



dublinchamber  
of commerce

## **Budget 2012 Pre-Budget Submission**

### **Summary of Key Recommendations:**

#### Foster Business Growth:

- Raise the threshold for the cash basis of accounting for VAT from a turnover of €1m to €2.5m
- Reduce stamp duty on commercial transactions from 6% to 2%
- Address unfair pricing by VAT-exempt bodies by way of a Ministerial Order
- Treat the Employment and Investment Incentive (EII) separately from property reliefs, as is the case for the UK's Enterprise Investment Scheme

#### Reform Local Government:

- Set a 3% annual target for current spending reduction by all local authorities
- Provide incentives to local authorities to make further savings and/or drive greater efficiency
- Ensure the 'Household Charge' is payable to the local authority where the property is located
- Pass on efficiency savings achieved by local authorities to commercial ratepayers

#### Publish Government 'Business Plan' to Provide Stability and Vision:

- Provide a detailed implementation plan for Public Sector Reform as part of Budget process
- Maintain the higher rate of VAT at 21%
- Increase current expenditure savings to €2.5bn, from €2.1bn proposed in the EU/IMF MOU
- Explore innovative means of funding public infrastructure using private finance so capital expenditure momentum can continue

## **Introduction**

Ireland is in the midst of a severe crisis of confidence. The problems of high sovereign and bank debt, low growth and a fragile credit environment have undermined the confidence of business and consumers. Government has embarked on the delivery of a programme of fiscal correction to begin to restore the Exchequer Balance. However, further broadening of the tax base and significant reductions in current expenditure are required.

This submission focuses on a small number of key issues relating to Budget 2012 and should be read in the context of the wider Dublin Chamber policy agenda outlined in our 'Business Needs' document.<sup>1</sup> Our recommendations are designed to be cost neutral and sensitive to concerns regarding Exchequer cash flow and the cost of capital. However, these constraints must be weighed carefully against the goal of fostering enterprise, which is the key to a stable and sustainable economic recovery. This Submission has been debated and adopted by the Chamber members' directly elected representatives on the Dublin Chamber governing Council.<sup>2</sup>

Dublin Chamber represents over 1,300 member companies from multinational corporations to small businesses, across all sectors, throughout the Greater Dublin Area, and is the largest chamber of commerce in Ireland. We are committed to ensuring that Dublin is a world-class city, helping to grow Ireland's economy and foster new employment.

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<sup>1</sup> Dublin Chamber's 'Business Needs' document is available at <http://www.dublinchamber.ie/Uploads/Manifesto%28pdf%29.pdf>.

<sup>2</sup> A list of the Council is available at <http://www.dublinchamber.ie/council.asp>.

## ***Dublin and Ireland's cities***

The Government needs to provide a supportive environment for firms to prosper and generate employment. This is the only means by which a significant reduction in unemployment, currently standing at almost 300,000, can be made. Globally, cities are the principal source of job creation. Almost half of all jobs in developed economies are found in the largest cities.<sup>3</sup> Four in five metro regions have average incomes that exceed the averages for their nations. They have higher GDP per capita, higher labour productivity levels, and faster growth rates. Innovation concentrates and succeeds best in cities due to the proximity, density and variety of ideas and talented persons they offer.<sup>4</sup> Over four fifths of the patents filed in OECD economies are by applicants in urban regions. Similarly, cities in Ireland offer the best prospects for future growth. It is urgent, therefore, that the competitiveness of Dublin and other cities in Ireland be improved in order to maximise the country's chances of further job creation.<sup>5</sup>

## ***Ireland Remains a Strong Place to do Business***

The business community acknowledges the work of Government and the cross-party support to maintain Ireland's 12.5% corporate tax rate, which acts as a vital element of Dublin's competitive offering to new enterprise and investment. We also note the importance of a number of other enterprise supports that are set to continue, such as the R&D tax credit, which encourage business growth. Dublin Chamber appreciates that the Government must engage on the proposal for the Common Consolidated Corporate Tax Base (CCCTB). However, we are concerned that the Commission and Member States do not appreciate that the CCCTB proposal will increase compliance costs, distort national tax systems, and be highly impractical, and ultimately, will not make it easier to do business in Europe. Its introduction would also create a level of uncertainty for potential investors during a period when they are seeking greater stability.

## **VAT**

Budget 2011 forecast that almost one third of all tax receipts (€10.7bn) are expected to be derived from Value Added Tax (VAT). Half year figures indicate that this forecast is unlikely to be achieved as VAT returns continue to fall below target.

The Programme for Government committed to lowering the 13.5% reduced rate of VAT to 12% up to the end of 2013. In Dublin Chamber's 'Jobs Initiative' Submission, we suggested that, rather than a small reduction in the lower rate of VAT, a more targeted approach should be taken by introducing a new reduced rate. Dublin Chamber welcomes the targeted reduction in the lower rate of VAT outlined in the 'Jobs Initiative' and introduced in Finance (No. 2) Act 2011. We believe this measure will help stimulate consumer demand and positive tourist perceptions in these sectors, which in turn will support employment.

## ***Improving Cash-flow for SMEs | Cash Basis of Accounting***

### ***Recommendation:***

- **Raise the threshold for the cash basis of accounting for VAT from €1m to €2.5m**

Many businesses, particularly SMEs, continue to have significant problems with their cash flow. In addition to the challenges they face in collecting funds from debtors, many of these businesses are under pressure to pay the VAT on these uncollected debts to the Revenue Commissioners.

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<sup>3</sup> OECD (2006), *Competitive Cities in the Global Economy*

<sup>4</sup> *Innovation and the City* (NESTA, 2007)

<sup>5</sup> "As Ireland's only city of international scale, continued investment in Dublin is necessary to maintain and improve its position as an internationally competitive location. A competitive Dublin can serve to strengthen the performance and attractiveness of other Irish cities and provide them with opportunities that may not be accessible otherwise." - National Competitiveness Council, 'Our Cities: Drivers of National Competitiveness' (2009) - [http://www.competitiveness.ie/media/ncc090421\\_our\\_cities.pdf](http://www.competitiveness.ie/media/ncc090421_our_cities.pdf)

A cash accounting scheme exists under Irish tax law, but the qualifying criteria are too restrictive. The scheme allows companies to account for VAT on sale on the basis of payments received, rather than tax invoices issued and has the effect of easing the cash flow pressures on small businesses. The condition that annual turnover of the business must not exceed €1m is too low and is less favourable than similar schemes in the UK and Australia.<sup>6</sup>

Dublin Chamber believes that it is important to improve the cash flow of SMEs by implementing EU law to allow SMEs to utilise a cash accounting system. Article 66(b) of Directive 2006/112/EC permits Member States to use cash accounting. Directive 2010/45/EU of 13 July 2010 states in the recitals that Member States should provide for cash accounting:

“to help small and medium-sized enterprises that encounter difficulties in paying VAT to the competent authority before they have received payment from their customers, Member States should have the option of allowing VAT to be accounted using a cash accounting scheme which allows the supplier to pay VAT to the competent authority when he receives payment for a supply and which establishes his right of deduction when he pays for a supply. This should allow Member States to introduce an optional cash accounting scheme that does not have a negative effect on cash flow relating to their VAT receipts.”

The existing threshold does not seem to meet the statement set out in Directive 2010/45/EU that such cash accounting scheme should assist SMEs with cash flow. It does not assist the large number of SMEs with a turnover of over €1m that carry out mainly business-to-business sales.

We recommend the extension of the scheme to businesses with a turnover less than €2.5 million. In doing so, Dublin Chamber estimates that this will extend the scheme to an additional 6,000 firms and increase the average size of applicable companies from 6 or less employees under the current threshold of €1 million to 15 employees or less.<sup>7</sup>

### ***Allowing Consumer Confidence to Return | Higher rate of VAT***

#### ***Recommendation:***

- **Maintain higher rate of VAT at 21%**

Dublin Chamber is highly concerned about the impact the signalled increase in the higher rate of VAT will have on consumer confidence and the highly depressed domestic market.<sup>8</sup>

The Programme for Government has indicated a limit in the rise of the higher rate of VAT to 23%, from the current 21%. Dublin Chamber is concerned that any VAT rate increase would further dampen currently fragile consumer confidence. The CSO's retail sales figures for January to May (excluding motor trade) are down -3.8% on the previous year in volume and -2.3% in value. The Exchequer returns for VAT are €134m below target for the first half of 2011.

Dublin Chamber believes that a period of stability is required. Indeed, if the Exchequer deficit were not what it is, we would be calling on Government to reduce the higher rate significantly. Based on 2010 data, the expected revenue from a 2% increase in VAT is in the order of €611m, according to the Department of Finance. In 2009, such an increase had been estimated to provide additional tax revenue of €800m. Given the ongoing decline in consumption, we believe that any expected increase must be weighed carefully against the impact on domestic consumption and its impact on indirect, and indeed direct tax revenue, through reduced employment.

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<sup>6</sup> Where a VAT-registered trader has an annual turnover exceeding €1 million, it can only apply the cash accounting scheme where its supplies goods or services that are almost exclusively (at least 90%) made to unregistered persons. This limits its application in practice to retailers and others business that sell to consumers.

<sup>7</sup> In Ireland, the average turnover per person engaged by a small enterprises for the industrial sector it was €164,091 and for the services sector it was €214,600 (Small Business in Ireland (2008)).

<sup>8</sup> The Programme for Government said that the Government “will limit the top rate of VAT to 23%” and Second Update of Ireland's MOU on Specific Economic Policy Conditionality reiterated that the Finance Bill 2012 would need to contain “provisions to bring into effect the already signalled VAT increases in 2013 and 2014”.

## **Unfair Competition by VAT-exempt bodies**

### **Recommendation:**

- **Address unfair pricing by VAT-exempt bodies by way of a Ministerial Order**

Urgent attention should be given to the creation of a level playing field between public and private sector bodies competing for the same market. This is an issue, which is particularly acute in the leisure industry, where the failure to charge VAT on non-core activities results in predatory pricing by VAT-exempt bodies. The ramifications of the decisions of the European Court of Justice in *HMRC v Isle of Wight Council and others* (Case C-288/07) and *European Commission v Ireland* (C-554/07) need to be considered in the context of unfair competition. Following the ECJ decision, VAT was applied to many of the services in question from 1 July 2010. A Ministerial Order is required to address the remaining services. This should be done, not only in order to engender fair competition, but also to ensure that Ireland is fully in compliance with its obligations under EU law.

## **Broadening the Local Tax Base**

### **Recommendation:**

- **Local Government's tax base must be broadened to include domestic charges on property and water**

Dublin local authorities rely too heavily on business as a source of revenue and this is damaging the competitiveness of Dublin businesses. Dublin businesses are the largest funders of Dublin's four local authorities, with commercial rates accounting for 40% of their combined revenue. At the same time, the second largest source of funding central Government is radically reducing its contribution. In 2011, Dublin local authorities saw a reduction in revenue from the central Government through the Local Government Fund of 10% on average from 2010. Dublin Chamber has long championed for reform of local government financing and the broadening of the local tax base which would provide recurrent and sustainable revenue for local authorities.

### **Property Tax**

#### **Recommendation:**

- **A property tax must be clearly allied to local services received by the taxpayer**

There has been an acute realisation in Ireland that the system of taxation of property, insofar as it relied on a transactional basis, has given rise to a number of anomalies and a pro cyclical, unstable, tax base. To help address these, the Commission on Taxation recommended the introduction of a tax on residential property. In November 2010, the agreement between the State and its Funding Partners indicated that a residential property tax should be introduced to fund local government. Further to this commitment, the Programme for Government commits to considering various options to raise this tax with the condition that it "...must take into account the significant number of households in mortgage distress and provide local government with a reliable stream of revenue".

Dublin Chamber has long called for a fairer administration of taxes, in order to create a direct linkage between local service usage and locally raised taxes.

Therefore, this tax must be used to fund local government, as outlined in the Memorandum of Understanding. It must be clearly allied to local services received by the taxpayer. Taxes raised locally must be used to pay for local services provided by the local authority. For administrative ease, collection may occur through a national body but funds should go directly to the local authority for which the residential property tax was paid.

The tax must be as broadly based as possible. A pure site valuation tax could, depending on the threshold, become an urban tax, thus offending the principles of fairness and equity and ignoring the cost of providing services. Dublin Chamber supports the Programme for Government's commitment to take into account the ability to pay, as otherwise the tax would contravene the principle of equity. However, this threshold should be set at a sufficiently low level to ensure that very few categories of potential taxpayer escape the charge.

It would be preferable that, as the system matures, the rate charge would be set by each local authority so that interests of residents are better aligned with an efficiently run local authority. Local authorities and councillors would be directly accountable to local taxpayers for what is collected and how it is spent.

## **Address Market Failures so Businesses Can Grow**

### ***Investment for SMEs | Reform of BES – Employment and Investment Incentive***

#### **Recommendation:**

- **Ensure administrative simplicity in the assessment of the creation of an 'employment requirement'**
- **Remove EII from the list of specified reliefs**

Market failure in equity capital investment is inhibiting the ability of many SMEs to invest in product and/or process innovation. The existing Government incentive programme - Business Expansion Scheme (BES) - saw a significant drop in 2009. While largely due to the economic down-turn and tightening equity investment, there are a number of operational barriers to the BES that prevented companies that might have benefitted from it from taking part.

Dublin Chamber in its Pre-Budget 2011 Submission identified the limitation on qualifying trades, the high administrative burden and a failure to communicate the scheme to SMEs. Major reforms of the BES were announced as part of Budget 2011. The proposed Employment and Investment Incentive (EII) scheme, which is at the time of writing in the pre-application phase with the European Commission, seeks to remove the limitation on qualifying trades with only a few limited exceptions. As part of the EII, the Revenue Commissioners has said that it would make the process of qualifying easier for companies.

Dublin Chamber supports the reform of the EII and believes that its delivery should be prioritised by the Department of Finance, as it will support jobs<sup>9</sup> and enhance SMEs' export potential.<sup>10</sup> We note that there are two criticisms of the proposal that has gone to the European Commission.

- First, the investment period has been reduced from 5 years to 3 years. This shorter time period coupled with the administrative requirements may put off some potential investors.
- Second, the reduction of the upfront relief from 41% to 30% could significantly impact on the ability to source investors. The EII scheme, unlike BES, breaks the relief into 30% for the initial investment with an additional relief of 11% available if the company demonstrates it has increased employment during the period. The necessity to claim the additional relief of 11% at the end of the investment period will place an administrative burden on investors. Dublin Chamber recommends that the Revenue Commissioner apply the same principle of simplicity as they have suggested as part of the qualifying process.

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<sup>9</sup> Department of Finance ex-ante economic analysis indicates that if the number of companies using the EII doubles from 2009 figures, approximately 2,400 new jobs will be created over a two-year period. In addition to the benefit in employment, the growth of these companies will benefit the economy.

<sup>10</sup> Service sector companies that are innovating are about twice as likely to export as non-innovating companies. (Central Statistic Office, "Community Innovation Survey 2006-2008", Table 13.4: Percentage of innovative and non-innovative enterprises engaged in exporting by sector (2006))

We believe the current treatment of BES investment, which is grouped with other forms of property tax relief for private investors, is a barrier to some potential investors and that an approach similar to the UK's Enterprise Investment Scheme on such employment creating tax reliefs should be applied.<sup>11</sup> Dublin Chamber believes that, once approved by the European Commission, the EII should be removed from the restriction of reliefs, as discussed in the Department of Finance's Ex-Ante Economic Impact Analysis of EII. We believe that this would encourage investors to increase the amount invested, which would reduce the number of investors the EII businesses had to find in order to get the necessary investment.

Dublin Chamber supports the EII proposal that has gone to the European Commission and believes it will provide much needed financial support for small business. We would be delighted to assist the Department of Finance and the Revenue Commissioners in finalising the development of and promoting use of the EII.

### **Commercial Stamp Duty**

#### **Recommendation:**

- **Reduce stamp duty on commercial transactions from 6% to 2%**

Recent Exchequer figures indicate a continued decline in commercial stamp duty revenue. This is indicative of the overall collapse in commercial property transactions. Despite reducing the stamp duty rate from 9% to 6% in 2008, Ireland's rate of stamp duty is above well above the UK's Stamp Duty Land Tax.<sup>12</sup>

Currently, stamp duty represents the highest proportion of the transaction cost for commercial property, creating a very considerable bid/offer spread on investing in Irish real estate. Such high bid/offer spreads serve as a significant deterrent to property transaction activity and directly affect the valuation of commercial property. Under typical property valuation methodologies, the underlying rent is grossed up by an appropriate yield and reduced by transaction costs. Lowering the bid/offer spread is likely to significantly increase transaction activity. Transaction activity in the Irish commercial property sector has remained extremely low.

Increasing transactions will assist in lowering vacancy rates. In commercial rate value terms, the vacancy rate in Dublin City Centre is over 6%. Legislation means that vacant buildings pay roughly 50% of their full commercial rates bill to the city councils of Dublin, Cork and Limerick.<sup>13</sup> These city councils account for roughly 30% of the commercial rates received nationally. Vacant buildings in the other local authorities have a 100% waiver on their rates bill. In the Dublin City Council area, the City will lose €9m from unoccupied properties, while the amount is €1m in Galway City, which returns 100% of rates to unoccupied property. Based on the limited figures available, Dublin Chamber estimates that foregone rates' payments due to unoccupied buildings are €70m nationally.

Given the low level of commercial property transactions taking place, the impact of a four percentage point reduction in the rate of stamp duty would cost the Exchequer €70m annually. A reduction in stamp duty on commercial property is in line with the Commission on Taxation's recommendation for the Irish tax system to move away from being highly reliant on transaction taxes, towards a more sustainable system.

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<sup>11</sup> For example, the UK's Enterprise Investment Scheme (EIS) allows relief of 20% of the cost of the shares set against the individual's Income Tax liability. Relief can be claimed up to a maximum of £500,000 invested in such shares, giving a maximum tax reduction in any one year of £100,000 providing you have sufficient Income Tax liability to cover it.

<sup>12</sup> UK's Stamp Duty Land Tax applies to transfers of interests in land and immovable property located in the UK, varying from 0-4%.

<sup>13</sup> Under Section 14 Local Government Act, 1946 the applications for refunds of rates paid is dealt with for vacant property. A ratepayer is required to pay the full rates due, but may be entitled to a refund of 1/12<sup>th</sup> of the assessment for every full month of vacancy, up to 100%. There is separate legislation governing refunds in Dublin City, Cork City and Limerick City — section 71 of the Local Government (Dublin) Act 1930; section 20 of the Cork City Management (Amendment) Act 1941; and section 29 of the Limerick City Management Act 1934. In these cities, a ratepayer with a vacant property may be entitled to a refund of 1/24<sup>th</sup> of the assessment for every full month of vacancy, up to a maximum of 50%.

## Government Spending

The burden of taxation has risen dramatically over the past three years and we believe that further increases are unsustainable. A difficult balance has to be struck between restoring balance to the public finances and hampering competitiveness and dampening domestic demand. Structural changes in the tax system are necessary to broaden the tax base and limit the burden on direct income taxation and indirect taxation. However, the bulk of correction in Budget 2012 should come from reductions in current expenditure. We support the statements made by the Minister for Finance that a fiscal correction in excess of the €3.6bn committed to in the EU/IMF Programme of Financial Support for Ireland should be made in 2012. In the Second Update of Ireland's Memorandum of Understanding on Specific Economic Policy Conditionality, the target is that revenue measures will yield €1.5bn and expenditure reduction will yield €2.1bn. However, we believe that a greater amount should come from current expenditure reductions.

### *Cutting Current Expenditure through Reform*

#### **Recommendation:**

- **The bulk of the fiscal correction should come from reductions in current expenditure**
- **Provide a detailed implementation plan for Public Sector Reform as part of the Budget process**

Greater overall fiscal management is required in order to strengthen confidence in Ireland's 'business plan' for recovery. In order to achieve appropriate reductions in current expenditure, structural reform of the public sector is required that may need to exceed the bounds of the Croke Park Agreement or – at the very least – test the agreement to its limits. Expenditure reform in the public sector needs to focus on the effectiveness of public service delivery. This will require departments to not only know 'how much is spent?' but 'how much is bought?'. The lack of measurement of the linkage between resources and outputs is a major weakness of the current system. The Government must take clear steps to improve the efficiency and effectiveness of public service and demonstrate how this has been achieved to the taxpayer. The opportunities presented by outsourcing and shared services must be fully explored.

In addition, the medium-term expenditure framework needs to ensure expenditure ceilings on infrastructure are sufficient to provide necessary infrastructure to support economic growth and to service import/export needs. Reductions in capital spending have borne the brunt of the Government's fiscal restraint. In many cases, areas of continued 'capital' spending were, in fact, current spending that has been reallocated, for example in the areas of road and rail capital investment.

### *Local Government Efficiency*

#### **Recommendation:**

- **Savings generated by the local authority should be evenly distributed between reductions in Exchequer funding and commercial rates**
- **Set a 3% annual target for current spending reduction by all local authorities**
- **Incentivise local authorities to make further savings and drive greater efficiency in their operations**

Dublin Chamber welcomes the recommendations of the Local Authority Efficiency Review Group and the Independent Review Group's Report on Staffing Levels in Dublin City Council. At a minimum, we believe these reports should be implemented in full. We support the Programme for Government's objectives "to go beyond the recommendations of An Bord Snip to rationalise core processes that are duplicated across the public service...to make substantial cuts to the number of State bodies and companies... and outsource, where appropriate, non-critical functions." The state can no longer afford *not* to implement these reforms, but neither can business. The savings that must be achieved in local authorities should be redistributed across its two main funding sources – commercial ratepayers and central government. A cut in commercial rates would ease the pressure on the many businesses who are seeking to reduce their cost base and maintain employment.

In addition to the existing proposals for improving the efficiency of local government, Dublin Chamber recommends that each local authority be given an additional current spending reduction target of 3% per annum.<sup>14</sup> The budget for Ireland's local authorities in 2010 was €4.656 billion. The 3% target, excluding savings identified in the *Report of the Local Government Efficiency Review Group*, would generate over €130m in savings in 2012.

Currently, savings generated by the local authority in current efficiency drives are effectively remitted back to the Government, through a decrease in the Local Government Fund.<sup>15</sup> To incentivise greater efficiency, the Chamber recommends that a portion of the savings generated by each local authority could be allowed to be retained by the local authority to fund specific projects that would not otherwise be able to proceed.

## **Capital Expenditure & Public Private Partnerships**

### **Recommendation:**

- **Future strategic investment programmes need to prioritise efficient & effective movement of goods & people and ease of access to overseas markets**
- **Innovative means of funding using private finance should be fully explored**

The forthcoming Budget comes at a time when the Government faces severe constraints on its funding and borrowing levels. There have been many years of planned investment that has led to the upgrading of Dublin's airport and port facilities, a radically changed road network, and an improved supply of bus and rail services. However, the full economic potential of these investments are not being exploited and Dublin continues to suffer from an infrastructure deficit.

Reductions in capital spending have borne the brunt of the Government's fiscal restraint. Budget 2011 had a gross voted capital expenditure of €4.7 billion, down from €7.5bn in 2007. Even this figure disguises the reduction in capital expenditure as it includes items that have previously been (correctly) defined as current expenditure, such as road maintenance.

Capital stock is an essential component of regional and national competitiveness and as such, further reductions in capital expenditure should be avoided. Dublin and Ireland need to continue to invest in infrastructure, albeit at more modest levels than in the past decade. We recognise that government funding is significantly constrained but the momentum must continue. Given the constraints on Government, we believe that is appropriate to consider alternative means of financing through the use of public private partnerships (PPPs).

Raising private financing in the capital markets is difficult but improving. There are some indications that investors would be prepared to re-enter the Irish market if more favourable terms were available to PPPs. These could include changes to concession lengths, changes to the tenor of the financing, use of sovereign risk insurance products, and funds required to meet the annual contractual commitments under these arrangements to be ring fenced as part of the Government's budget. This would give the marketplace some comfort that their contractual commitments, rank ahead of any discounts that the markets fear will be applied to bond holders.

## **Conclusion**

Dublin Chamber's recommendations offer tangible opportunities for Government to foster enterprise in a cost sensitive approach. The greatest return on any of these recommendations will come from a more confident environment for doing business. As a nation, we have to increase confidence in the market, support SMEs and keep a long term vision in place to continue to attract and retain multinational corporations. The success of Budget 2012 will be measured in terms of its boost to consumer and business confidence.

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<sup>14</sup> In England, for example, local authorities were required to deliver annual improvements in efficiency of 2.5% each year from 2005/6 to 2007/8 with many significantly exceeding this target. This target was increased to 3% per annum for 2010/11. More examples and information is available in Dublin Chamber's Supplementary Submission to the Local Government Efficiency Review Group (<http://www.dubchamber.ie/Uploads/Submission%20LA%20Efficiency%20Review%20Group.pdf>).

<sup>15</sup> The only exception to this was the pension levy where the local authorities were permitted to retain at least a portion of same.