

## Commercial Rates

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### Key Point

Over €1.3 billion in commercial rates was collected by Councils last year. There was over €297m in outstanding rate arrears at the end of 2016.

### Context

There was €1.47 billion in accrued commercial rates in 2016 across the 31 Councils in Ireland. Outstanding arrears at the start of 2016 stood at €337m. Arrears decreased to €297m at the end of 2016; a fall of €40m or 12 per cent. Adjustments for vacant properties amounted to €123.7m, write offs €65.3m, and waivers just over €377,000. Specific doubtful arrears (SDA) amounted to €53.5m.

Specific doubtful arrears (SDA) account for pending vacancy applications or where criteria have not been met. SDA also captures accounts in examinership, receivership or liquidation, and where there has been no communication regarding the outcome of these processes. Table 1 shows specific doubtful arrears in 2015 and 2016 as a share of total rates for collection.

Table 1 – Specific Doubtful Arrears, 2015 & 2016

|                                  | 2015  | 2016  |
|----------------------------------|-------|-------|
| Total rates for collection - €m  | 1,682 | 1,616 |
| Specific Doubtful Arrears - €m   | 52.1  | 53.5  |
| SDA as % of rates for collection | 3.1   | 3.3   |

(Sources: Dep. of Housing and *Annual Financial Statements 2016*)

### Rates Collection

Over €1.6 billion in rates were due to be collected by Councils in 2016. Accounting for specific doubtful arrears the amount collected was €1.3 billion or an 84 per cent collection rate. See Table 2 for a breakdown by Local Authority.

Table 2 – Collection of Commercial Rates (%), 2016

|                        | Total for collection<br>- €m | Amount collected<br>- €m | Closing arrears<br>31/12/2016<br>€m | % Collected |
|------------------------|------------------------------|--------------------------|-------------------------------------|-------------|
| Fingal                 | 119.0                        | 110.9                    | 8.0                                 | 96          |
| Kilkenny               | 17.1                         | 16.0                     | 1.1                                 | 94          |
| Roscommon              | 10.4                         | 8.2                      | 2.2                                 | 91          |
| Dublin City            | 344.2                        | 303.1                    | 41.1                                | 90          |
| Meath                  | 33.8                         | 29.8                     | 4.0                                 | 89          |
| Carlow                 | 12.9                         | 11.1                     | 1.8                                 | 88          |
| Cork                   | 135.3                        | 117.8                    | 17.5                                | 88          |
| Offaly                 | 14.4                         | 12.2                     | 2.2                                 | 87          |
| Dún Laoghaire Rathdown | 91.8                         | 73.8                     | 18.0                                | 85          |
| Galway                 | 27.6                         | 21.2                     | 6.3                                 | 84          |
| Clare                  | 48.3                         | 37.2                     | 11.1                                | 84          |
| Longford               | 8.5                          | 6.5                      | 2.0                                 | 84          |
| Kildare                | 63.0                         | 50.9                     | 12.1                                | 83          |
| Cavan                  | 15.0                         | 11.4                     | 3.6                                 | 83          |
| South Dublin           | 127.2                        | 104.0                    | 23.1                                | 83          |
| Mayo                   | 24.6                         | 19.4                     | 5.2                                 | 82          |
| Monaghan               | 14.0                         | 10.1                     | 3.9                                 | 82          |
| Waterford              | 36.5                         | 28.3                     | 8.2                                 | 81          |
| Kerry                  | 42.1                         | 33.7                     | 8.4                                 | 81          |
| Leitrim                | 6.6                          | 4.2                      | 2.4                                 | 81          |
| Tipperary              | 34.1                         | 26.4                     | 7.7                                 | 81          |
| Westmeath              | 16.3                         | 12.6                     | 3.7                                 | 81          |
| Wicklow                | 32.3                         | 24.0                     | 8.3                                 | 79          |
| Wexford                | 38.2                         | 29.8                     | 8.4                                 | 79          |
| Cork City              | 79.6                         | 60.4                     | 19.2                                | 79          |
| Limerick               | 67.9                         | 49.1                     | 18.8                                | 77          |
| Sligo                  | 14.3                         | 10.4                     | 3.9                                 | 76          |
| Laois                  | 12.8                         | 9.6                      | 3.2                                 | 76          |
| Galway City            | 46.2                         | 34.2                     | 12.0                                | 75          |
| Donegal                | 40.1                         | 24.8                     | 15.3                                | 68          |
| Louth                  | 41.9                         | 27.2                     | 14.7                                | 68          |
| <b>Total</b>           | <b>1,615.7</b>               | <b>1,318.4</b>           | <b>297.3</b>                        | <b>84</b>   |

(Sources: Annual Financial Statements 2016) \*Note: Specific doubtful arrears are accounted for.

Only four local authorities have collection rates at or above 90 per cent: Fingal (96pc), Kilkenny (94pc), Roscommon (91pc) and Dublin City (90pc). Eighteen councils collected between 80 and 89 per cent of their rates, seven collected between 70 and 79 per cent, and two collected less than 70 per cent – Donegal and Louth (both 68pc).

### Year End Arrears

Outstanding year end arrears for 2016 were over €297m. This is double the arrears found in 2008 (€137.2m). End of year arrears increased three fold between 2008 and 2012 by €294m. See table 3.

**Table 3 – Year End Commercial Rates Arrears 2008 – 2016**

|                      | 2008  | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Closing Arrears - €m | 137.2 | 231.7 | 324.9 | 391.3 | 430.8 | 423.7 | 394.3 | 337.0 | 297.3 |
| Y-on-Y Variance - €m |       | 94    | 93    | 66    | 40    | -7    | -29   | -57   | -40   |
| Y-on-Y % Variance    |       | 69    | 40    | 20    | 10    | -2    | -7    | -15   | -12   |

(Sources: Dep. of Housing and *Annual Financial Statements 2016*)

Commercial rates continue to contribute the largest share to Local Authority revenue income, accounting for approximately one-third or €1.48 billion of local government income in 2017.

### Efficiency of Collection

We calculate each Local Authority's efficiency of rates collection by taking the cost of rates administration (less refunds and irrecoverable rates) and dividing this by net rates income. Table 4 shows the efficiency of collection of each Local Authority in 2016.

Table 4 – Efficiency of Rates Collection, 2016

| Ranking | Local Authority        | Efficiency of Collection (%) |
|---------|------------------------|------------------------------|
| 1       | Galway City            | 1.3                          |
| 2       | Fingal                 | 1.6                          |
| 3       | Dublin City            | 1.9                          |
| 4       | Kildare                | 2.0                          |
| 5       | South Dublin           | 2.0                          |
| 6       | Mayo                   | 2.1                          |
| 7       | Cork                   | 2.1                          |
| 8       | Cork City              | 2.1                          |
| 9       | Galway                 | 2.2                          |
| 10      | Kilkenny               | 2.2                          |
| 11      | Wexford                | 2.4                          |
| 12      | Kerry                  | 2.6                          |
| 13      | Wicklow                | 2.7                          |
| 14      | Dún Laoghaire Rathdown | 2.7                          |
| 15      | Clare                  | 2.7                          |
| 16      | Westmeath              | 2.9                          |
| 17      | Waterford              | 3.0                          |
| 18      | Limerick               | 3.0                          |
| 19      | Offaly                 | 3.1                          |
| 20      | Meath                  | 3.2                          |
| 21      | Laois                  | 3.2                          |
| 22      | Tipperary              | 3.5                          |
| 23      | Louth                  | 3.8                          |
| 24      | Carlow                 | 4.1                          |
| 25      | Donegal                | 4.2                          |
| 26      | Monaghan               | 4.4                          |
| 27      | Cavan                  | 4.6                          |
| 28      | Sligo                  | 4.7                          |
| 29      | Roscommon              | 4.9                          |
| 30      | Leitrim                | 5.0                          |
| 31      | Longford               | 5.4                          |

(Source: *Local Authority Budgets 2017 and Annual Financial Statements 2016*)

As shown in table 4, Galway City had the most efficient collection rate (1.3%), followed by Fingal (1.6%) and Dublin City (1.9%). Conversely, Longford has the least efficient collection rate at 5.4% of net rates, followed by Leitrim (5.0%) and Roscommon (4.9%). The overall efficiency of collection of rates across the 31 Local Authorities was 2.4%.