Submission to South Dublin County Council on the Variation of Local Property Tax in Budget 2021

September 2020

A full -15% reduction in Local Property Tax in the 2021 fiscal year would represent an excessive and one-sided relinquishment of public funds at a time of considerable pressure on Dublin's infrastructure and local authority finances. Moreover, it would heighten the risk of another increase in commercial rates in a context of fiscal pressure due to the impact of Covid-19 restrictions, putting struggling businesses at risk of closure. Dublin Chamber encourages South Dublin County Councillors to consider the ways in which infrastructure, carbon emissions, traffic congestion, and quality of life could be tangibly improved by adopting a more modest variation in LPT in future years; and to ensure that commercial rates are not increased in 2021 due to the LPT decision.

Dublin Chamber is the representative body for the businesses throughout the Greater Dublin Area and is committed to enhancing both economic competitiveness and quality of life across the region. With a cross-sectoral membership base spanning the spectrum from micro-enterprises to multinationals, and supporting 300,000 jobs 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 South Dublin County Council in relation to its annual decision on the LPT variation. We argue that Dublin as a whole is suffering from underinvestment in its infrastructure and municipal services; that there is strong demand for climate action, a better urban environment, and improved quality of life; and that LPT revenue has an important role to play in meeting these needs, particularly when. A large and one-sided relinquishment of revenue from LPT is not appropriate at this time.

Moreover, the uncertain economic and fiscal outlook following Covid-19 makes it imprudent to voluntarily forego more revenue than necessary when this could necessitate an increase in commercial rates on vulnerable businesses later in the year, putting jobs at risk. The possibility must be considered that the extreme fiscal pressures facing Ireland on account of Covid-19 related spending measures will result in reduced local authority funding from central government next year. Therefore, the decision on the adjustment of Local Property Tax in Dún Laoghaire-Rathdown must not be taken in isolation. It must be considered in light of the likely implications for the overall budget for 2021 which will be agreed later this year, and the implications for commercial rates in particular.

Businesses already fund over half of the South Dublin County Council budget directly through commercial rates, in addition to their other contributions through various charges and levies, yet commercial rates have often been treated as a balancing item to address shortfalls arising from earlier decisions. With many businesses in across Dublin now in serious crisis and at risk of closure, and thousands of livelihoods at stake, there is no room for complacency this year. Dublin Chamber encourages all elected representatives to consider this carefully and to ensure that commercial rates are not increased at a critical time for business and employment.

South Dublin County Council should limit any LPT reduction this year to an absolute maximum of -10%. Foregoing more revenue than this would be most imprudent in the current environment, while in future years additional revenues may assist in accelerating projects that could make a tangible difference to the transport offering, carbon emissions level, and quality of life in South County Dublin and the wider Dublin region.

Public & Business Demand for a Better Dublin Region

Dublin Chamber takes a holistic view of the business environment in which quality of life and economic competitiveness are complementary. For example, in *The Great Dublin Survey*, conducted by the Chamber, Dubliners from all walks of life were asked their views about the city, and their 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 capital 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 perception points to a wider concern about maintenance of the urban environment in Dublin. Dublin was recently ranked among the most traffic-congested cities in the world, with an average of almost 250 hours lost per driver annually.[2] Traffic congestion in the Greater Dublin Area costs the national economy €350 million per annum at a conservative estimate, rising to a cost of €2 billion per annum by 2033.[3] This impacts both upon business competitiveness and quality of life. Already, levels of life satisfaction are lower in Irish cities than in rural areas, both among high-income and low-income groups.[4] Other research has found that Dublin has one of the lowest levels of self-reported life satisfaction in Ireland.[5] Alongside housing, infrastructure consistently ranks as the most important long-term policy issue facing existing businesses in the Greater Dublin Area.

Dublin Chamber has long argued for greater investment in urban infrastructure from the central Government. We pointed out, for example, that despite the considerable

1 Dublin Chamber 2017, A Vision for Dublin 2050, pp. 15, 20, https://www.scribd.com/document/378180736/A-Vision-for-Dublin-2050-Lores
2 INRIX Global Traffic Scorecard 2018, http://inrix.com/scorecard/
3 Dept. of Transport calculation, Dáil Question No: 346, John Lahart TD. Ref No: 1857/17, Proof: 348, Answered by the Minister for Transport Tourism and Sport Shane Ross.
4 Eurostat, Statistical Books, Urban Europe: Statistics on Towns, Cities & Suburbs 2016 Ed., p. 267
5 UCD Briefing Paper for Comhar, Clinch et al, Understanding & Measuring Quality of Life in Ireland: sustainability, happiness and well-being, p. 56.

demographic pressure on its 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.[6] 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.[7]

There is strong demand for a better urban environment in Ireland's capital city region. This can only be achieved by better investment in Dublin's local infrastructure and better funding for municipal services. With businesses already heavily relied upon to fund Local Authorities, LPT is a revenue stream that should be better managed to improve urban services whilst being prudent in relation to household impact.

LPT as a Revenue Source

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. However, Dublin Chamber also supports greater funding and empowerment of local government in Dublin, and to this end we advocate for implementation of the key recommendations of the Thornhill Report on Local Property Tax.[8]

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. For example, in recent years there has been understandable concern about the potential impact of recent property price inflation on LPT liabilities in the capital. That is why the Chamber broadly welcomed the findings of the 2015 Thornhill report, and agrees that policy should aim for 'relative stability' in LPT liabilities over both the short term. 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,[9] and itemised in the Executive Summary as follows:

> *Recommendation 8:* Local authorities should be more engaged in supporting the Office of the Revenue Commissioners in the LPT process and also to provide the general public and individual households with programmatic and other useful information on how they spend the public funds available to them and the proportionate contribution made by the LPT.

[6] Dublin Chamber, July 2018, Submission to DHPLG Consultation on Local Government Funding, https://www.dublinchamber.ie/DublinChamberofCommerce/media/banners/Dublin-Chamber-Local-Govt-Funding-Submission-July-2018.pdf
[7] Analysis of CSO Census 2016 data privately supplied to Dublin Chamber.
[8] 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
[9] 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

Recommendation 9: Over the medium term, the Government should consider moving to a system whereby local authorities retain 100 percent of the LPT revenues raised in their areas. Authorities with weaker tax bases would consequently need to receive supplementary Exchequer funding.

Recommendation 10: In line with the retention of 100 percent of LPT revenues by individual local authorities, LPT should be re-designated as the Local Council Tax (LCT) to emphasise that it is a tax raised to pay for local council services.

Dublin Chamber has long argued that revenues raised locally should be spent locally. This is necessary both to address the aforementioned underfunding issues in Dublin, and also to improve popular 'buy-in' of local government. We argue the case for this in our representations to national government.[10] However, it is difficult to ensure that this argument is heeded when Councillors voluntarily relinquish revenue from LPT to the maximum extent that is legally permissible.

Moreover, 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 is indicative of the attitude prevalent among local representatives, with Councillors in South Dublin County Council, for example, reducing LPT by the full permissible 15% without concomitant reductions in commercial rates for struggling businesses. On the contrary, commercial rates have been raised in 3 out of the last 4 years. Commercial rates paid by the business community were to account for over half (51%) of South Dublin County Council income this year, while LPT revenue accounted for just 2%.[11] There is a perception in the business community that this policy trend owes more to electoral concerns than to a disinterested regard for good governance or for the social and economic environment in Dublin.

Dublin Chamber welcomes the presence of multiple sources of Local Authority funding, and encourages South Dublin County Council to adopt a more balanced approach to revenue generation in the coming years. While we will continue to make the case for a better share of central Government investment in Dublin, Local Authority representatives should do their own part by making the most effective use of existing revenue streams to improve economic competitiveness and quality of life in the city, while avoiding undue burdens on struggling businesses.

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10 E.g. Dublin Chamber, Submission to Dept. Finance re Review of Local Property Tax, May 2018, https://www.een-ireland.ie/eei/assets/documents/uploaded/general/Dublin%20Chamber%20LPT%20Review%20Submission%20May%202018.pdf

11 NUI Galway, Local Authority Finances, South Dublin, http://localauthorityfinances.com/income/30/