

Oifis an Cheannasaí, An Roinn Airgeadais,
Oifigí na Cathrach, An Ché Adhmaid, Baile Átha Cliath 8, Éire.

Office of the Head of Finance, Finance Department,
Civic Offices, Wood Quay, Dublin 8, Ireland.
T: +353-1-222 2102/03 F: +353-1-222 2476 E: finoff@dublincity.ie

**Report to the Finance Strategic Policy Committee
Impact of Rates Revaluation on Dublin City Council's Rates Income**

1.0 Background

The Valuation Office carried out a review of commercial property valuations in Dublin City and determined restated valuations in the context of trading conditions in April 2011, effective from 1st January 2014. The revaluation outcome was that 58% of ratepayers have reduced liabilities, 41% have increased rates liabilities with 3% having no change. The revaluation process is intended to be neutral in yield to the local authority i.e. Dublin City Council should not benefit from an increased yield from commercial rates as a revaluation outcome. The revaluation of commercial properties in Dublin City followed similar revaluations.

2.1 Purpose

The purpose of this report is to provide information to the members of the Finance Strategic Policy Committee relating to the financial impact on Dublin City Council of the revaluation of commercial properties in Dublin City.

2.2 Scope

This report gives focus to the financial impact of rates revaluation in Dublin City. The financial impact in other local authorities is not considered in this report.

3.0 Importance of Commercial Rates to Service Provision

The funding of local government services occurs through a range of sources – specific government grants, commercial rates, income from services, the general purpose allocation (Local Government Fund allocation). Appendix 1 and 2 sets out the trends in recent years as to the value of inputs from these sources to the funding of services. All sources of funding are important however commercial rates are especially important. The buoyancy of trade in Dublin City is crucial to the City's economic prospects. Trade must function with a cost base that reflects relevant inputs and no more. Dublin City Council services support trade and so it is appropriate that commercial entities make a contribution for their trading environment. This contribution must be appropriate and not at a level which dampens trade and removes potential for growth. The Dublin economy continues to strengthen and while recovery is not widespread or uniform, the trading improvement is welcome. As the economy expands, expectations of local authority service delivery also grow, from communities and businesses alike.

Appendix 3 details commercial ratepayers in Dublin City by band in 2016. Almost 77% of commercial ratepayers have a rates charge in 2016 of €10K or under, while almost 40% of commercial rate payers have a rates charge in 2016 of under €3,000. By contrast, almost 50% of the total rates debit is paid by 2% of commercial rate payers or 432 accounts.

4.0 Revaluation of commercial properties in Dublin City by the Valuation Office

The Valuation Office carried out a review of commercial property valuations in Dublin City and determined restated valuations in the context of trading conditions in April 2011 effective from 1st January 2014. The revaluation outcome was that 56% of ratepayers have reduced liabilities, 41% have increased rates liabilities, with 3% having no change. The revaluation process is intended to be neutral in yield to the local authority i.e. Dublin City Council should not benefit from an increased yield from commercial rates as a revaluation outcome.

The existing revaluation legislative framework provides for an appeal process after the Valuation Office has determined the restated valuations for commercial properties. This construction (i.e. appeal after final determination) results in a permanent loss of funds for local authorities from reductions in rates liability granted on appeal. This occurs as any reductions in rate liability determined by the valuation tribunal are not followed by a revised local authority determination. Local authorities have lost between 3% and 5% of total rates yield through this process.

5.0 Financial impact of revaluation on the commercial rate base

The process in relation to the appeals to the Valuation Tribunal is in the final phases. Of 900 appeals, by year end 2016, 800 appeals have been heard with the balance in 2017. In 2016, the loss of rates income through global revaluations was compensated by a once off grant. This loss of €3.2m impacts in 2017. It is expected that a further overall net reduction of €2.5m in commercial rates income will be incurred in respect of these matters. Table 1 details the cumulative loss of Rates income to Dublin City Council through the revaluation process 2014 – 2017 of €43.2m.

Table 1 – Cumulative loss of Rates Income through revaluation 2014 – 2017 (€m)

Year	VO	VT ¹	VT ²	VT ³	Globals	Total
2014	4.4	2	3	0.6		10
2015	4.4	2	3	0.6		10
2016	4.4	2	3	0.6		10
2017	4.4	2	3	0.6	3.2	13.2
Total	17.6	8	12	2.4	3.2	43.2

VO: Valuation Office

VT¹: Valuation Tribunal - 1st batch of appeals

VT²: Valuation Tribunal - 2nd batch of appeals

VT³: Valuation Tribunal - 3rd batch of appeals

6.0 Conclusions and Summary

- The Valuation Office carried out a review of commercial property valuations in Dublin City and determined restated valuations in the context of trading conditions in April 2011, effective from 1st January 2014.
- The revaluation process is intended to be neutral in yield to the local authority.
- Dublin City Council has incurred a cumulative loss of Rate income over the period 2014 to 2017 to €43.2m.

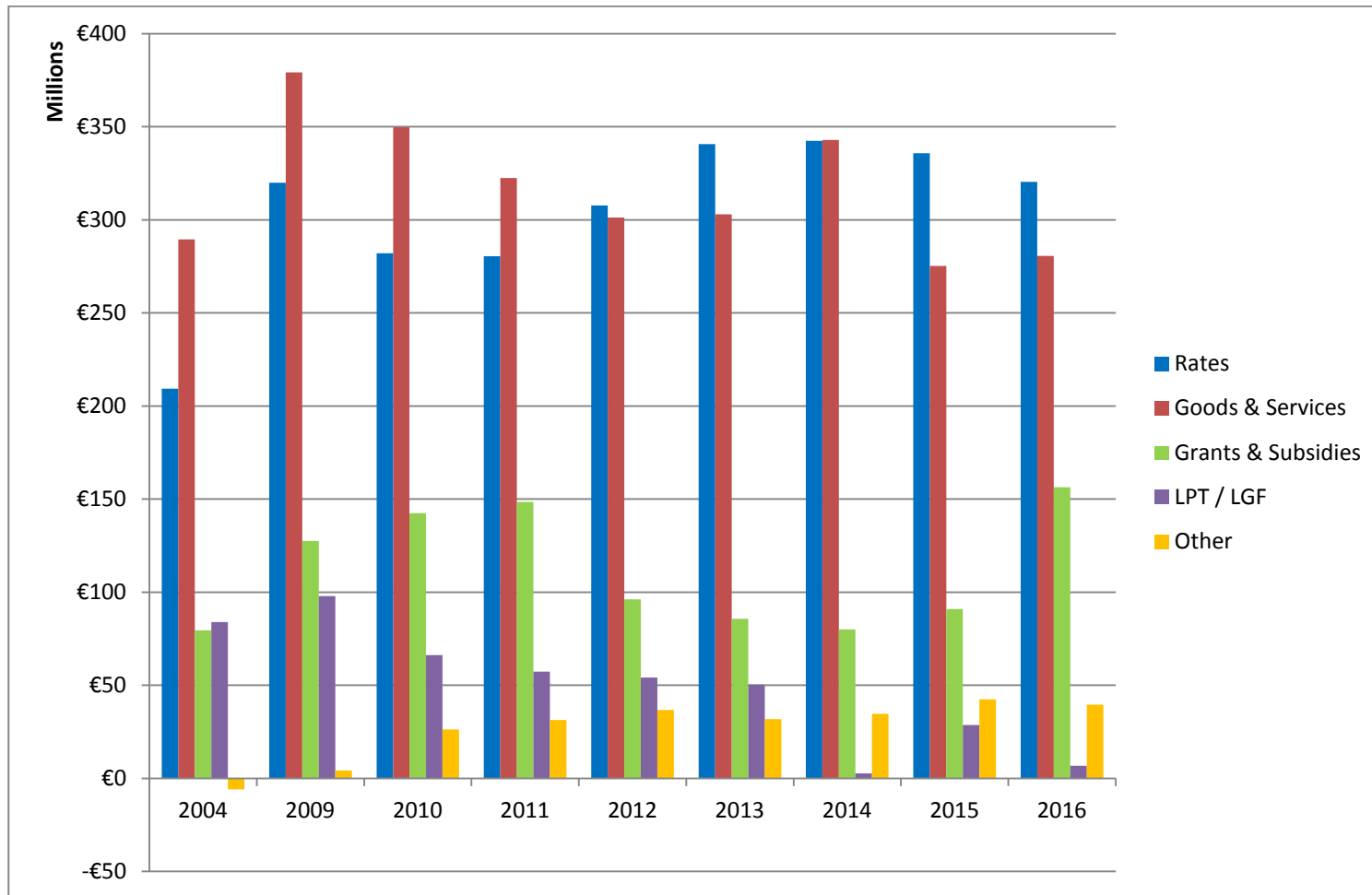
Kathy Quinn

Head of Finance

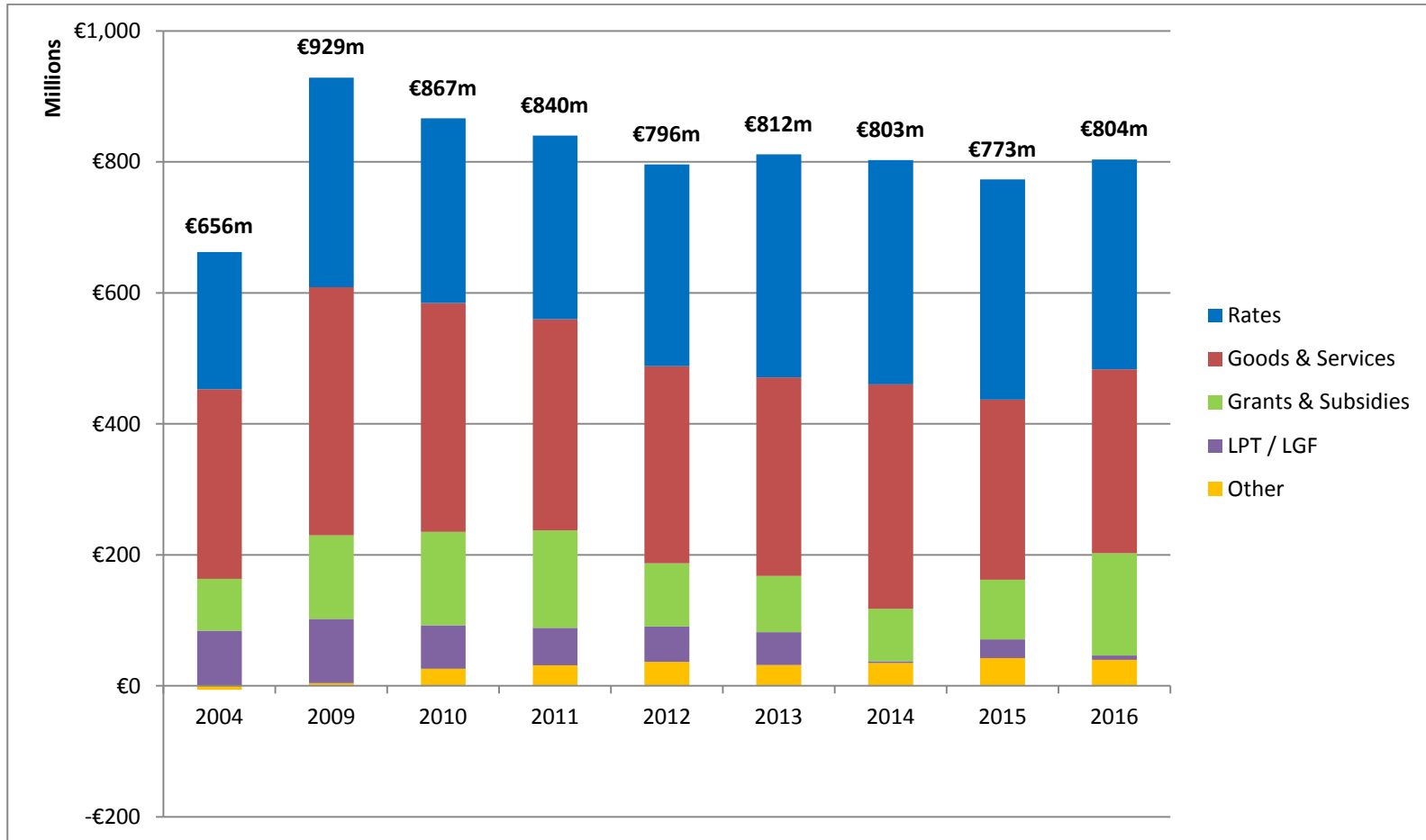
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APPENDIX 1 – ANALYSIS OF FUNDING SOURCES

Budgeted Income Sources by Year



Appendix 2 - Budgeted Total Income by Year



Appendix 3 - Rate Bands

CHARGE 2016	No Of Accounts	Cumulative total	% per band	Cumulative Total	Total debit per band	% of Debit	Cumulative Total
€1 - €999	2142	2142	10.38%	10.38%	€1,316,457.98	0.41%	0.41%
€1,000 - €3.000	6056	8198	29.35%	39.73%	€11,749,353.02	3.62%	4.03%
€3,000 - €5,000	3702	11900	17.94%	57.67%	€14,413,833.28	4.44%	8.47%
€5,000 - €10,000	3915	15815	18.97%	76.65%	€27,512,645.29	8.48%	16.95%
€10,000 - €25,000	2790	18605	13.52%	90.17%	€42,873,998.39	13.21%	30.16%
€25,000 - €50,000	1056	19661	5.12%	95.29%	€36,888,244.35	11.37%	41.53%
€50,000 - €75,000	363	20024	1.76%	97.05%	€21,648,388.61	6.67%	48.20%
€75,000 - €100,000	177	20201	0.86%	97.91%	€15,166,822.40	4.67%	52.87%
€100,000 - €500,000	377	20578	1.83%	99.73%	€73,320,176.61	22.59%	75.47%
€500,000 -	55	20633	0.27%	100.00%	€79,611,863.81	24.53%	100.00%
TOTAL	20633		100.00%		€324,501,783.74	100.00%	