



Comhairle Cathrach
Bhaile Átha Cliath
Dublin City Council

An Roinn Airgeadais, Oifig na Rátaí,
16 Sráid an Chaisleáin, Baile Átha Cliath 2.

Finance Department, Rates Office,
16 Castle Street, Dublin 2.
T: 01 222 2171 F: 01 679 3051 or 01 222 2958, E: ratesoffice@dublincity.ie

Report to the Finance Strategic Policy Committee

Report on Rates Debtors 31st December 2020

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

This report on commercial rates arrears at the 31st December 2020 sets out the following information:

- 2020 Local Authority Sector target improvement for rates collection
- Commercial rates funding
- Rates Collection Performance Y2016 – Y2020
- Covid -19 and financial support
- Level of arrears during the period 2016 – 2020
- Age Profile of the 2020 arrears
- Analysis of the 2020 arrears accounts
- Analysis of the 2020 arrears by rate description category
- 2020 arrears schedule status
- 2020 arrears by electoral area
- Conclusion

2020 Local Authority Sector target improvement for rates collection

A local government debt management project group was set up in the 1st quarter 2015 which consisted of representatives from a number of Local Authorities, the DoHLG&H and the LGMA in response to a government review of the collection of all public sector debt. Commercial rates arrears of €394M were outstanding at 1/1/15 within the sector and the focus of the group was to:

- Achieve a target improvement in rate collection for each authority
- Improvements in collection and administration of debt management procedures

Significant progress has been achieved within the sector in reducing the level of arrears down to €226M at the end of 2019. Annual collection targets were assigned to each Local Authority. The 2019 % collection targets as assigned were banded as below with the lower performing authorities required to improve collection by those higher percentages as outlined in the table.

Table 1 – Rate Collection Targets

	2018 Rate Collection	Target Collection Rate 2019
Band 1	90% - 100%	No change
Band 2	85% - 89%	+1%
Band 3	80% - 84%	+2%
Band 4	Minimum Collection	80%

No 2020 target collection % was issued to any Local Authority due to the constraints and associated economic impacts on businesses and the implementation of business support measures such as the rates waiver schemes.

Commercial Rates Funding

The City Council exercises restraint in setting commercial rate charges in order to support competitiveness in the economy, nationally and locally, and to sustain the commercial rate base within the City. It should be noted that the City Council's 2021 revenue budget is 34% funded by commercial rates and therefore the performance on rate collection is critical to the funding provision of services.

I have set out in the table below, details of movement in the Council's ARV since 2016.

Table 2 – Movement in Annual Rate on Valuation

YEAR	2016	2017	2018	2019	2020
ARV	0.0%	+0.78%	0.0%	+1.2%	+2.7%

The approach 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 additional income supports key services and increased demand.

The commercial rates annual charges over the period 2016 – 2020 are detailed in table below.

Table 3 – Commercial Rates Income

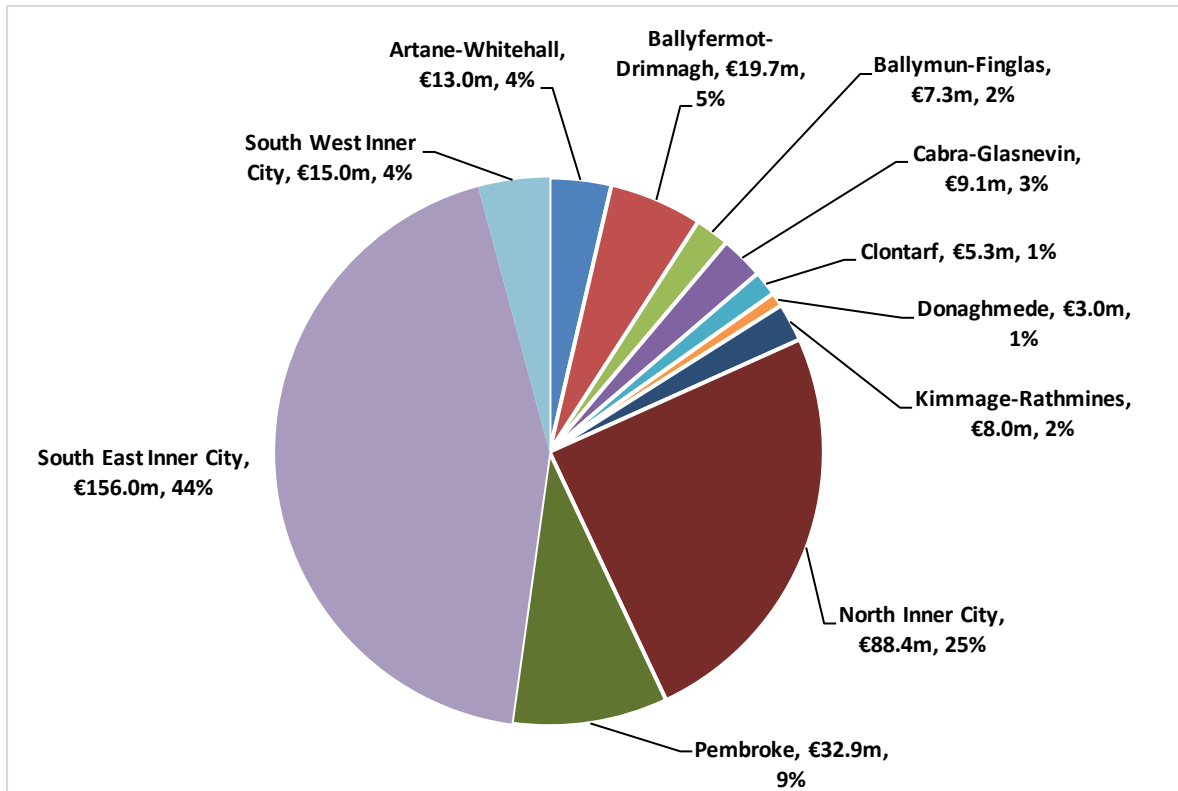
Year	Rates Income
2016	€324,501,784
2017	€321,481,363
2018	€324,255,552
2019	€338,299,503
2020	€357,693,512

Source: DCC Annual Financial Statements 2016 – 2020

The 2020 income increase of €19.4M is primarily due to €9.3M commercial rate increase, rating of the Irish Water network €6.2M and the balance €3.9 resulting from 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 – 2020 Commercial Rates Income by Electoral Area



Rates Collection Percentages Y2016 – Y2020

Table 4 below outlines the year on year improvement by DCC in the collection of rates having increased collection performance by 4.5% during the period 2016-2019. This equates to an improved cash performance of €15M per annum.

The increase in receipts of €3.8M in 2017 compares favourably with a reduction of €4.8M in the 2017 total warrant for collection. The 2018 receipts level compares favourably with 2017 given the reduction of €5M in the total warrant for collection. The increase in receipts of €13.4M in 2019 compares favourably with the increase in the total warrant for collection of €8.8M.

The 2019 write offs include €7.6M in respect of vacancy refunds as provided by S71 of the Local Government Dublin Act 1930 as amended by S31 of the Local Government Act 2014. In addition, an amount of €1.3M was written off in 2019 following determination of appeals on valuation by the Valuation Tribunal. An amount of €5.3M was written off due to demolitions. The balance of amounts written off is primarily in respect of those cases where debt recovery procedures have been exhausted and there is no prospect of recovery.

The 2020 10% reduction in collection primarily results from the accounting treatment of the commercial rates waiver being netted from the total warrant for collection (€380.7m). This has the effect of reducing the % collected in the final column. The Council received a grant equal to the amount waived. For prior year comparison purposes if the income was included in the Amount Collected column rather than the Waived/Credits column the % collected would have been 91%.

It should be noted that in an extremely challenging year that the year-end arrears increased by €11M which represents 2.8% of the total 2020 warrant. I consider this performance extremely positive taking consideration of the 2020 economic environment and restrictions on businesses.

Table 4 – Analysis of DCC Rates Collection Y2016 – Y2020

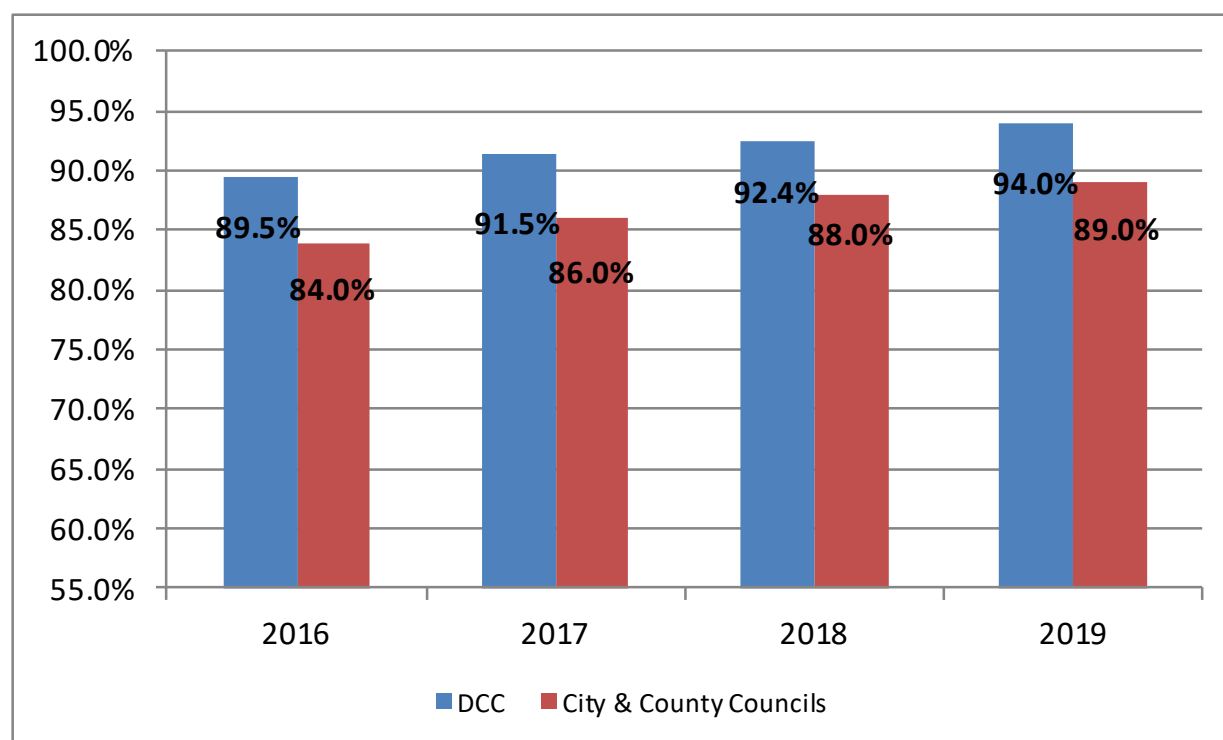
Year	Arrears 01-Jan	Charge	Write Off	Commercial Rates Waivers	Total for Collection	Receipts	Arrears at 31-Dec	Specific Doubtful Arrears	% Collected
	€m	€m	€m	€m	€m	€m	€m	€m	
2016	51.1	324.5	31.4	0.0	344.2	303.1	41.1	5.7	89.5%
2017	41.1	321.5	23.2	0.0	339.4	306.9	32.4	3.6	91.5%
2018	32.4	324.3	22.3	0.0	334.4	306.7	27.8	2.5	92.4%
2019	27.8	338.3	22.9	0.0	343.2	320.1	23.1	2.0	94.0%
2020	23.1	357.7	16.0	159.5	205.3	171.2	34.1	1.8	84.0%

Source: DCC Annual Financial Statements 2016 – 2020

The City Council's collection performance compares favourably with the comparative average of the Irish Local Authority Sector. The graph below outlines the average annual sectoral % collection performances of 84%, 86%, 88% and 89% respectively for the years 2016 - 2019.

The 2020 comparative figures for the sector are not available to date.

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



Source: DCC Annual Financial Statements 2016 - 2019
Local Government Audit Service Activity Reports

Covid -19 and Financial Support

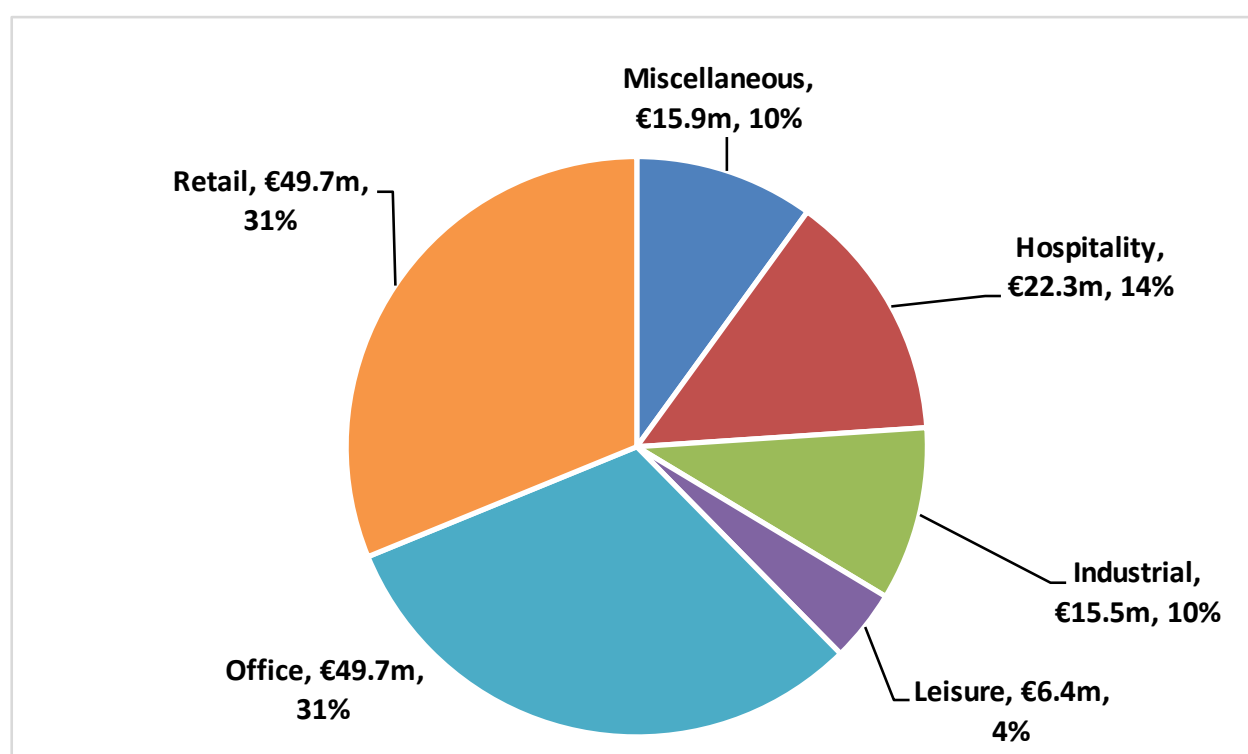
The Minister for Housing, Local Government and Heritage introduced a 9 months commercial rates waiver effective from the 27th March to enhance the supports available for enterprise and in recognition of the fact that not only had many ratepayers been forced to close business due to the public health requirements, but many others who remained open suffered significant reductions in turnover. The scheme provided for certain categories of businesses to be excluded. The 100% waiver for 9 months was applied to 18,783 accounts which represented 92% of total rate accounts. The value of the waiver as applied was €159.5M which was 60% of the charge for the 9 months period.

Table 5 – Rates Waiver by Charge Range

Charge 2020	No. of Accounts	No. of Rates Waiver Accounts	% of Accounts Waiver Applied	Rates Waiver Credit
				€m
0.00-999	1,910	1,699	89.0%	0.8
1,000-2,999	5,776	5,461	94.5%	8.0
3,000-4,999	3,652	3,496	95.7%	10.3
5,000-9,999	3,978	3,794	95.4%	20.0
10,000-24,999	2,880	2,675	92.9%	30.7
25,000-49,999	1,098	981	89.3%	25.7
50,000-74,999	402	330	82.1%	15.0
75,000-99,999	168	146	86.9%	9.4
100,000+	479	201	42.0%	39.6
Total	20,343	18,783	92.3%	159.5

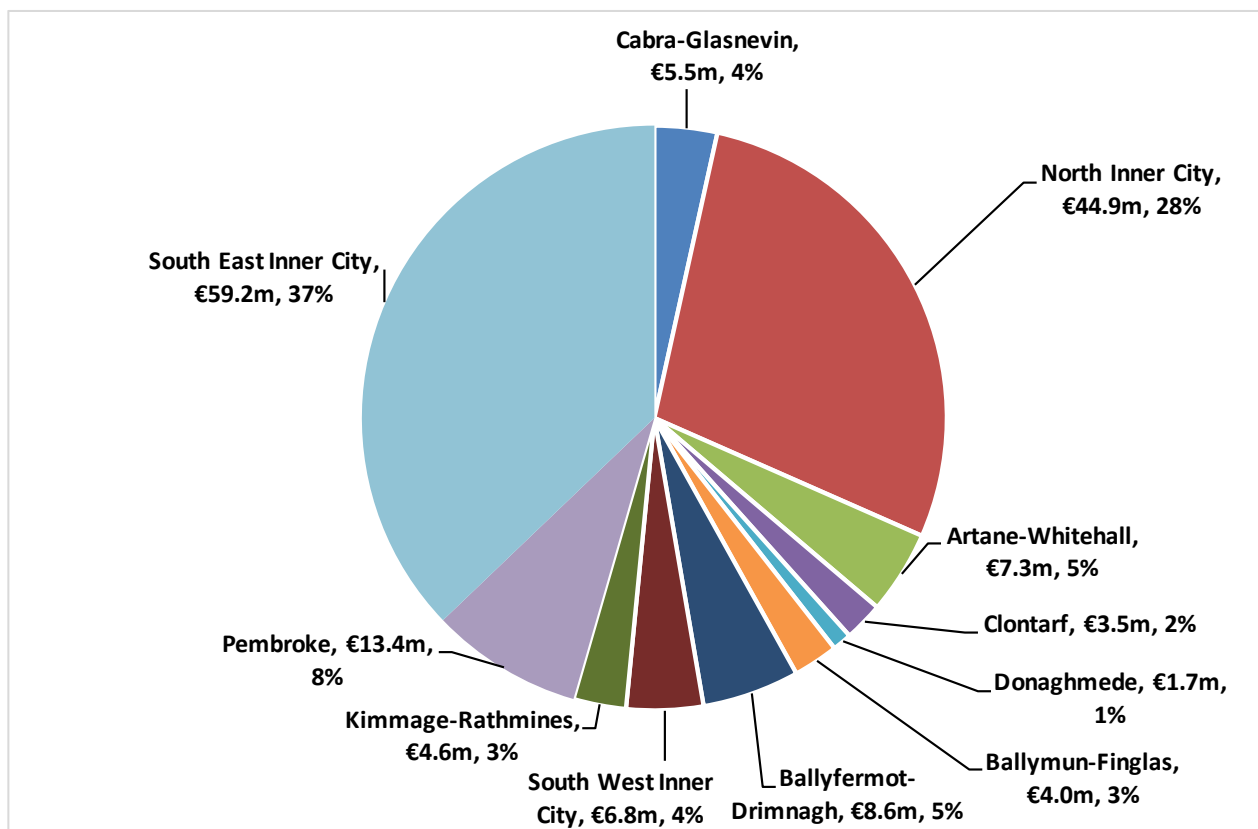
Graph 3 – Rates Waiver by Valuation Category

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.



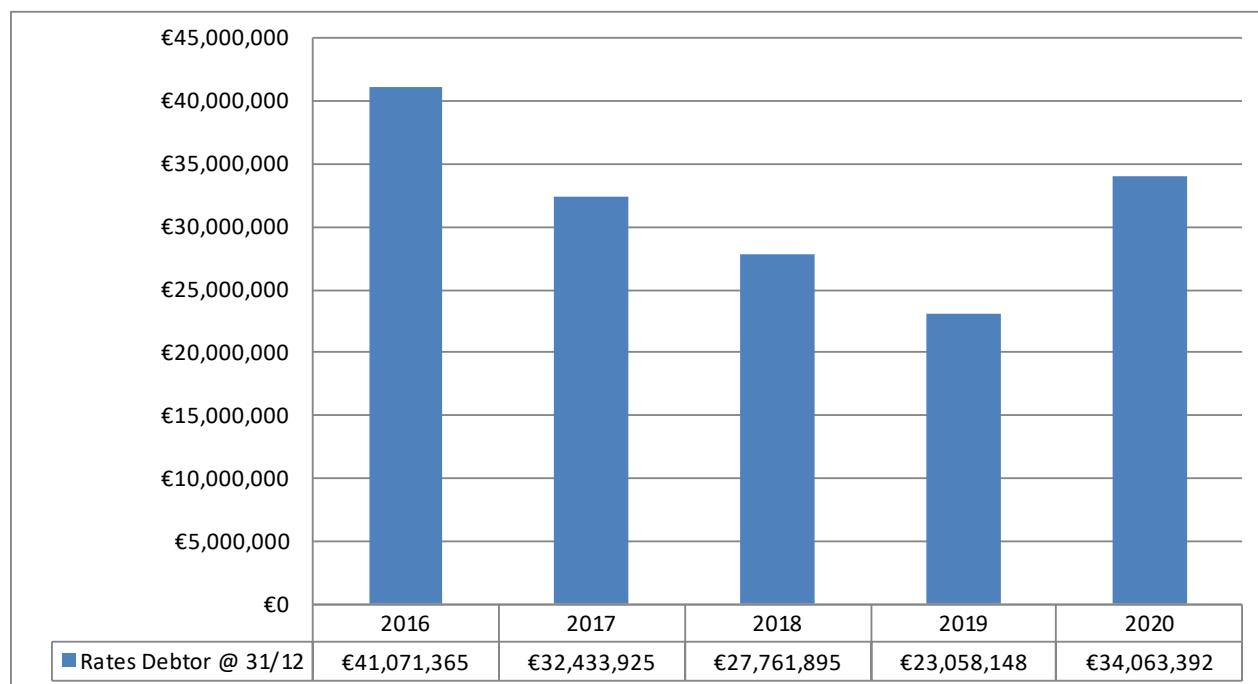
Level of Arrears for the Period 2016– 2020

The economic downturn and global financial crisis which initiated the recession post 2008 significantly impacted to the highest increased level of arrears of €76.3M in 2012. The graph below clearly outlines the changing level of arrears over the period and the progress made in reducing the arrears year on year. The reduction in arrears to €23.1M in 2019 was primarily due to an improvement in the annual % collection, a focused debt management approach, improvement in economic factors and the conclusion of liquidation / receivership cases.

It should be noted that the 2019 level of arrears of €23.1M was the lowest since 1999.

The 2020 level of arrears of €34.1M an increase of €11.1M on 2019 results from the financial impact of Covid 19 on ratepayers and the low level of performance during 2020 on the incoming arrears from prior years given that the majority of those ratepayers were significantly impacted by business closures.

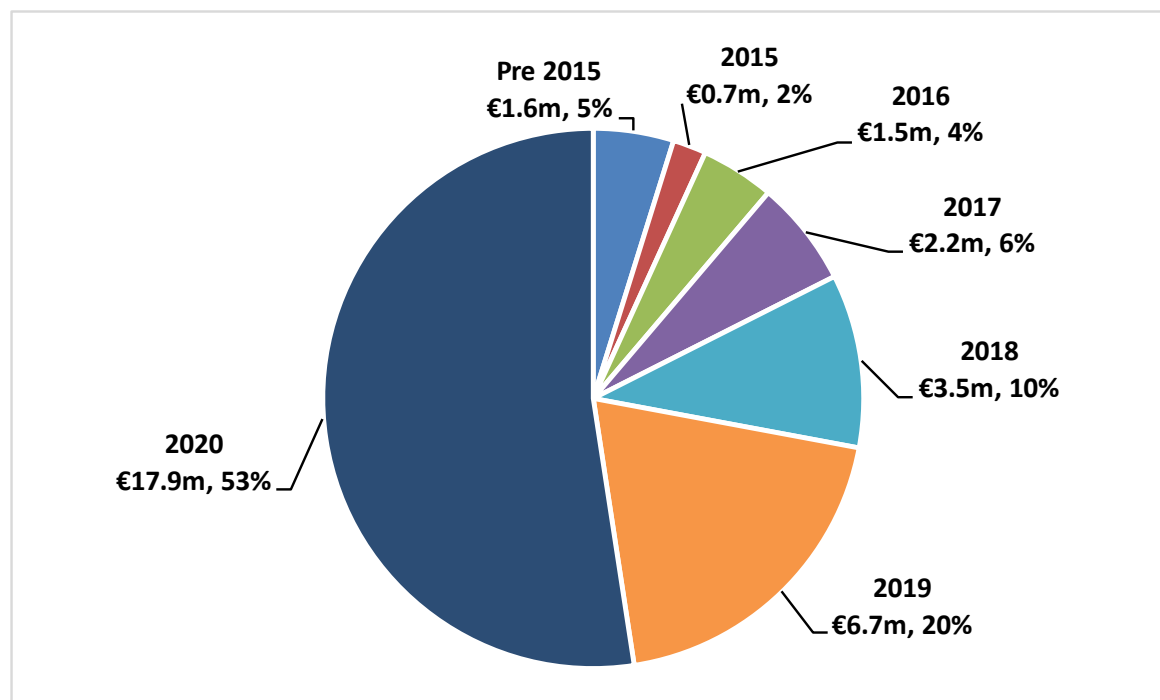
Graph 5 – Rates Debtor Y2016 – Y2020



Age Profile of the 2020 Arrears of €34.1M

The graph as below shows that €17.9M (53%) of the arrears comprise of charges accrued in respect of 2020 and €6.7M (20%) refers to charges accrued in 2019 with the balance of €9.5M (27%) in respect of charges pre 2019.

Graph 6 – Age Profile of 2020 Arrears



Analysis of the 2020 Arrears Accounts

There are 6939 accounts in arrears @ 31/12/20 which equates to 34% of the total number of rate accounts in 2020. The number of accounts in arrears has increased by 2909 in comparison with 2019. The table below shows that 60% of those accounts in arrears have an annual charge below €5,000. This is in line with the performance in 2019. In addition, 82% of the arrears value (€28M) relates to accounts where the annual rates charge > €5000. This reflects the challenging economic environment as presented in 2020 and the operating constraints placed on ratepayers.

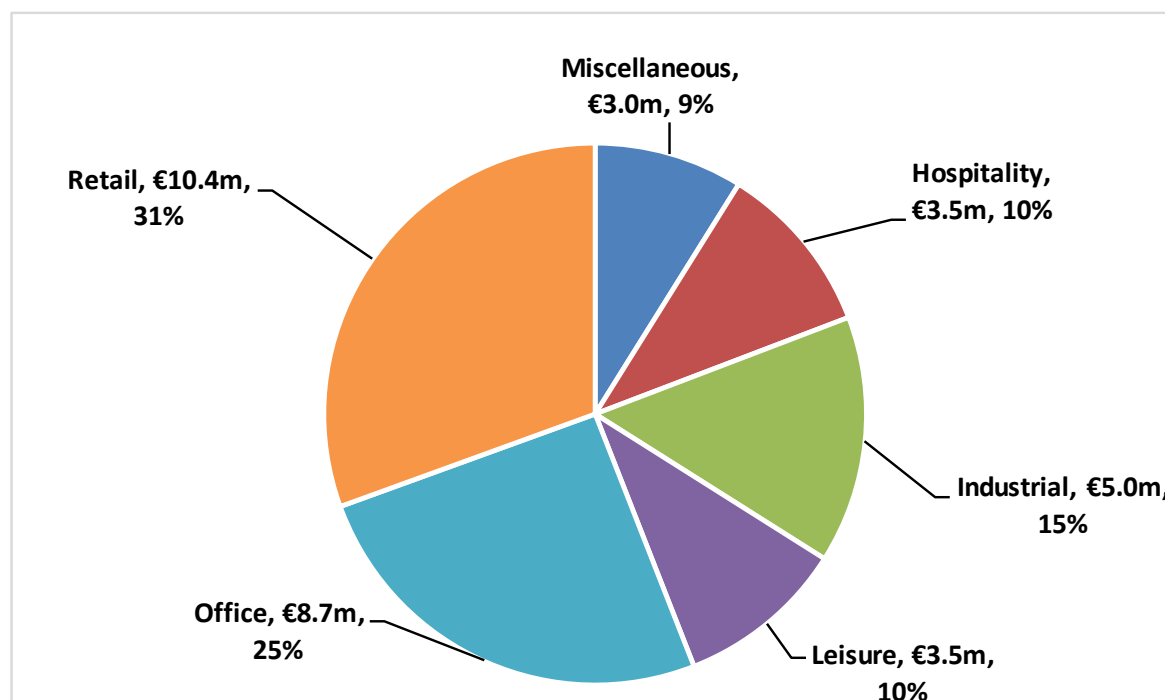
Table 6 – Rate Arrears by Charge Range

Charge 2020	No. of Accounts	No. of Accounts in Arrears	Arrears at 31/12/20 €m	Arrears %
0.00-999	1,910	747	0.5	1.6%
1,000-2,999	5,776	2,099	2.7	7.8%
3,000-4,999	3,652	1,257	2.9	8.4%
5,000-9,999	3,978	1,381	5.4	15.9%
10,000-24,999	2,880	937	6.4	18.8%
25,000-49,999	1,098	305	3.4	9.9%
50,000-74,999	402	79	2.2	6.4%
75,000-99,999	168	29	0.6	1.8%
100,000+	479	105	10.0	29.4%
Total	20,343	6,939	34.1	100.0%

Analysis of the 2020 Arrears by Rate Description Category

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

Graph 7 – Arrears by Category



2020 Arrears Schedule Status

The table below outlines the current status of the breakdown of the €34.1M arrears.

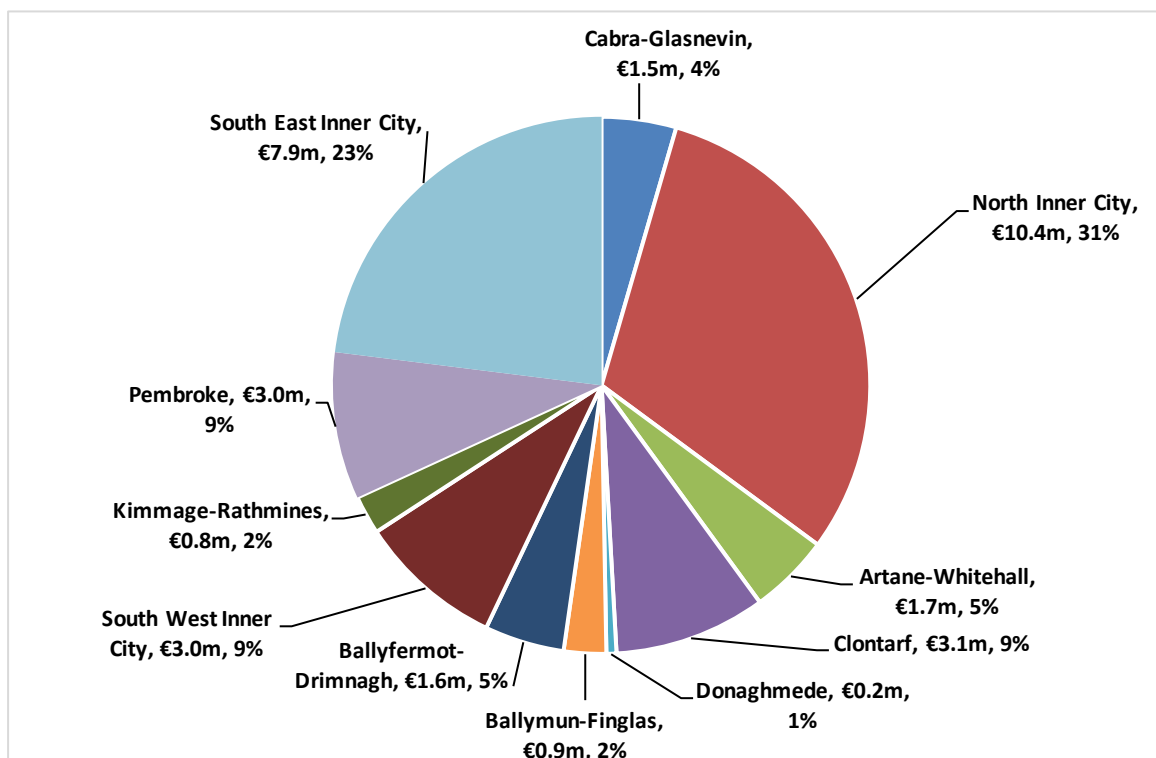
Table 7 – Analysis of Arrears Schedule Status

Status	Arrears Amount	Arrears Amount %
	€m	
Court Proceedings	5.0	14.7%
Liquidations / Receiverships / Ceased Trading	1.8	5.2%
Revisions / Appeals / VTA	1.5	4.3%
Settlements agreed / Pending / Discharged by Instalments	8.7	25.6%
Under Investigation / Law Dept	13.7	40.2%
Account For Write Off / Written Off	1.2	3.5%
Decree Obtained / Warrant	2.2	6.5%
Total	34.1	100.0%

2020 Arrears by Electoral Area

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

Graph 8 – Arrears by Electoral Area



Conclusion

2020 was an unprecedented year for businesses and the national economy. It presented significant challenges to those operating businesses with uncertainty regarding opening and constraints on capacity. The same constraints continue into 2021 and the support by Government in providing the commercial rates waiver alleviates some pressures on businesses and provides a cash flow to the City Council to continue service delivery as planned.

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

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

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

Fintan Moran

Head of Management Accounting

10th March 2021