Chambers Ireland's Submission to the Department of Housing, Planning and Local Government on the on the Methodology for the Allocation of Local Government Funding

July 2018

Chambers Ireland is the largest business network in Ireland, with 44 affiliated chambers in our network, located in every major town and city in Ireland and representing businesses across all sectors and of all sizes. Chambers work closely with their local authorities on stimulating economic development, job creation and contributing to enhanced quality of life in their areas.

Businesses are significant contributors to the funding of local government through commercial rates payments. Our priority and the priority of the Chamber Network is to ensure that the funding of local government is sustainable, equitable, and does not have an undue burden on businesses or stifle economic activity in a region. Effective local government requires secure, sustainable funding in order to deliver the services vital to their regions.

Chambers Ireland is pleased to have the opportunity to input into this consultation and to influence the review and reform of the system of local government funding.

Recommendations

The current model of calculating the Baseline amount for each local authority is in need of change. We now have an opportunity to establish a new Baseline calculation model that will remove anomalies from the previously used Needs & Resources model and enhance the ability of each region to promote economic activity and potentially attract new businesses.

When the original 'Needs & Resources' model was developed, local authorities that had a high commercial rates income were provided with relatively low Local Government Fund allocations. In effect, the Local Government Fund was the balancing amount in a local authority's budget. This has been carried through to the current model of local government funding and has meant that many councils have been unable to bring their rates more in line with those of other councils, making them less attractive as locations for business. The model for allocating the Equalisation Fund supports local authorities that continue to require monies from the Fund, without incentivising any change to the income generated through commercial rates and not supporting councils with high rates to reduce such burden on business.

A new Baseline model should be calculated on the basis of Net Effective Valuation rather than rates income. This method should give councils with high commercial rates an opportunity to reduce the rates burden on businesses over time and enhance competitiveness between regions on factors other than rates, such as the provision of services and quality of life factors.

At present, disparity in commercial rates charges across local government areas can have a detrimental impact upon the local economic development of a region or county, particularly where the rates in neighbouring councils varies significantly. Excessive rates can prohibit new businesses from opening and can have significant implications for struggling businesses, in particular the retail sectors struggling to compete with online and e-commerce shops, but which are vital for the health of our towns and villages.

Currently, commercial rates and the local property tax income account for much of the discretionary spending of councils, on services such as libraries, public parks and local economic development. It is therefore logical that the Baseline model and distribution system should take account of all of these factors. Any new funding system should ensure that the Baselines truly reflect the needs of all councils. Baselines should be calculated using a Net Effective Valuation approach rather than rates income figures.

In addition, local property tax distribution should be based on a wider range of factors, taking into account local economic considerations using criteria such as labour force and unemployment levels, average household incomes as measured by the CSO; regional GVA data as measured by the CSO, measures of deprivation, the prevalence of unemployment blackspots and such socio-economic factors.

In respect of public services such as libraries and public parks, local property tax should be distributed in part on an assessment of the population and its demographics. For example, some form of urban weighting might be appropriate for a number of councils facing pressures unique to urban centres. In addition, measures such as length of roads might be considered for activities such as street cleaning and illegal dumping.

In addition, Chambers Ireland recommends that the local property tax be used to pay local government pensions directly from the fund prior to any equalisation deduction or distribution. At present, each local authority is liable for its retirees' pensions. Where staff transfer between authorities, the final employer assumes the full pension liability. Centralising pensions would provide greater equity amongst local authorities as it would relieve a significant burden on a number of councils. There is a centralised salary payment in operation and it therefore follows that a centralised pension payment system could be set up quite easily.