

Submission of Dublin City Council to the Review of Baseline Local Government Funding

Finance Strategic Policy Committee Dublin City Council

Incorporating extracts of the Grant Thornton Report: Review of Local Government Funding as applies to Dublin City Council

March 2023



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Dublin City Council

Dublin City Council is the largest Local Authority in Ireland, employing approximately 5,600 staff. The 2023 Revenue Budget amounts to €1.24 billion, while the three-year Capital Programme 2023 to 2025 amounts to €2.86 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).

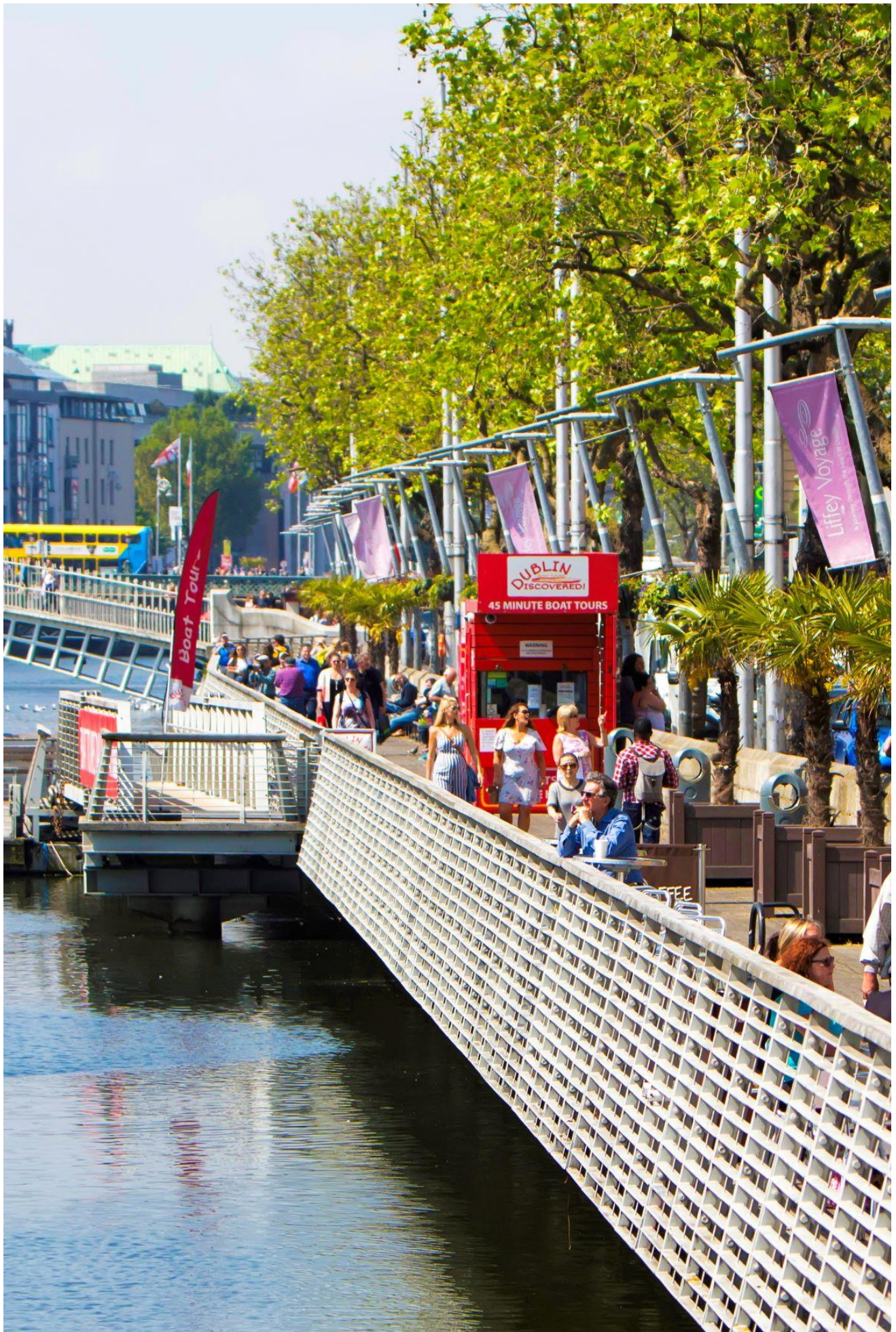
The City Council also provides emergency services through Dublin Fire Brigade and supports homeless services through the Dublin Region Homeless Executive where Dublin City Council is the lead statutory local authority in the response to homelessness in Dublin and adopts a shared service approach across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



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 world's 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 over performed 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 livability and competitiveness otherwise as 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

Population Growth Patterns

The Republic of Ireland's population is at an all-time high in the history of the state, according to latest census figures. The data, which was collected in April 2022, shows that the population has reached 5.1 million people. It is the first time the population has exceeded five million since the census of 1851. The 2022 census figures mark a 7.6% increase since the survey was last held in 2016.

The population of Dublin City has increased on average by approximately 5% each inter-censal period between 2006 -2016. The 2006 Census recorded a population figure of 506,211, rising to a recorded population figure of 527, 612 (+ 4.2 %) in 2011 with a recorded population figure of 554,554 (+5%) in Census 2016.

Fig 1: Population Change

Census year	Population	% Increase
2006	506,211	
2011	527,612	+4.2% over 5 years
2016	554,554	+5% over 5 years
2021 CSO population estimate	600,600	8.3% over 5 years

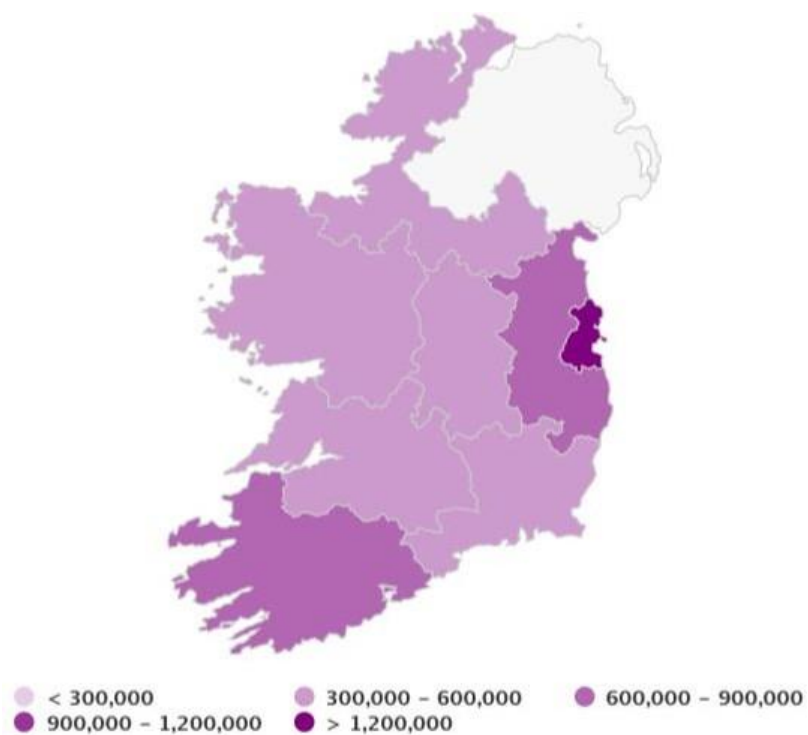
The CSO's 2021 population estimate for the Dublin Region was 1,430,000 persons. Dublin City Council's share of the 2016 Census regional population figure for Dublin was approximately 42%. Assuming the same share for the CSO 2021 estimated regional population figure for Dublin, this gives an estimated population figure of 600,600 for Dublin City Council in April 2021. This indicates an estimated 8.3% rise in the population of Dublin City over a five year period from 2016 through to 2021.

The preliminary Census 2022 results for the administrative area of Dublin City Council in April 2022 recorded 588,233 persons. This is a preliminary increase of approximately 33,000 persons on the 2016 census of 554, 554. This equates to approximately a 6% increase in a 6 year period averaging a 1 % increase per year, in-line with previous results. The official Census 2022 results will be published April 2023.

The growth in population places additional demands across all service divisions of the City Council and it is imperative that funding of services increases to enable service provision to grow in order to correlate to increasing demand factors both from citizens and businesses. The review of the baseline funding model should recognise these additional pressures on the City Council in service provision.



Fig 2: Population by Region, 2021



Source: CSO Statistical Yearbook of Ireland, 2021



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 3: 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 Ireland for those travelling from overseas.

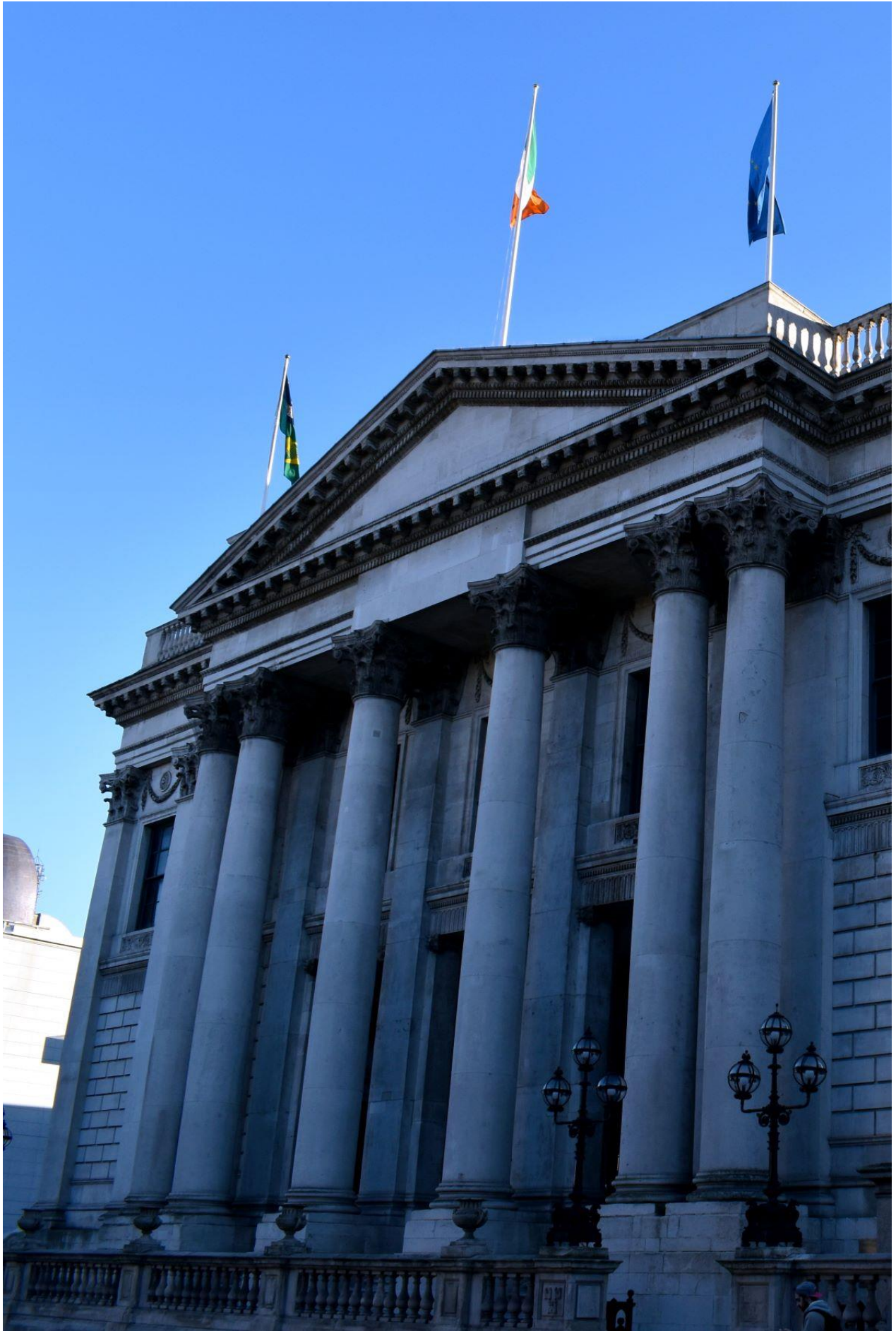
Fig 4: Total passenger vehicles handled by ports, 2019



Source: Grant Thornton Analysis of CSO data

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For many international travelers, 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.



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 fluctuation 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.

Dublin – Ireland's Internationally Competitive Capital

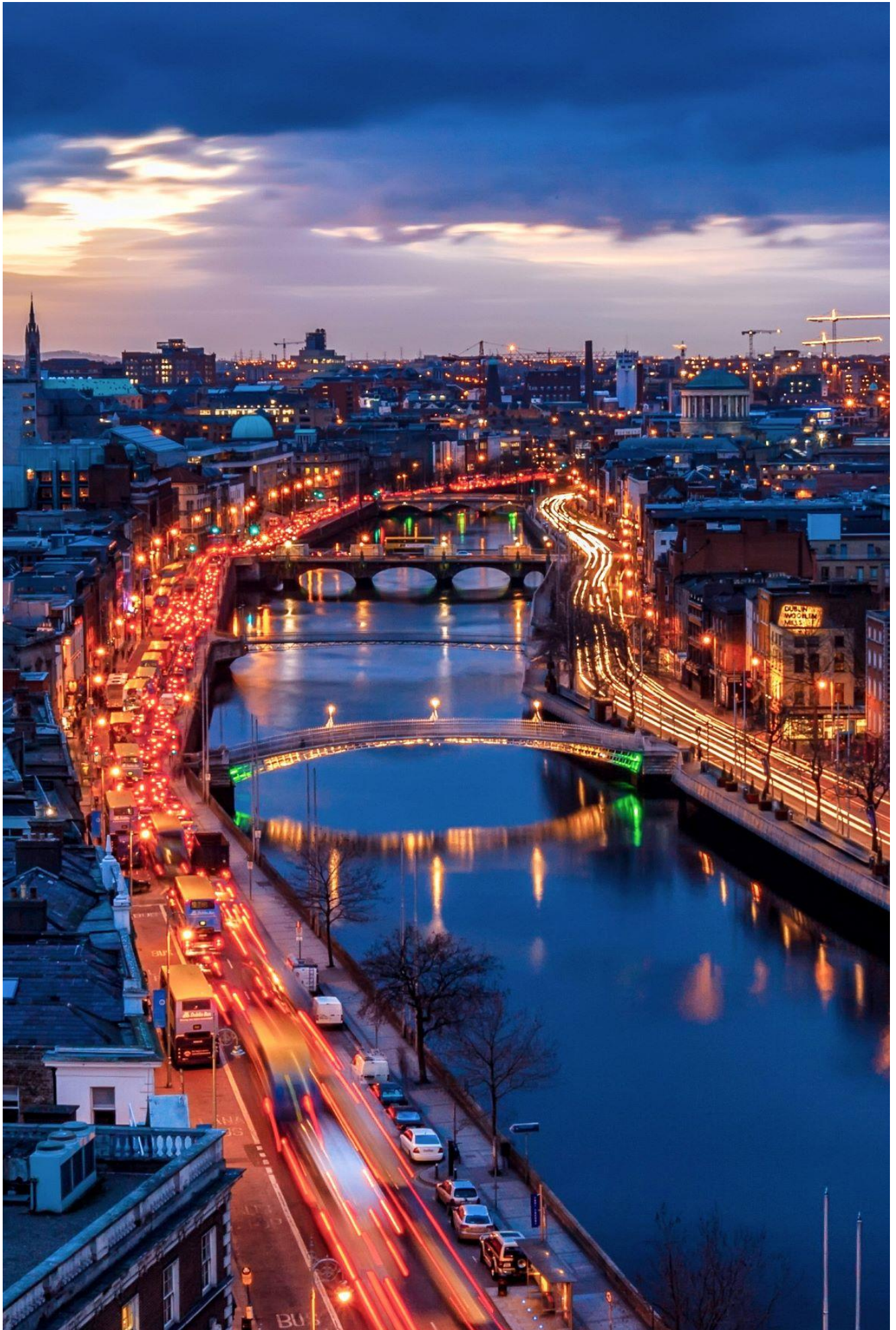
Dublin is an international city and gateway to the European Union for many businesses. The city region contributes significantly to the Ireland's economy and is a major economic driver for the country. Dublin is seen as an attractive place to work and invest and is home to some of the most influential multinational corporations, with substantial clusters in technology and finance. The city has particular importance as an IT Hub (9 out of the top 10 global tech companies are located in Dublin) and is also a centre of emerging as well as established multinationals with a thriving start-up scene.



Dublin's economy is predominately a services based economy with that sector accounting for c.82% of the total activity while manufacturing and construction combined account for c.19%. As the State's capital, Dublin performs a significant economic, administrative and cultural role. Dublin is also one of the leading research, development and innovation locations in the world and has a young and well educated population and a large number of universities, institutes and research centres.

Dublin, as Ireland's capital city, has a key role in attracting FDI to the country and that it is important that Dublin continues to be a dynamic city that remains attractive for companies seeking a location of international scale for their global operations. It is of central importance that Dublin's role as the national economic engine is not only protected but also further enhanced. The successful growth of Dublin and associated economic benefits is dependent on a local authority funding model that identifies with the future funding challenges of the City Council in expanding service provision in response to the changing environment.

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 that pervades much of the discussion on local funding, owing to the uniqueness of Dublin 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 world's 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 its potential as a modern and complete 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.

Dublin City – Economic and Employment Strategy

The strategy for the city economy and enterprise is

- to safeguard and enhance Dublin's role as Ireland's internationally competitive capital;
- to promote strategic and targeted employment growth;
- to support regeneration and tackle vacancy;
- to support the creation of high quality urban spaces and the transition to a low-carbon, green, circular economy;
- to support key economic sectors;
- and to foster local economic development and social enterprise.

This approach aligns with the overall goals of National Planning Framework (NPF) and Regional Spatial and Economic Strategy for the economic development of Dublin City as Ireland's leading global city of scale. The overall approach to the provision of employment lands in the Dublin City area has regard to the role of the city as the country's most significant employment centre which attracts significant numbers of workers from surrounding local authority areas. The city has seen a significant change in the character of its employment land over the last number of years.

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 ample 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.



Reimagining 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 underserved 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

This plan 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

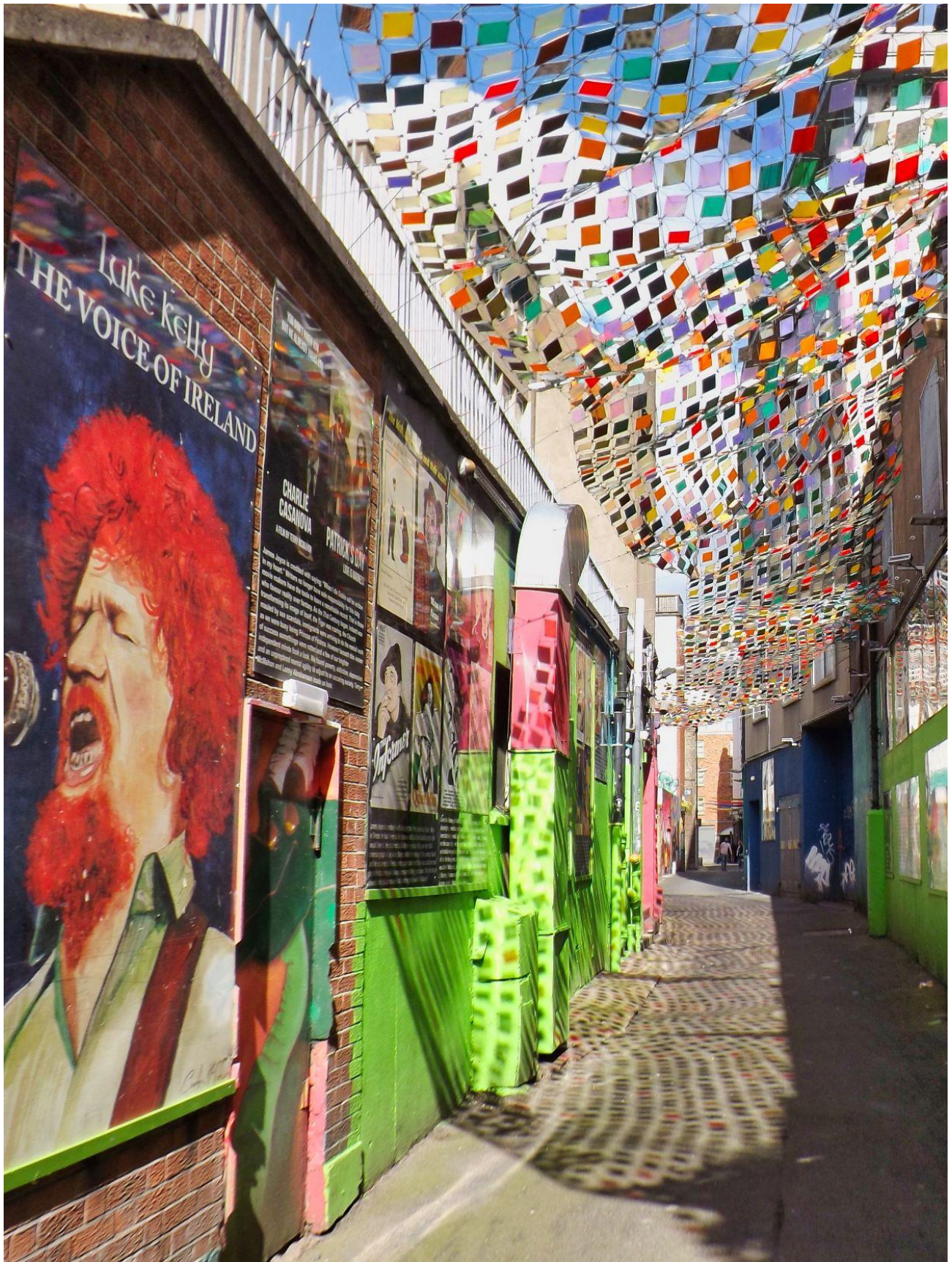
“Create a vibrant city centre complemented by well serviced and connected neighbourhoods”.

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 its future potential. This will benefit both the City and its 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.

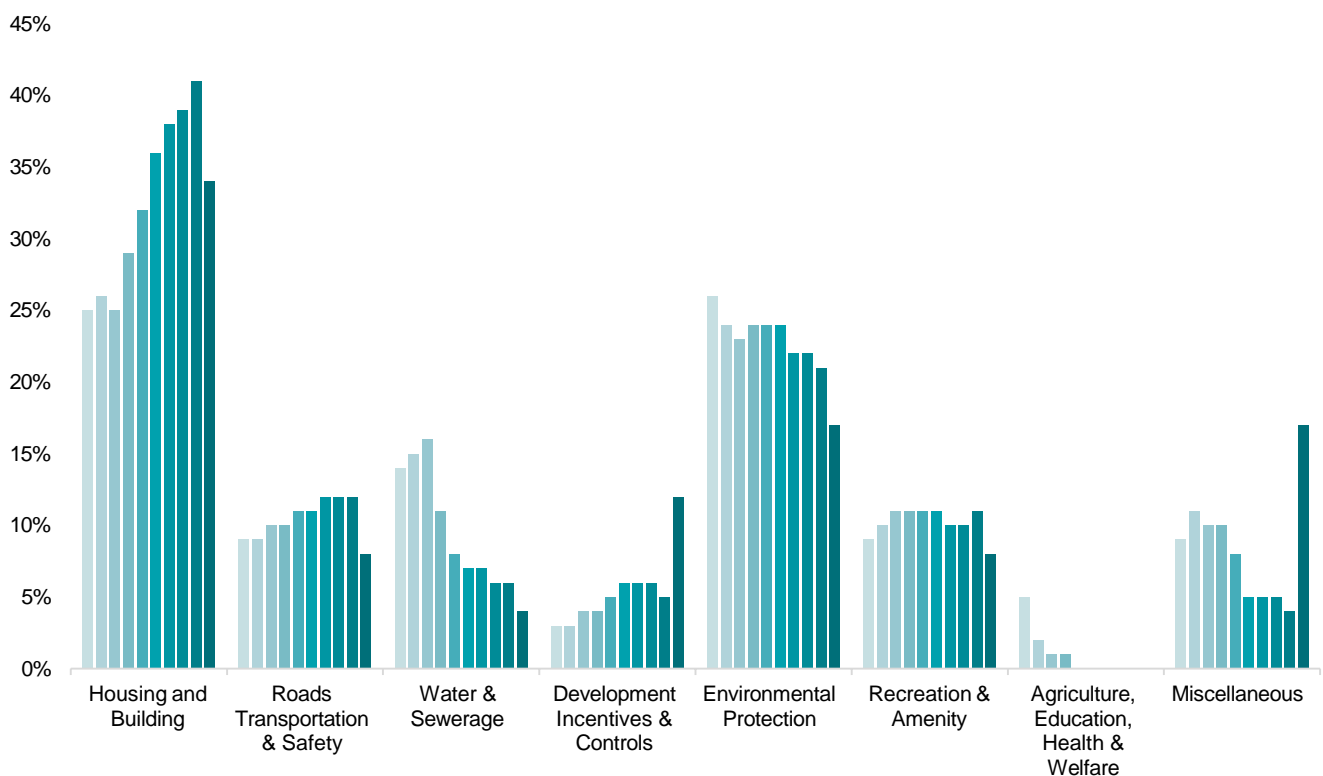
These partnerships are an attractive option, as innovative ideas can be jointly developed with private sector partners who have the technical skills and experience needed to achieve success. They also reduce the financial burden on all parties and diminish project risks.



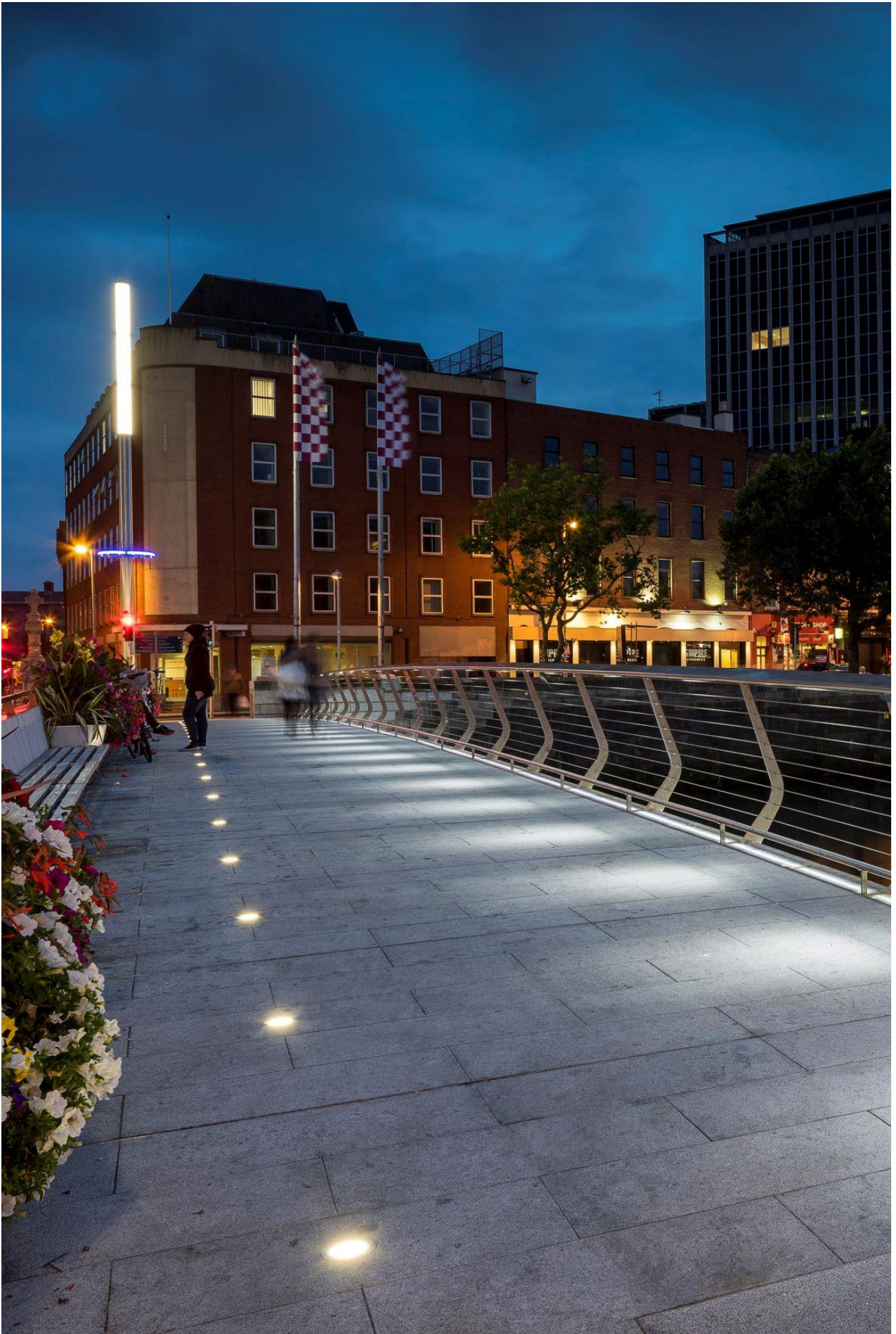
Challenges - Expenditure

The overall expenditure trend 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 5: Dublin City Council Changes in Profiled Expenditure by Division 2011-2020



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

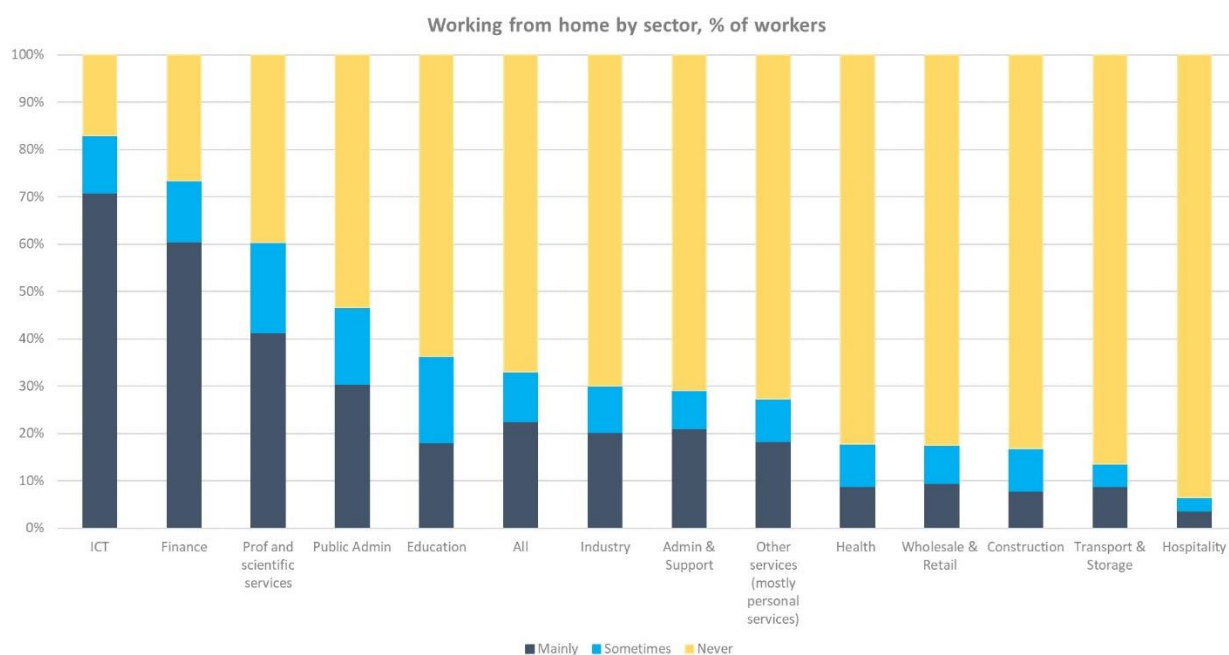


Unprecedented Impact of COVID-19 on Dublin City Council

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.

Fig 6 (below) is from the Q1 2023 IBEC economic outlook details that as of the second half of 2022 that certain sectors like ICT, finance, and professional and scientific activities, where 71%, 60%, and 41% of workers respectively work mainly remotely. In total, 83% of ICT, 73% of financial and 60% of professional and scientific employees work either mainly or partly remotely, along with just under half of public sector workers (excluding education and healthcare).

Fig 6: Remote Working by Sector





Legacy of COVID-19

Trading Landscape

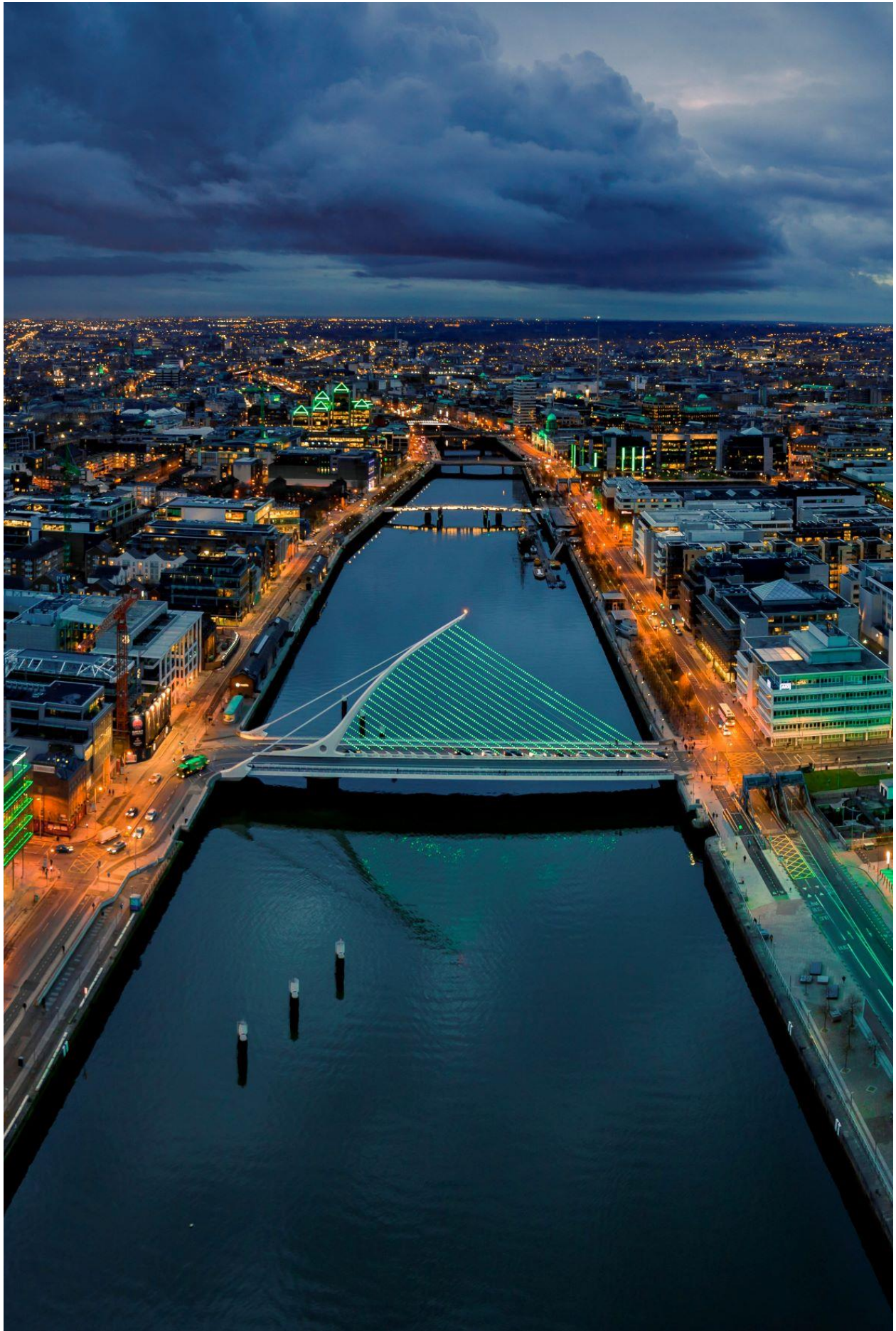
Even in a scenario whereby we are not perennially moving between various tiers of COVID related restrictions and a return to normality the future of the city as a space is in flux like perhaps no other time.

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.



Challenges – Flat or low Income growth

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 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.

Fig 7: 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. 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.

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.



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.

In 2022 the Department of Housing Heritage and Local Government provided a once off, non – recurring grant of €8m in total across the four Dublin Local Authorities towards the costs of providing an emergency ambulance service partially funded by the HSE.



Current Funding Model

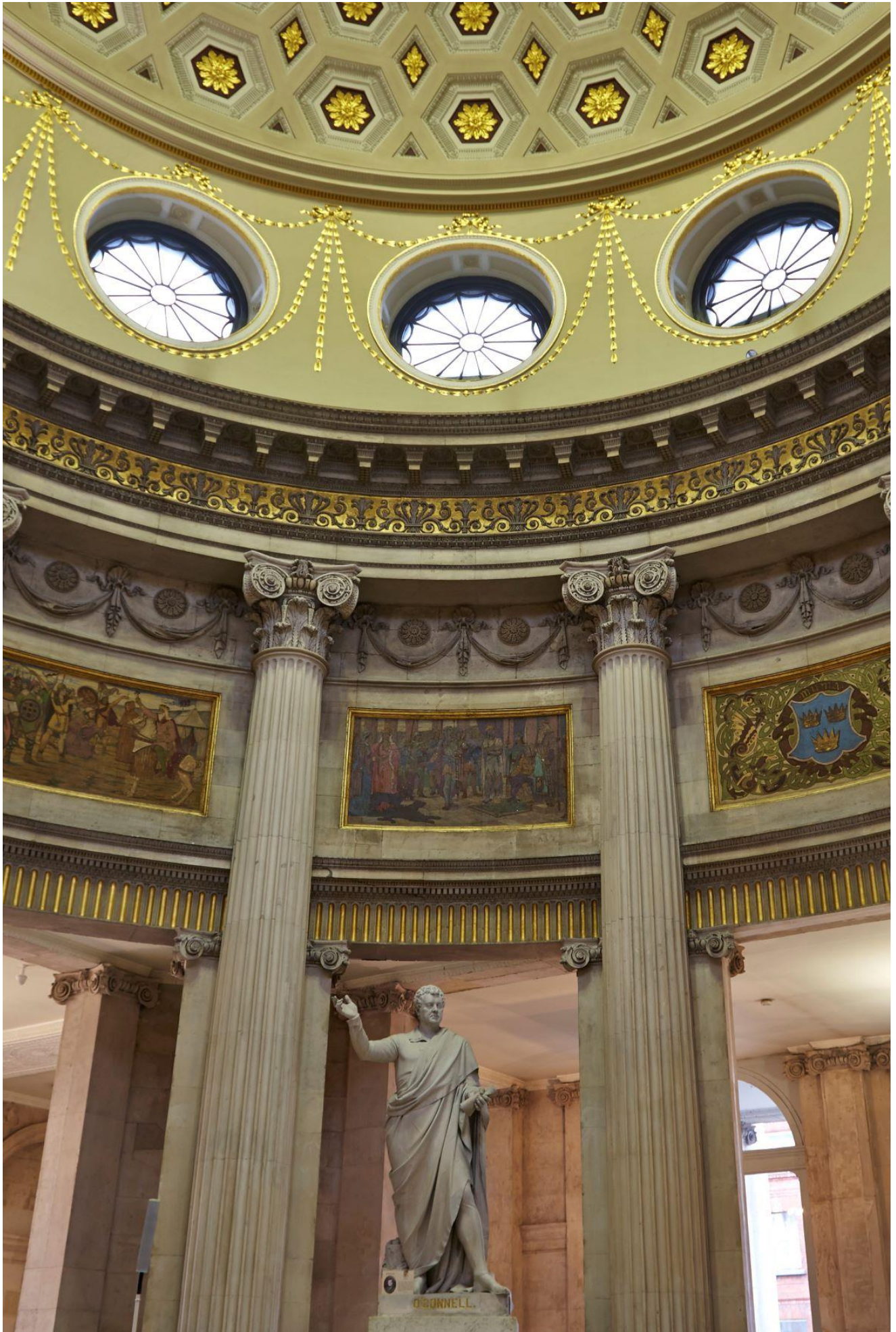
The transition to the current funding model has impacted on local authorities in a number of ways, namely:

- 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 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 delay to 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.

The revaluation process did not uplift overall Local Property Tax fund raising levels. This resulted in approximately 10,000 additional properties in the Dublin City area becoming liable for the LPT, however, the impact on discretionary funding for local services, locally determined was low.

The removing of the 20% equalisation fund element of distribution resulted in a potential uplift of around €16 million per annum to Dublin City Council, however, this was offset by a reduction of funding elsewhere.

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Financial Challenges for DCC

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 €1.24 billion in 2023 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. 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. Also, 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.

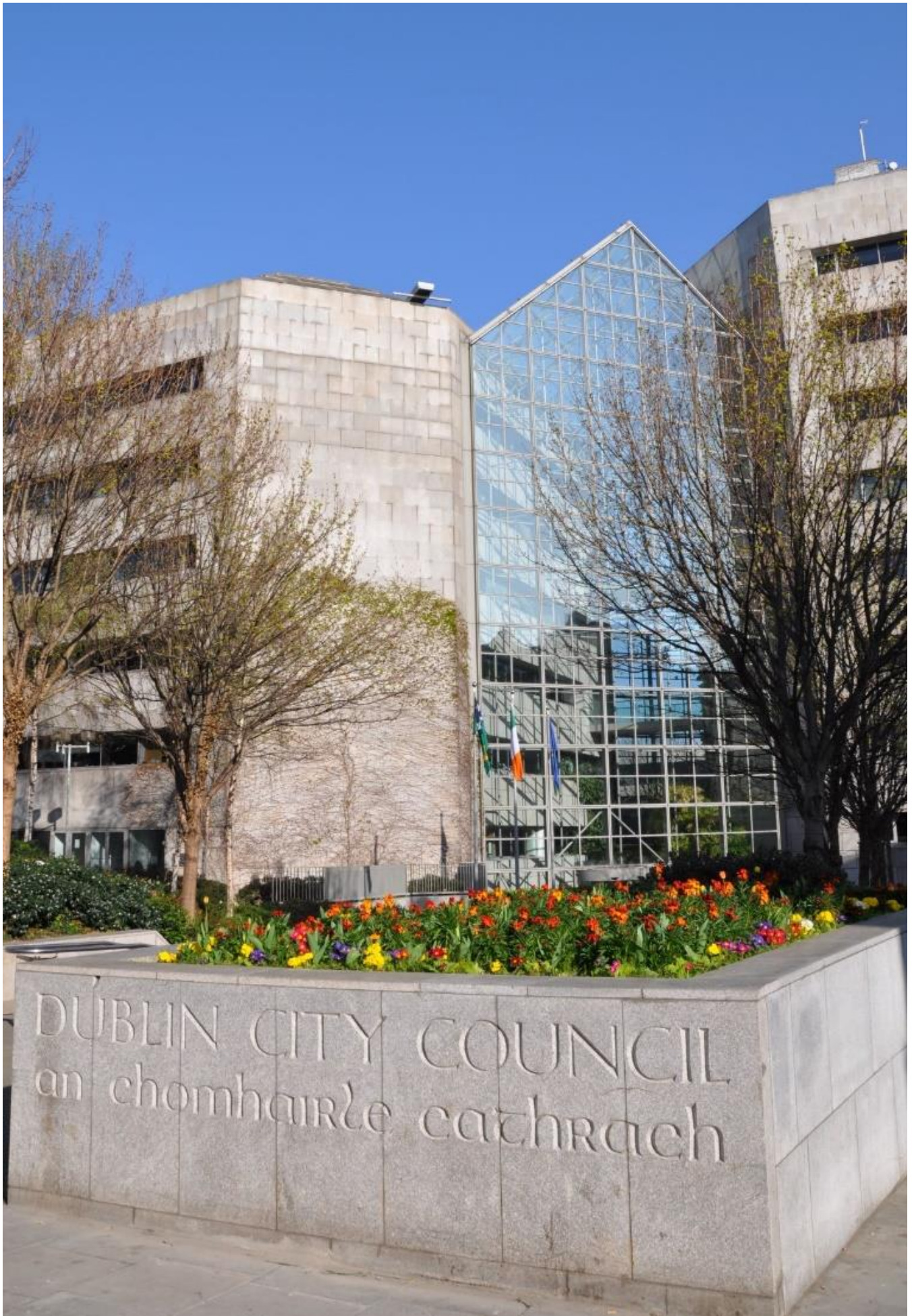
This is also the case with the implementation of the local property tax. Residents within the local authority pay their taxes, as collected by the Revenue Commission but, with the understanding that these funds will be used within the local authority for its enhancement and development and to prioritise the needs of the local community. However, with Dublin City Council calculating that just €7m of the estimated €96 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 Elected 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 €110 million of lost revenue to the Council due to the failure to apply the base rate and circa €215 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.



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.

Dublin and the Impact of the National Planning Framework (NPF)

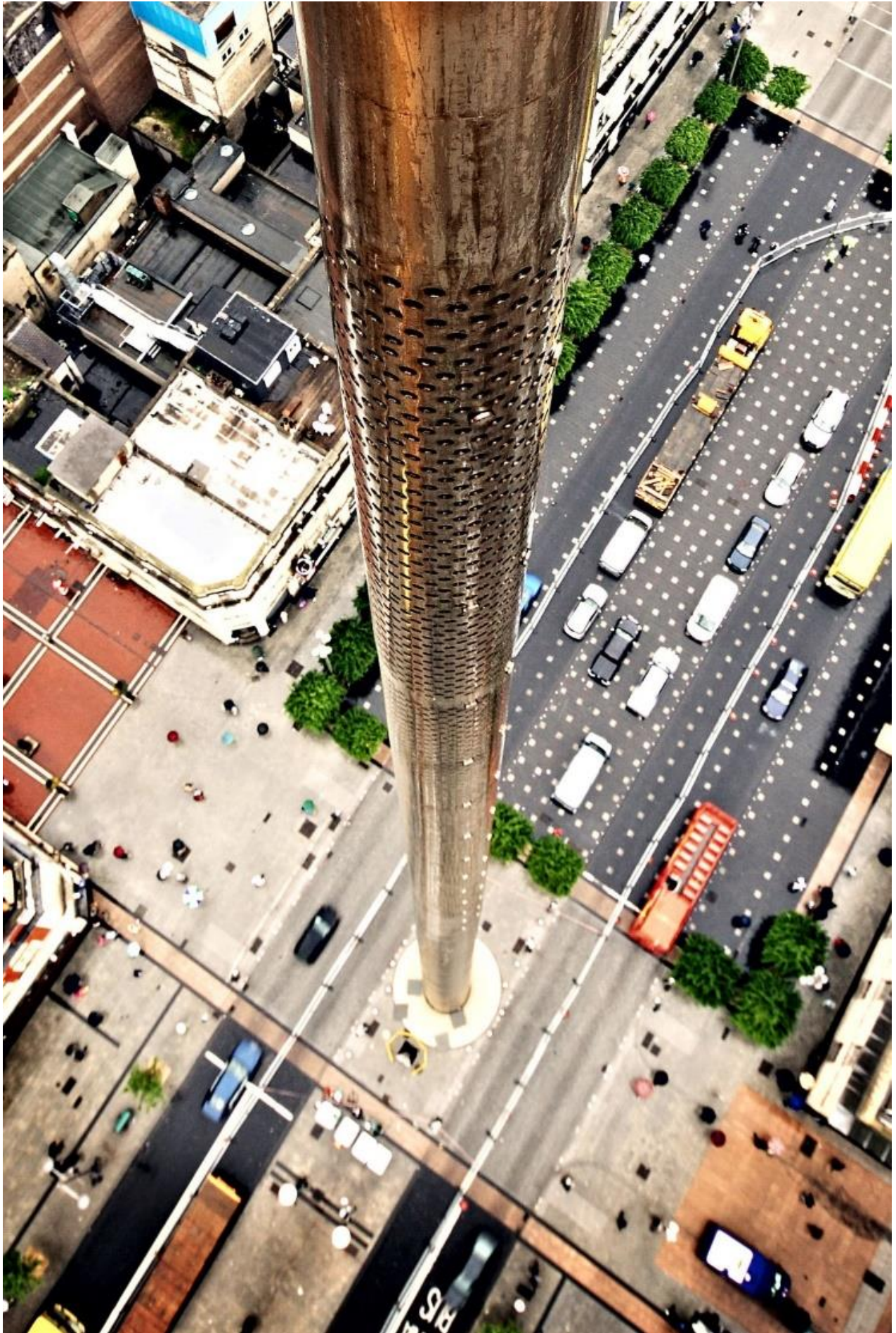
The NPF is the government's high level strategic plan for shaping the future growth and development of the country to 2040. At national level, a key strategic aim of the National Planning Framework (NPF) is "to support the future growth and success of Dublin as Ireland's leading global city of scale, by better managing Dublin's growth to ensure that more of it can be accommodated within and close to the city". Dublin's crucial economic role is recognised in the NPF which states that Dublin is Ireland's globally competitive city of scale and continues to drive much of the growth of the country.

Compact growth is a key strategic objective of the plan and there is a particular focus on Dublin, with the NPF advocating an approach of consolidation and densification in the city. This will require focus on a number of large regeneration and redevelopment projects, particularly in respect of underutilised land within the canals and the M50 ring. There is also an emphasis on key Future Growth Enablers for Dublin including a requirement to identify large regeneration sites suitable for housing and employment and aligning development with strategic public transport infrastructure projects.

The NPF acknowledges that there is a need to improve housing choice, transport mobility and quality of life to ensure that the city retains its competitive advantage and that Dublin also needs to become a greener, more environmentally sustainable city in line with international competitors.

These initiatives will place additional demands on service provision and challenges in financing additional service provision.

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.



Baseline Funding

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**.

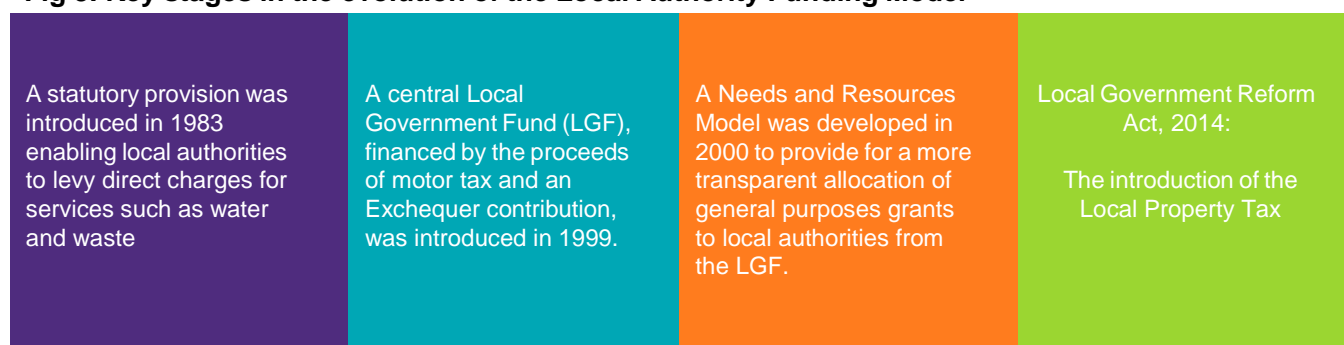
The portion retained by these 'surplus' authorities for their 'own use' is an amount equal to their individual baseline plus 20% of the total expected LPT income.

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.

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.

Fig 8: Key stages in the evolution of the Local Authority Funding Model





The **Department of Housing, Local Government and Heritage** directs 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 €7m in available in 2023.

Reviewing Baseline

The somewhat arbitrary and ill-defined approach taken to determining the baseline level of funding in 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, 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.



Conclusions

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 however did not result in a significant flow through of additional revenue for local authorities including Dublin City Council.

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.