

The Cost of Collecting Commercial Rates

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In conjunction with the interactive web application for localauthorityfinances.com, which allows the public to examine Local Authority (LA) income and expenditure for the year 2014, we have gathered the data relating to the collection of Commercial Rates by each LA.¹ Rates, a form of property tax levied on the occupiers of all commercial and industrial property², are a significant source of income for LAs, comprising on average 26.5% of total income in each LA. Due to data restrictions, most Town Councils are excluded from the dataset.

Budgetary Arithmetic

The amounts to be collected in rates are calculated by LAs as a residual after expenditure and other income sources have been estimated, assuming full compliance so that all rates are recovered (see the example of Laois below). The costs of rates that are either not collected or are refunded are represented as a line of expenditure under the Administration of Rates. In this note, we deduct refunds and irrecoverable rates from both Commercial Rates, giving a figure for net income from rates, and from the cost of administration of rates for each LA, giving a figure for the real cost of collecting rates.³

Calculation of Commercial Rates to be levied by Laois County Council, 2014

Summary by Service Division	Expenditure	Income	Budget Net Expenditure 2014
	€	€	€
Gross Revenue Expenditure & Income			
Housing and Building	10,897,117	11,567,801	-670,684
Road Transport & Safety	13,641,909	9,647,692	3,994,217
Water Services	5,297,866	5,095,817	202,049
Development Management	3,963,122	977,733	2,985,389
Environmental Services	7,536,426	1,278,011	6,258,415
Recreation and Amenity	3,727,150	804,357	2,922,793
Agriculture, Education, Health & Welfare	1,585,260	1,124,895	460,365
Miscellaneous Services	7,282,150	2,255,594	5,026,556
	53,931,000	32,751,900	21,179,100
+ County Charge	0		
- County Charge		0	0
Provision for Debit Balance	0		0
Adjusted Gross Expenditure & Income (A)	53,931,000	32,751,900	21,179,100
Financed by Other Income/Credit Balances			
Provision for Credit Balance		553,776	553,776
Local Government Fund /General Purpose Grant		7,631,324	7,631,324
Pension Related Deduction		970,000	970,000
Sub - Total (B)			9,155,100
Amount of Rates to be Levied C=(A-B)			12,024,000

¹ The figures include all City and County Councils with an estimated 94% of local authority spending currently accounted for. Outstanding data relating to some Borough and Town Councils are to be added shortly.

² Dublin City Council (2014), *Adopted Budget 2014*. Follow link [here](#)

³ The remaining costs involved in the Administration of Rates are the administration of the rates office, debt management expenses, and service support costs.

Efficiency of Collection

Efficiency of collection is calculated as the cost of administration (less refunds and irrecoverable rates) divided by net income from rates. Table 1 presents the efficiency of collection for all LAs included in the dataset; thirty one in total. Currently, Sligo stands as the most efficient LA in terms of collection of rates at 0.6%, followed by Galway City at 1.3% with Cork, Dublin City and Meath tied for third at 1.7%. Dún Laoghaire-Rathdown at 6.5% has the lowest efficiency of the thirty one Councils. It is followed by Monaghan County Council (5.4%) and Carlow County & Town Councils (5.3%).

Table 1: Efficiency of Collection

Local Authority	Efficiency of Collection
<i>Dún Laoghaire – Rathdown</i>	6.5%
Monaghan	5.4%
Carlow (County & T.C)	5.3%
Longford	4.8%
Leitrim	4.6%
Donegal	4.5%
Roscommon	4.4%
Cavan	4.0%
Tipperary (North & South)	3.9%
Kilkenny	3.8%
Louth (County, Drogheda + Dundalk)	3.7%
Wexford	3.4%
Laois	3.3%
Mayo (County & Castlebar T.C)	3.0%
Kerry	2.7%
Offaly	2.6%
Limerick (City & County)	2.5%
Kildare	2.4%
Westmeath	2.4%
<i>Fingal</i>	2.3%
Clare	2.3%
Wicklow	2.3%
Cork City	2.2%
<i>South Dublin</i>	2.1%
Waterford (City & County)	1.9%
Galway	1.9%
Meath	1.7%
<i>Dublin City</i>	1.7%
Cork	1.7%
Galway City	1.3%
Sligo ⁴	0.6%

(Source: Adapted from Adopted 2014 Budgets)

⁴ Sligo Borough Council not included, which makes up an estimated 17% of LA spending in Sligo County.

The case of Dublin

The efficiency of rates collection for the four Local Authorities in Dublin is outlined in Table 2 below. According to these calculations, Dublin City is the most efficient Council in Dublin and Dún Laoghaire-Rathdown is the least efficient. Dún Laoghaire-Rathdown collects €75m in net rates with an administration cost of €4.9m, whilst Dublin City Council collects almost four times the amount of rates, at €287m, yet they spend slightly less on administration. However, the percentage of rates projected to be collected by each Council in 2014 is 90.7% for Dún Laoghaire-Rathdown and 84% for Dublin City.

Table 2: Rates, Administration Costs and Efficiency of Collection in the Four Dublin Councils

	<i>Net Rates €m</i>	<i>Net Administration of Rates €m</i>	<i>Efficiency of collection %</i>
Dublin City	287,668,657	4,822,667	1.7%
South Dublin	99,819,100	2,066,500	2.1%
Fingal	108,470,000	2,518,900	2.3%
Dún Laoghaire - Rathdown	75,369,400	4,884,300	6.5%

(Source: Figures sourced from the Adopted 2014 Budgets of the respective local authorities)

The broader context

The inefficiency of rates collection more generally is highlighted by the comparison with the cost of administration by the Revenue Commissioners. In 2013, The Revenue collected €51.9b at a cost of €430m, an efficiency of collection of 0.83%.

Table 3: Comparative Efficiency of Collection

	Collection	Cost of Administration	Efficiency of Collection
Revenue	51,858,000,000	430,421,400	0.83%
Local Authorities	1,135,368,898	28,659,175	2.52%

(Source: Adapted from Adopted 2014 LA Budgets and Revenue Annual Report 2013)

Our recent experience of introducing property taxes may be instructive. The €100 Household Charge, introduced for 2012, was initially administered by the LAs and saw low rates of compliance – less than 70% by December of that year. The Local Property Tax (LPT) was introduced in July 2013 and collection was assigned to Revenue. The compliance rate for 2013 was 95% with €242 million collected in respect of the half-year charge. According to the latest information from the Revenue, the compliance rate for the LPT for 2014 so far is estimated to be 94%, with €367 million collected.