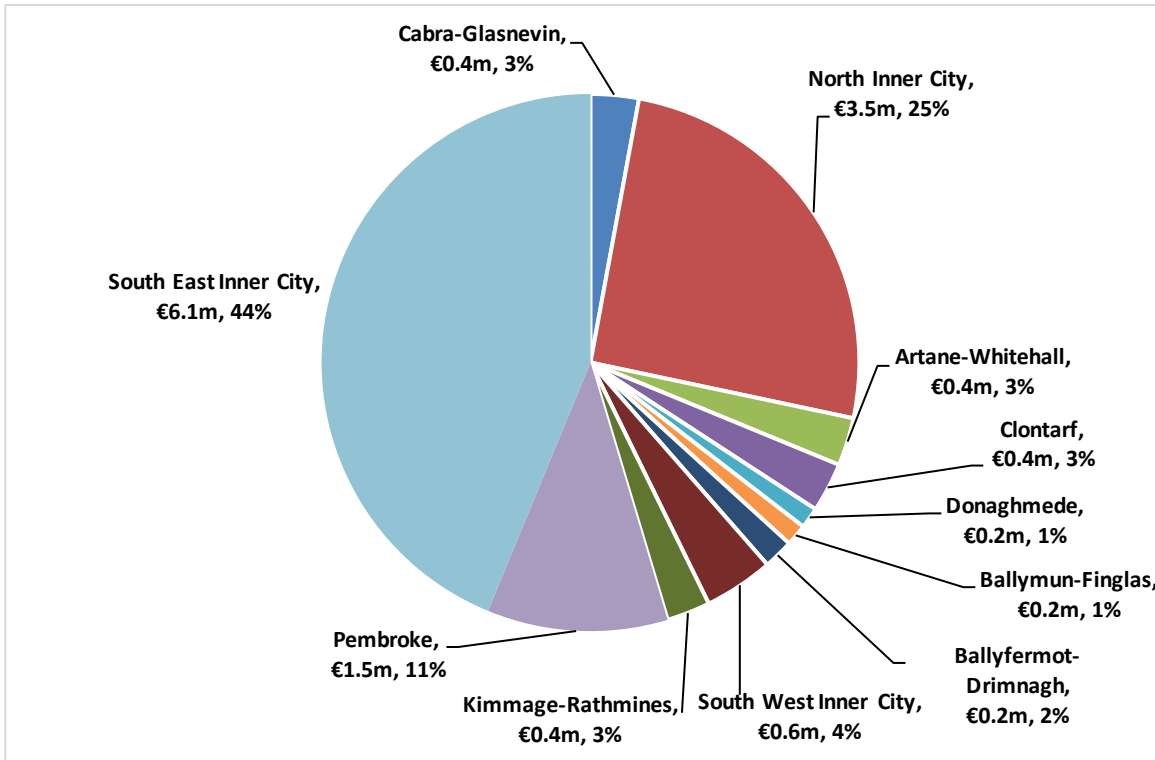
Graph 3 – Rates Waiver by Valuation Category

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



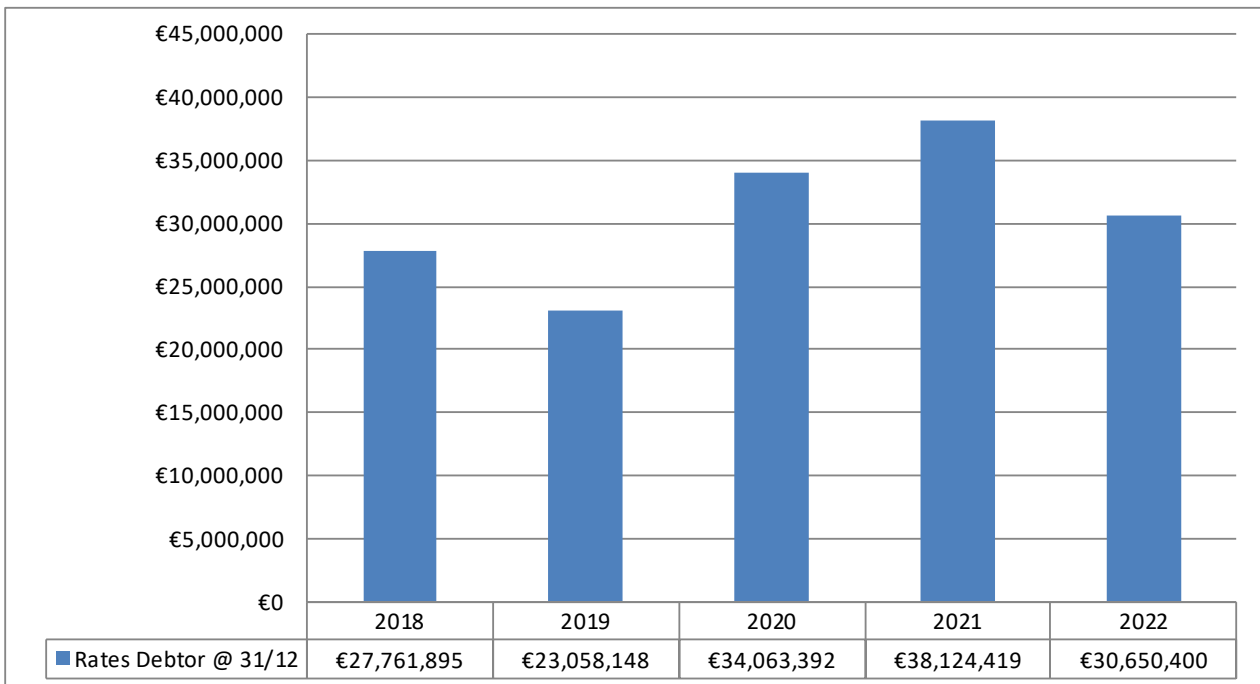
Graph 4 – Rates Waiver by Electoral Area

The graph below shows the breakdown of the waiver value per Electoral Area.



Level of Arrears for the Period 2018– 2022

Graph 5 – Rates Debtor Y2018 – Y2022



Graph 5 above clearly outlines the changing level of arrears over the period. Through improvements in the annual % collection, a focused debt management approach, improvement in economic factors and the conclusion of liquidation / receivership cases, the Rates

Office achieved a year on year reduction in arrears reaching a nadir of €23.1M in 2019, the lowest level since 1999.

This positive trend was impacted by Covid 19 and the associated health restrictions. The table outlines the impact of the pandemic on Dublin City Councils rates collection as reflected in the increasing level of arrears through 2020 (€34.1m) and 2021 (€38.1m).

The 2022 level of arrears of €30.7M is a decrease of €7.4M on 2021 levels and reflects the improved trading conditions as restrictions eased.

While trading conditions improved, it was not consistent across all sectors within the city and this is demonstrated in Table 5 below.

Table 5 – Change in Arrears from 2021 to 2022 by Category

CATEGORY	2021 Year End Arrears	2022 Year End Arrears	Change in Arrears
Fuel/Depot	€ 299,932	€ 231,207	-€ 68,725
Global	€ 715,036	-€ 163,749	-€ 878,784
Health	€ 173,115	€ 66,859	-€ 106,255
Hospitality	€ 2,776,857	€ 3,197,836	€ 420,979
Industrial	€ 6,077,970	€ 4,533,306	-€ 1,544,664
Leisure	€ 3,248,196	€ 3,037,738	-€ 210,458
Miscellaneous	€ 1,296,699	€ 925,291	-€ 371,409
N/A	€ 791,470	€ 122,047	-€ 669,424
Office	€ 12,097,538	€ 8,488,128	-€ 3,609,410
Retail	€ 10,647,607	€ 10,223,555	-€ 424,052
Utility	€ -	-€ 11,816	-€ 11,816
Totals	€ 38,124,419	€ 30,650,400	-€ 7,474,019

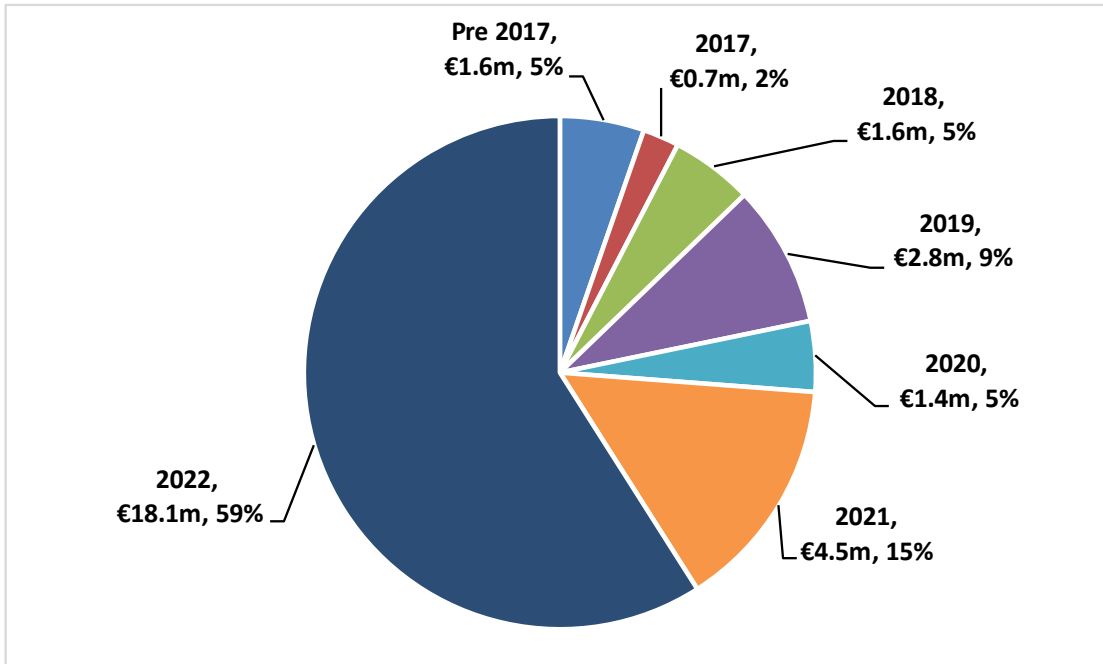
The categories of Offices and Industrial Units experienced significant improvement in collection levels with arrears decreasing by 30% and 25% respectively when compared to the previous year's balance.

The Hospitality, Leisure and Retail debtor reflects a low level of performance on the incoming prior year arrears, this is as expected given that the majority of those ratepayers were significantly impacted by business closures and restrictions through Q1 2022.

Age Profile of the 2022 Arrears of €30.7M

The graph as below shows that €18.1M (59%) of the arrears comprise of charges accrued in respect of 2022, €8.7M (29%) refers to charges accrued in 2021, 2020 and 2019, with the balance of €3.9M (12%) in respect of charges pre 2019. This reflects the challenging economic environment as presented in 2022, particularly energy intensive businesses.

Graph 6 – Age Profile of 2022 Arrears



Analysis of the 2022 Arrears Accounts

There were 5370 accounts in arrears @ 31/12/22 which equates to 27% of the total number of rate accounts in 2022. The number of accounts in arrears has significantly decreased, with 1,445 less accounts in arrears when compared with 2021. The table below shows that 58% of those accounts in arrears have an annual charge below €5,000. This is in line with the performance in 2021. In addition, 76% of the arrears value (€23.3M) relates to accounts where the annual rates charge exceeds €5000.

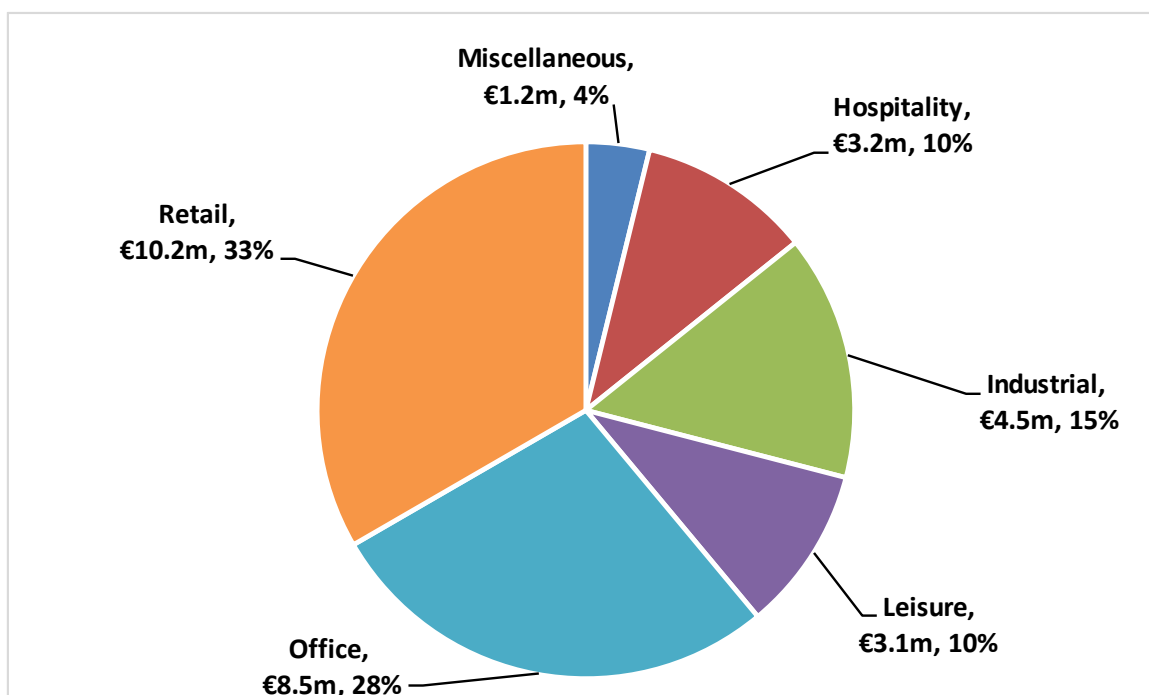
Table 6 – Rate Arrears by Charge Range

Charge 2022	No. of Accounts	No. of Accounts in Arrears	Arrears Value	Actual Arrears % of total
			€m	
0.00-999	1,858	549	0.4	1.3%
1,000-2,999	5,677	1,538	3.2	10.6%
3,000-4,999	3,590	1,052	3.8	12.3%
5,000-9,999	3,935	1,118	6.5	21.2%
10,000-24,999	2,850	732	6.8	22.2%
25,000-49,999	1,096	224	4.0	13.1%
50,000-74,999	396	59	2.0	6.4%
75,000-99,999	172	20	0.3	1.0%
100,000+	494	78	3.7	11.9%
Total	20,068	5,370	30.7	100.0%

Analysis of the 2022 Arrears by Rate Description Category

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

Graph 7 – Arrears by Category



2022 Arrears Schedule Status

The table below outlines the current status of the breakdown of the €30.7M arrears.

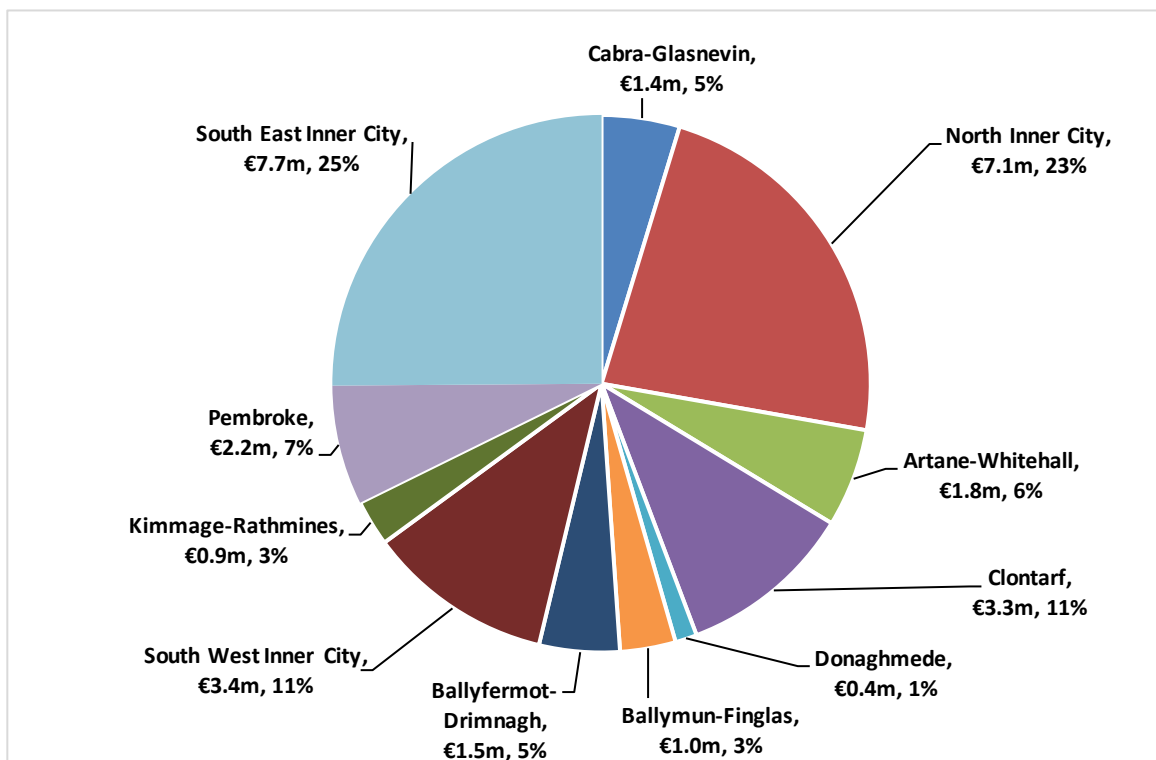
Table 7 – Analysis of Arrears Schedule Status

Status	Arrears Amount	Arrears Amount %
	€m	
Court Proceedings	8.6	28.1%
Liquidations / Receiverships / Ceased Trading	1.0	3.2%
Revisions / Appeals / VTA	1.3	4.3%
Settlements agreed / Pending / Discharged by Instalments	10.7	35.0%
Under Investigation / Law Dept	2.7	8.8%
Account For Write Off / Written Off	1.6	5.2%
Decree Obtained / Warrant	4.8	15.4%
Total	30.7	100.0%

2022 Arrears by Electoral Area

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

Graph 8 – Arrears by Electoral Area



Conclusion

The last three years have been unprecedented for businesses with acute inflationary pressures and supply chain issues due to the war in Ukraine following the impact caused by Brexit and Covid.

The commercial rates waiver continued through Q1 2022 alleviating some of the financial pressures on qualifying businesses.

Cost of living pressures for households and higher input costs for businesses are likely to dampen the growth prospects for Ireland in the coming year. Thus, in setting and collecting commercial rates, the Council is tasked with performing an extremely delicate balancing act in ensuring that local businesses pay rates but also being conscious of supporting those businesses where financial pressures present from time to time.

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

Finally, I want to acknowledge the flexibility, and commitment of the rate collectors and rates staff in operating and ensuring the effective administration of the functions of the Rates Office and communication with all ratepayers during the year.

The 2022 opening arrears of €30.7M has reduced to €24.6M at 04/03/2023.

Anthony O'Donoghue
Acting Senior Executive Officer
Rates Office

9th March, 2023.