

## Report to the Finance Strategic Policy Committee Collection of Rates on Vacant Properties

### 1.0 Background

At its meeting held on 19<sup>th</sup> January 2017, the Finance SPC agreed that a report would be brought to a future meeting on a matter of the collection of rates on vacant commercial properties.

### 2.0 Legislative Framework

The Local Government Reform Act provides for elected members to determine, by resolution, the vacancy refund rate to apply to electoral districts within the local authority's jurisdiction. In Dublin City a vacancy refund rate of 50% has applied previously under the Dublin 1930 Act (i.e. where a rateable premises has been vacant, 50% of rates due has been paid, with 50% not paid). In other local authorities, a full 100% vacancy rate refund has applied. In other words where a rateable premises was vacant, no rates were due.

Over the period 2012-2015, the value of vacancy rates refunds in Dublin City amounted to an estimated annual value of between €13.2m and €17.4m. This arises from the total value of rates associated with vacant premises being between €26.4m and €34.8m, with €13.2m - €17.4m being the value paid as rates and also the value not due or refunded. Please see Table 1 below for details of vacancy refunds in Dublin City in 2012 - 2015.

Table 1 – Vacancy Refunds Dublin City 2012-2015								
AREA	2012		2013		2014		2015	
	No. of Accounts	Vacancy Credits	No. of Accounts	Vacancy Credits	No. of Accounts	Vacancy Credits	No. of Accounts	Vacancy Credits
Central Area	519	€3,998,258	553	€4,678,432	520	€3,292,518	479	€2,730,963
North Central Area	186	€1,089,824	199	€1,015,851	220	€1,051,523	207	€872,939
North West Area	227	€1,495,091	265	€1,457,689	229	€1,314,017	263	€1,085,722
South Central Area	378	€2,283,313	364	€1,912,214	339	€1,648,624	334	€1,527,788
South East Area	986	€6,554,872	1028	€8,305,296	1019	€7,317,206	954	€6,949,833
MISC	7	€20,799	0	€0	0	€0		
	<b>2303</b>	<b>€15,442,157</b>	<b>2409</b>	<b>€17,369,482</b>	<b>2327</b>	<b>€14,623,888</b>	<b>2237</b>	<b>€13,167,244</b>

The legislation provides that the elected members may determine the application of vacancy refunds for one or more electoral areas, and may determine the proportion of refund that will apply to the specified areas for the whole of the financial year in question. Appendix 1 illustrates the electoral areas of Dublin City.

### **3.0 Changes in Vacancy Refund Rates**

Since the enactment of the Local Government Act 2014, Dublin City Council has adopted a strategy in respect of the financial years 2015 and 2016 to retain the vacancy rate refund at 50%. As part of the consideration of the 2017 Budget, the elected members determined that the vacancy refund rate should reduce to 45% i.e. 55% of the rates liability to be payable, 45% refunded in respect of the financial year 2017.

### **4.0 Review of Vacancy Refunds**

The Finance SPC is reviewing vacancy refunds in Dublin City Council. It is expected that this matter will be considered at the SPC's June meeting. The purpose of this review is to gather information in relation to:

- Locations of vacant properties
- Commercial sectors having vacant properties
- Evidence supporting the practice of "strategic" commercial vacant properties
- Market conditions for commercial property lettings, domestic and external
- Viability of the collection of increased rates liability arising from a reduction of rates vacancy refund
- Efficacy of targeted vacancy refund rates across different electoral areas.

### **5.0 Collection of Rates on Vacant Commercial Properties**

Dublin City Council manages the collection of rates through a dedicated rates information management system (ORBIS). There are approximately 2,200 accounts that are eligible for consideration for vacancy credits, although this will vary from year to year. Account information is not held at a level that facilitates cross matching of payments against vacancy records. This arises as payments made in one year may relate to vacancies occurring in previous years. A process to cross reference all accounts having a vacancy credit would require manual intervention and be resource intensive. An exercise was carried out which cross matched all payments from 2016 to all vacancy records for 2016. This review points to a collection performance in the first year of these accounts of approximately 70%, with the full debt being discharged within a five year period.

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**With responsibility for ICT**

# Appendix 1 – Dublin City Electoral Areas



Local Electoral Area Boundary Committee Report 2013

Dublin City

