BLUEPRINT FOR FUNDING DUBLIN

Since the end of 2022, a number of reports have been published on the theme of local democracy and the devolution of fiscal powers to local government in Ireland.

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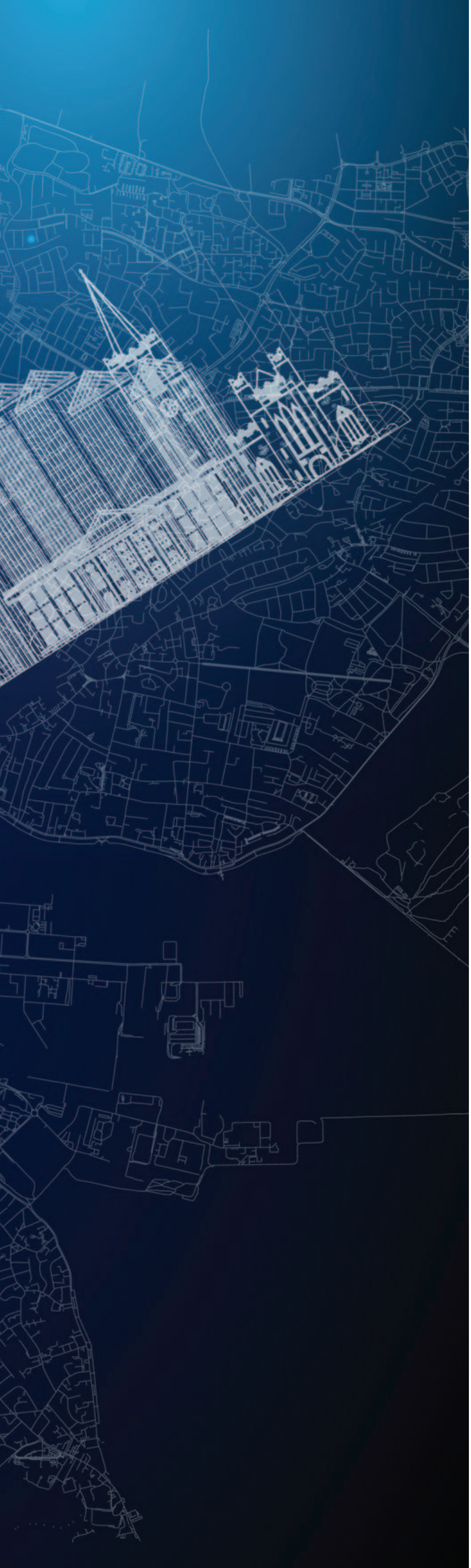

We had the report of the Dublin Citizens' Assembly (DCA) in December 2022,[1] followed by the Dublin City Taskforce[2] and the Seanad Public Consultation Committee reports[3] (both in October 2024), and in January of this year the *Programme for Government 2025–Securing Ireland's Future*. A common recommendation is for the establishment of a Local Democracy Taskforce, which will examine, among other considerations, the financing of local government. Given the importance of the Dublin city region, this article examines the financing of Dublin, and recommends a set of funding proposals for a Dublin of the twenty-first century.

Municipal finance and the funding of cities

Cities are engines of knowledge, innovation, and growth. Per capita, cities generally spend more than other municipalities because of larger spending needs and ever-growing demands for a broader range of public services. How cities are funded is very diverse, and depends on a number of factors, including size, economic conditions, demographics, and the extent of urbanisation. The practice also deviates from theory and so-called best practice, due largely to political, administrative, and country-specific factors.

Globally, cities fund operating expenses and the delivery of public services using a combination of local taxes, user fees and charges, and transfers/grants from central government. To finance infrastructural investment, the usual sources of capital income are development levies, assets sales, central government transfers, and loans.

Taxes are usually defined as local if the municipality has rate-setting powers, at the margin. This leads to greater accountability, more transparency, and better decision-making at the local level. Common local taxes worldwide are property taxes, sales taxes, business taxes (in a variety of forms), motor vehicle taxes, and miscellaneous taxes (examples include gambling taxes, advertisement taxes, and entertainment taxes). In some countries there is a local personal income tax, whereby the municipality piggybacks on the national personal income tax regime by applying a surtax on the national income tax rate.

Local government funding in Ireland and Dublin

The funding of Ireland's local authorities depends on whether it is for current or capital spending. The main income sources for recurring spending are property tax, user fees and charges, and inter-governmental transfers in the form of central government grants.

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1 Dublin Citizens' Assembly (2022). Report of the Dublin Citizens' Assembly, https://citizensassembly.ie/previous-assemblies/dublin-citizens-assembly/report/

2 Taoiseach's Taskforce for Dublin (2024). *Dublin City Taskforce report - Capital City* https://assets.gov.ie/static/documents/capital-city-dublin-city-taskforce-report.pdf

3 'Seanad Public Consultation Committee launches Report on the Future of Local Democracy; recommends setting up Local Democracy Taskforce after the next General Election'. Report on the Future of Local Democracy

Property tax is the only local tax, with separate tax systems for residential property (the LPT, imposed on owners) and commercial property (rates, imposed on users/occupiers). The main charges for goods and services are local authority housing rents, water charges (from Uisce Éireann), parking, charges for use of amenities, planning fees, fire charges, landfill charges, and others. Central government grants for operating expenditures are almost exclusively specific purpose (earmarked/conditional) in nature.

In contrast, capital spending is funded by capital grants from central government, development contributions, asset disposals, and loans borrowed primarily from the state-owned Housing Finance Agency (HFA). Betterment levies, aimed at defraying the full or partial cost of new public infrastructure investment, are in the form of development contributions. There are no shared taxes and no municipal bond issuances.

Dublin accounts for just over 30% of recurring expenditures by local authorities in Ireland. Based on 2024 budgetary data, local authority spending per person in Dublin was €1,590, as compared to €1,437 nationwide (for all 31 local authorities), and €1,377 for local authorities outside the Dublin city region. The biggest differences between Dublin and the other local

Taxes and charges

1 Commercial rates

To widen the rates base, currently-exempt government buildings should be subject to rates on the basis of the benefit principle - taxes levied linked to benefits received, or simply put, 'he who benefits pays' - as they are users of municipal services. The proposal here is to revise the current legislation (amendments to Schedule 4 of the 2001 Valuation Act) relating to properties not rateable with a full rates valuation and liability for State buildings.

2 Local Property Tax (LPT)

Ensure the periodic revaluations every four years as promised in the legislation take place as the LPT as a residential property tax where bands are continually widened and rates are repeatedly lowered falls short of its revenue potential. If not politically feasible, indexing to the rate of inflation is another option, albeit inferior given the differences in property price changes by region and type. Although a feature of recurrent property taxes, this would address, at least partly, the lack of buoyancy commonly highlighted by the local authorities.

3 Vacant Homes Tax (VHT)

Currently, the VHT is a central tax, and is collected by Revenue. In our view the legislative definition of what constitutes a vacant home, namely any residential property in use as a dwelling for less than 30 days, is too generous, and the rate (currently at seven times the basic LPT rate) is too low, for it to effect change. We propose that this tax be reassigned to local authorities (including Dublin) with local taxing powers. This would allow Dublin to set the base and rate based on the extent and profile of vacant residential properties in Dublin city and region.

4 Derelict sites levy

The derelict sites levy was introduced by national government, with the rate currently at 7%. Again, as with the VHT, given the differences in dereliction around the country, we propose that this levy be reassigned to the local authorities. Currently they keep a derelict sites register. However, the local authorities need increased powers in relation to this levy, including compulsory purchase, rate-setting, enforcement, and collection powers.

5 Visitor tax

A visitor or hotel occupancy tax is usually levied to compensate urban governments for the expanded services provided to tourists and visitors. It is common in many cities around the world, and is becoming more popular as a way of raising revenue and promoting sustainable tourism. Cognisant of the work undertaken in 2023 by Dublin City Council's Finance Strategic Policy Committee on a visitor accommodation tax, we recommend that Dublin be given the power to levy such a tax, and to consult with national government on its design features to reflect local conditions in Dublin.

6 Motor tax

Given the link between the ownership of motor vehicles and the use of local services and infrastructure, there is a strong case that motor tax be assigned to local authorities. Before 2018, receipts from the motor tax were paid into the Local Government Fund (LGF). Motor tax is now paid into the central exchequer. Our proposal is that the yield from motor tax be shared between local and central government. Revenue-sharing arrangements between tiers of government are common in other jurisdictions. Furthermore, in many countries, motor tax is typically a shared tax. The actual share is a decision for central government, in consultation with the local government sector.

7 Congestion charge

According to the INRIX 2024 Global Traffic Scoreboard, of over 900 cities worldwide, Dublin ranked 15th highest in terms of congestion and traffic delays.[4] In terms of the number of hours lost, Dublin loses 81, third only to London and Paris in Europe. Many congested cities, including London, Stockholm, Milan, Singapore, and New York as recently as January 2025, have imposed a congestion charge. The rationale here is not as a revenue-raising measure but to change behaviour and reduce the congestion in the centre of Dublin city. We propose a congestion charge assigned, designed, levied, collected, and enforced by Dublin.

authorities are the rates share of revenue income (36% for Dublin as opposed to 25% nationwide and only 20% for outside Dublin), and the grants share of revenue income (37% for Dublin as opposed to 44% nationwide and 48% for outside Dublin).

These differences reflect the urban, demographic, and economic profile of Dublin, with a larger revenue capacity and property tax base making it less dependent on central government grants. Indeed, unlike London for example, all of the recurrent property tax rates and revenue in Dublin are set and retained respectively by the four Dublin councils, and are available for spending on local public services. Furthermore, 63% of Dublin's revenue income is determined locally, in the form of property tax (rates and LPT) and user fees/charges. Nationwide, 44% of local authority rates income accrues to Dublin. In contrast, Dublin receives only 26% of all current grants paid by central government to the local authorities.

Financing investment

8 Tax Increment Financing (TIF) and Land Value Capture (LVC) measures

Tax Increment Financing (TIF) and Land Value Capture (LVC) measures, involves taxing unearned increments in land values that result from new public infrastructure spending. It is a way for the State to tax some or all of the windfall gain that accrues to landowners benefiting from major infrastructural projects. The Housing Commission report outlined the current LVC-related measures in Ireland, namely development levies, Part V developer obligations, capital gains taxes, residential zoned land tax, and the Land Value Sharing (LVS) scheme (proposed but subsequently lapsed due to the dissolution of the 33rd Dáil in late 2024). By endorsing the LVC/LVS recommendations of the Housing Commission, we urge policymakers to secure for the State (including Dublin) 'a proportionate share of the benefit arising from the zoning and servicing of land'.[5]

9 Municipal bonds

Municipal bonds are debt instruments whereby the local government promises to pay interest and repay the principal on maturity. Muni bonds, as they are often called, have been very successful in raising capital for infrastructure investments in US cities. An alternative to a direct issuance of a bond by a single local authority is for local councils to pool their borrowing requirements and, by doing so, reduce their credit risk and lower the cost of borrowing. This can be done by means of an agency that pools a number of local authorities together. Something similar could be done by the Dublin city region, where resources could be pooled and a muni bond issued by the combined four local authorities.[6]

Our funding proposals for Dublin

The Report of the DCA comprised 18 recommendations. Significantly, the first two recommendations related to the functions and funding for Dublin. Reflective of an overall desire by its 80 members for greater local democracy, the Assembly recommended that significant spending powers be devolved to Dublin, including in education, healthcare, transport, and childcare. There were fewer details on funding, other than greater devolved powers to introduce or change local taxes, and to raise funds from markets, investment bonds, or loans.

Here we provide more detail on possible future income sources for Dublin. Our specific proposals are based on the need for greater fiscal autonomy and a more diversified mix of funding streams, with income sources that are appropriate, currently underutilised, and easily tapped by local government, in this case Dublin. Divided into two categories, namely taxes/charges and financing for investment, our nine proposals are highlighted here.

Conclusion

Dublin does not have the legal authority to levy new taxes or issue municipal bonds. Enabling legislation by national government will be required. Once enacted, the political feasibility of any new taxes or charges imposed on the Dublin electorate would be the next challenge, and one to be addressed by local policymakers faced with local circumstances, preferences, and choices. For all this to happen there needs to be the political will to devolve powers to Dublin as well as other local authorities. This will require a change in mindset and culture away from the highly centralised nature of our political and administrative system. We wish the Local Democracy Taskforce well in its goal to strengthen local democracy through a programme of local government reform, recognising that, as stated in the *Programme for Government 2025*, 'local government is the beating heart of our democracy'.[7]

'local government is the beating heart of our democracy'

Programme for Government 2025

[4] INRIX (2025). Global Traffic Scorecard, https://inrix.com/scorecard/#city-ranking-list

[5] The Housing Commission (2024). *Report of The Housing Commission*, https://www.gov.ie/en/publication/f3551-report-of-the-housing-commission/, p. 75.

[6] Turley, G. and S. McNena (2019). Local Government Funding in Ireland: Contemporary Issues and Future Challenges, *Administration* 67(4), 1-26.

[7] Government of Ireland (2025), *Programme for Government 2025–Securing Ireland's Future*, p. 149.