



Submission to Dublin City Council Public Consultation on Local Property Tax

August 2018

1. Introduction

Dublin Chamber welcomes this opportunity to make a submission to Dublin City Council as part of the public consultation on Local Property Tax (LPT). As the representative body for the business community in the Greater Dublin Area, Dublin Chamber is committed to enhancing both economic competitiveness and quality of life across the region. With a cross-sectoral membership base of 1,300 firms, spanning the spectrum from micro-enterprises to multinationals, and employing 300,000 people nationally, the Chamber has a unique insight into the needs of both businesses and their employees.

Dublin Chamber wishes to highlight a number of concerns with respect to LPT and requests that these be taken into account by Dublin City Council in relation to its annual decision on the LPT variation, and in its subsequent representations to Government Departments.

We argue that Dublin is suffering from underinvestment in its infrastructure and municipal services; that there is strong demand for a better urban environment and improved quality of life; and that LPT revenue has an important role to play in meeting these needs. A large and one-sided relinquishment of legitimate public revenues is not appropriate at this time.

2. Public & Business Demand for a Better City

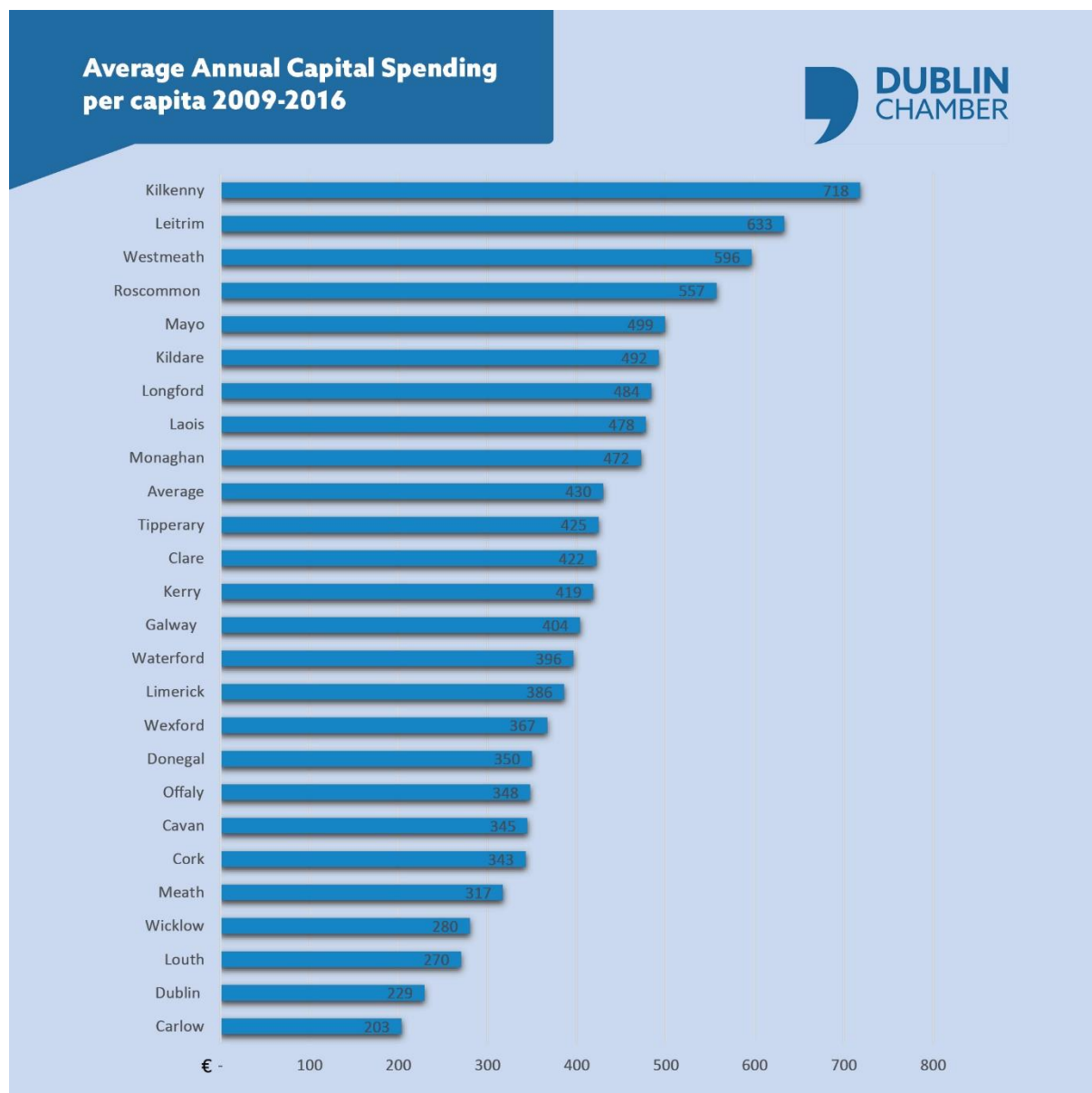
Dublin Chamber takes a holistic view of the business environment in which quality of life and economic competitiveness are complementary. In *The Great Dublin Survey*, conducted by the Chamber last year, Dubliners from all walks of life were asked their views about the city, and their needs and aspirations for the future. The survey garnered over 20,000 responses and formed the background to our in-depth report, *A Vision for Dublin 2050*, which outlines in rich detail the public's perception of Dublin and the direction it should take.

While Dubliners are proud of their city, they are also very conscious of its shortcomings. Whereas 82% of respondents described Stockholm as a clean city, and figures of 80% and 76% were received for Sydney and Berlin respectively, just 22% of respondents described Dublin as clean. Twice as many people described Ireland's capital as a dirty city.¹ This public perception points to a wider concern about maintenance of the urban environment in Dublin, and its impact on quality of life.

¹ Dublin Chamber 2017, *A Vision for Dublin 2050*, pp. 15, 20,
<https://www.scribd.com/document/378180736/A-Vision-for-Dublin-2050-Lores>

Dublin Chamber has long argued for greater investment in urban infrastructure from the central Government. We have pointed out, for example, that despite the considerable demographic pressure on its productive and social infrastructure, Dublin received the second lowest level of capital investment per head from central government of any county from 2009-2016. It received less than half of the national average and less than a third of the amount received by higher per capita recipients.²

Table 1: Average Annual Capital Spending per capita by county³

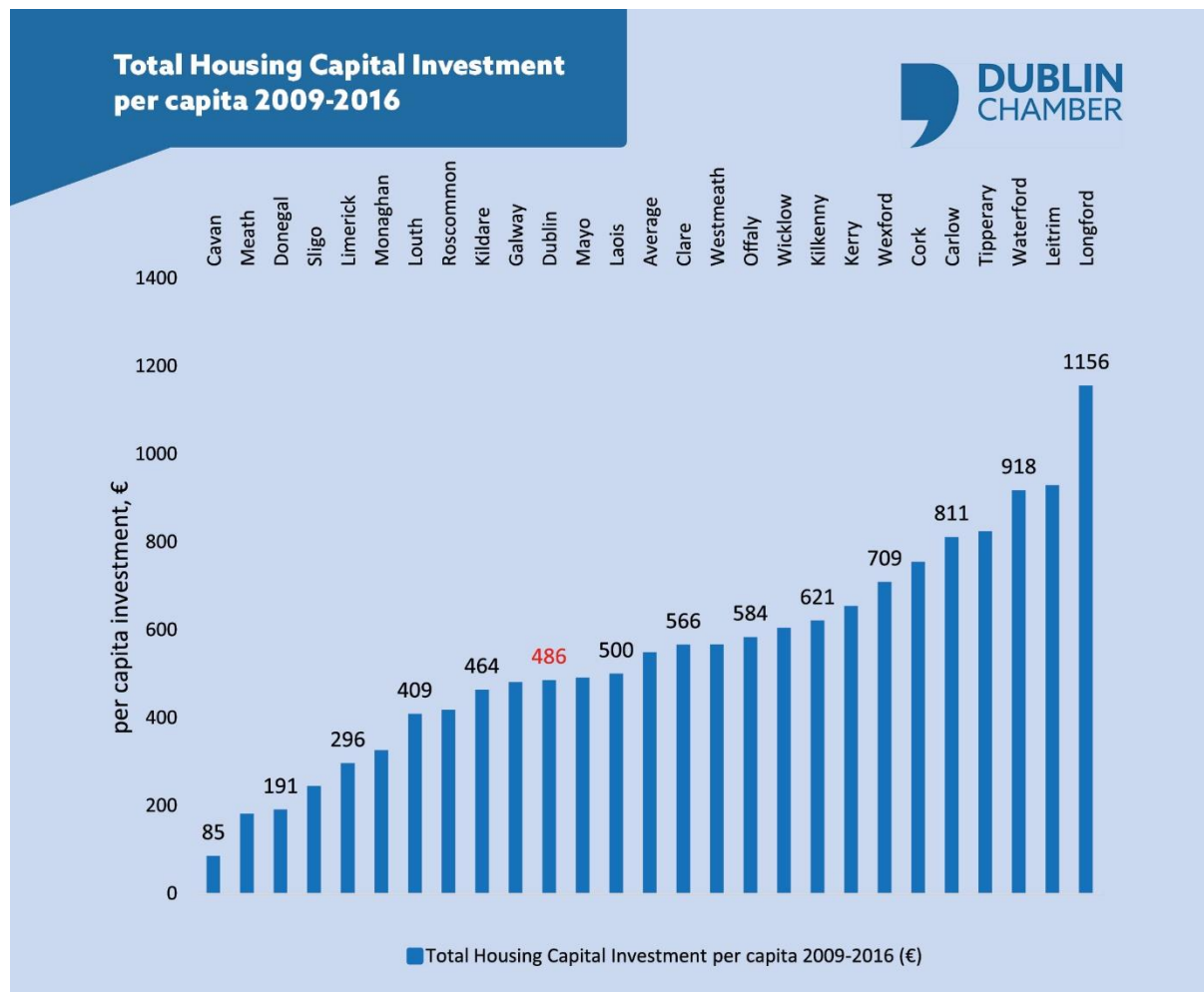


² Dublin Chamber, July 2018, Submission to Dept. Housing, Planning & Local Government Consultation on Local Government Funding.

³ Includes 1) Income Received by Local Authorities for Capital Spending in Six Budget Service Categories including transport (37%), housing and urban regeneration programmes (34%) and general purpose grants (16%); 2) allocations from Transport Infrastructure Ireland for National Roads in each county. Does not include: 1) One-Off Capital Spending on National Infrastructure Projects (such as Hospital Buildings and Primary Care Centres) that is difficult to geographically localise and mainly takes the form of availability payments on PPPs.

Perhaps the most egregious example of underinvestment has been in the Housing category. Dublin is the epicentre of the accommodation crisis. It has proportionally the highest social housing waiting lists in Ireland, and the highest number of households reliant upon social housing supports such as HAP or Rent Supplement. Yet despite having the greatest housing needs in the country, Dublin has received one of the lowest capital investments in housing by the Central Government over the 2009-2016 period.

Table 2: Total Housing Capital Investment per capita 2009-2016



It must be noted that this analysis is based solely on Dublin’s resident population. It does not take account of those resident outside of Dublin who utilise Dublin’s infrastructure every working day. An additional 116,000 people commute into Dublin to work on a daily basis, and many more for education and public services.⁴ Moreover, the capital city is the reception point for the overwhelming majority of Ireland’s tourist population, with Dublin Airport receiving 82% of overseas visitors to Republic of Ireland,⁵ and 68% of holidaymakers spending time in Dublin before travelling on to other parts of the country.⁶ Taking these

⁴ Analysis of CSO Census 2016 data privately supplied to Dublin Chamber.

⁵ Dublin Airport, *North Runway: Potential to connect, compete and grow*, p. 4

<https://www.dublinairport.com/docs/default-source/North-Runway-Docs/potential-to-connect-compete-and-growd6ad438b73386836b47fff0000600727.pdf?sfvrsn=0#page=4>

⁶ Tourism Ireland, *Facts & Figures 2016*, p. 4,

<https://www.tourismireland.com/TourismIreland/media/Tourism->

further pressures into account, it is clear that the abovementioned spending figures are merely a conservative representation of the inadequacy in funding for Dublin.

This is both socially inequitable and economically unsound. If sustained, it will exacerbate social problems and undermine Dublin's international competitiveness as a city in which to live, work, invest, and do business. Already, levels of life satisfaction are lower in Irish cities than in rural areas, both among high-income and low-income groups.⁷ Other research has found that Dublin has one of the lowest levels of self-reported life satisfaction in Ireland.⁸

It is clear that there is strong demand from Dublin's population for a better urban environment in Ireland's capital city. This can only be achieved by better investment in Dublin's local infrastructure and better funding for municipal services. While Dublin Chamber will continue to make the case for a fairer share of central Government investment in Dublin, Local Authority representatives have a responsibility to do their part by making the most efficient use of existing revenue streams to improve economic competitiveness and quality of life in the city.

3. LPT and Revenue Generation

Dublin Chamber supports a responsible fiscal policy. We recognise that maintaining a diverse range of Government revenue streams at national and local level is a key marker of the fiscal prudence that underpins long-term economic stability and success. The requirement for institution of a property tax as part of the EU / IMF Programme of Financial Support for Ireland was appropriate in this context.

However, there remains a general tendency amongst Local Authorities towards overreliance on the collection of commercial rates revenue as a means of balancing accounts. The manner in which the discretionary variation in LPT has been exercised by Local Authorities since January 2015 is indicative of the attitude prevalent among local representatives, with three out of four Local Authorities in the Dublin Region choosing to reduce LPT by the full 15% permitted last year. No concomitant proportional reduction in the commercial rates burden was announced.⁹ Meanwhile, commercial rates paid by the business community accounted for over a third (37%) of revenue last year in the Dublin City Council area, for example, and over 40% of income the previous year.¹⁰ There is a strong perception in the business community that this policy trend owes more to the electoral concerns than to a disinterested regard for the social and economic environment in Dublin.

Dublin Chamber welcomes the presence of multiple sources of Local Authority funding, and encourages Dublin City Council to adopt a more balanced approach to revenue generation.

[Ireland/Press%20Releases/Press%20Releases%202017/Facts-and-Figures-2016.pdf?ext=.pdf#page=4](#)

⁷ Eurostat, Statistical Books, Urban Europe: Statistics on Towns, Cities & Suburbs 2016 Ed., p. 267

⁸ UCD Briefing Paper for Comhar, Clinch et al, Understanding & Measuring Quality of Life in Ireland: sustainability, happiness and well-being, p. 56.

⁹ Fingal County Council was the exception, reducing LPT by 10%.

¹⁰ Dublin City Council, Financial Statements 2016-2017, <http://www.dublincity.ie/sites/default/files/content/YourCouncil/AbouttheCouncil/CouncilSpendingRevenue/Documents/Dublin%20City%20Council%20AFS%202016%20Audited.pdf>; <http://www.dublincity.ie/sites/default/files/content/YourCouncil/AbouttheCouncil/CouncilSpendingRevenue/Documents/Full%20Unaudited%20Accounts%202017.pdf>

4. The Importance of LPT Funding

There is a manifest need for more investment in Dublin and, with businesses already heavily relied upon to fund Local Authorities, LPT is a revenue stream that should be managed to improve urban services whilst being prudent in relation to household impact.

Dublin Chamber notes with regret the decision by Councillors to discount the advice of Dublin City Council officials about the needs of the city in the run-up to the decision on the LPT variation last year. In September 2017, Chief Executive Owen Keegan advised that a slightly more modest LPT reduction of 10% would have returned an additional €4 million which could have been used to boost municipal services with a particular focus on improving Dublin's cleanliness.¹¹ As well as several cultural and social inclusion initiatives, the proposal would have allowed for:

- Recruitment of 50 permanent street cleaning and road maintenance staff;
- Roll-out of 300 additional smart compactor bins;
- An improved power washing programme;
- Extension of the graffiti removal programme;
- Enhanced area-based anti-litter/graffiti initiatives;
- An improved bulky household waste collection service;
- Roll-out of a waste disposal options awareness campaign.

The decision not to fund necessary improvements represented a rebuff to public and business feedback about the current level of cleanliness in the city. But it also failed to take account of the wide range of other areas in which Dublin's infrastructure and services could be improved. Whereas the average benefit to accruing to a household on account of the negative LPT variation that was adopted was very modest, the opportunity cost was significant, with many potential city improvements going unfunded on account of the decision. In the course of its Strategic Policy Committee representations over the past year, Dublin Chamber has highlighted a number of these projects, most notably including the expansion of the Dublin Bike scheme.

Dublin Chamber encourages Councillors to heed similar advice this year, and to consider the ways in which Dublin's local infrastructure, services, cleanliness, and quality of life could be tangibly improved by adopting a more modest variation in LPT. A full 15% reduction in the 2019 fiscal year would represent an excessive and one-sided relinquishment of public funds at a time of considerable population growth and pressure on Dublin's resources.

5. The Future of LPT

In a recent policy submission, Dublin Chamber has argued that the LPT regime should be reformed so as to better meet the needs of Dublin and urban Ireland generally.¹² We take

¹¹ Dublin City Council, Report No. 309/2017, Report of the Chief Executive to the Lord Mayor and Members of Dublin City Council re Consideration of the Local Property Tax Local Adjustment Factor in respect of the Financial Year 2018, https://consultation.dublincity.ie/finance/lpt-consultation-2019/supporting_documents/02%20%20Report%203092017%20LPT%20Variation.pdf

¹² Dublin Chamber, Submission to Dept. Finance re Review of Local Property Tax, <https://www.een-ireland.ie/eei/assets/documents/uploaded/general/Dublin%20Chamber%20LPT%20Review%20Submission%20May%202018.pdf>

this opportunity to summarise our recommendations and requests that these be reflected in Dublin City Council's own representations to Government.

Dublin Chamber acknowledges the complexities involved in determining the appropriate yield from LPT and the potential impact of changes on urban living costs and the general economic environment. There is understandable concern about the potential impact of recent property price inflation on LPT liabilities in the capital. Any update to the LPT regime should be informed by the need to maintain cost competitiveness in Ireland's largest city. The Chamber broadly welcomes the findings of the 2015 Thornhill report on the review of the Local Property Tax, and agrees that policy should aim for 'relative stability' in LPT liabilities over both the short and medium terms.¹³

Dublin Chamber particularly welcomes the Thornhill report's focus on establishing a clearer connection between Local Property Tax and local services, a theme discussed in Chapter 5.¹⁴ Dublin Chamber has long argued that revenues raised locally should be spent locally. This is vitally necessary to address the aforementioned underfunding issues in Dublin, and also to improve popular 'buy-in' of local government. The experience of commercial ratepayers is instructive in this regard. Despite the scale of the business contribution to local services through commercial rates, just 1 in 4 businesses report knowing what their commercial rates are used to pay for.¹⁵ Unsurprisingly, in this context, only a third of businesses (34%) believe that they get value for money in return for their commercial rates.¹⁶ This points to a wider 'disconnect' between taxpayers and local government, which is unlikely to be limited to the business community.

The implementation of Thornhill Recommendations 9 and 10, relating to a transition towards 100% retention of LPT revenues in each local authority in the medium-term, would represent an important step in the right direction. The Chamber concurs with the Thornhill assessment that this would enhance accountability at local level and thereby strengthen local democracy.¹⁷ We note, however, that the political argument for allowing Dublin City to retain the 20% of LPT revenue currently committed to the Central Equalisation Fund is weakened by recent Local Authority decisions to waive LPT revenues through the annual variation mechanism. The latter suggests that Dublin City is not, in fact, in need of greater funding.

Dublin Chamber will continue to argue on Dublin's behalf at national level, advocating local retention and reinvestment of locally generated revenue to improve urban services and strengthen local democracy. However, the Chamber advises that the case for greater fiscal autonomy in the capital city would be undermined by an excessive downward variation in 2019.

¹³ Don Thornhill, Review of the Local Property Tax (LPT), July 2015,

http://www.budget.gov.ie/Budgets/2016/Documents/Review_of_Local_Property_Tax_pub.pdf

¹⁴ Don Thornhill, Review of the Local Property Tax (LPT), July 2015, p. 48,

http://www.budget.gov.ie/Budgets/2016/Documents/Review_of_Local_Property_Tax_pub.pdf#page=48 His recommendations are itemised in the Executive Summary.

¹⁵ Dublin Chamber Quarterly Business Trends Survey Q4 2016

¹⁶ Dublin Chamber Quarterly Business Trends Survey Q4 2017

¹⁷ Don Thornhill, Review of the Local Property Tax (LPT), July 2015, p. 48,

http://www.budget.gov.ie/Budgets/2016/Documents/Review_of_Local_Property_Tax_pub.pdf#page=48