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# 5. Power Monopoly: Central – local relations in Ireland

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## Introduction

The economic crisis presented profound challenges for representative democracy in Ireland. There were concerns about the functioning of political institutions and the nature of electoral politics long before the crisis but economic prosperity largely contributed to keeping those worries at bay (Coakley, 2013). Political reform became an important part of the debate in the lead up to the 2011 general election. It was the first time in decades, if ever, that the issue appeared substantively on the political agenda. All of the political parties produced political reform documents and the coalition government which took up office promised a ‘democratic revolution’ (Farrell, 2017). There was a shared narrative on the problems which beset the political system. These included cronyism, localism, sub-optimal decision-making and executive dominance. A multitude of reforms were proposed to address these issues. Political reform had dropped down the agenda by 2016 but at the general election some manifestoes did include proposals on Dáil reform and the Labour Party in particular proposed some structural reforms to local government. However, over the decade from 2008, strikingly little attention has been given to one of the most significant anomalies in the Irish system of governance, the centralisation of power and decision making at national government level.

Ireland was one of the most centralised states in Europe when the economic crisis struck (Ladner et al., 2016) and it has emerged from the crisis with this power imbalance almost completely intact. Decision making powers are concentrated at national level and even more specifically in central government. Despite some important Dáil reforms, the government continues to control much of the political agenda and instruments of transparency and accountability remain under-developed and under-utilised. There has never been any regional governance of significance

(Chubb, 1992) and local government remains woefully weak with some research suggesting that reforms enacted during the economic crisis may have exaggerated the existing power imbalance (Askim et al., 2017; Farrell, 2017, Ladner et al., 2018; Reidy, 2019). Yet, the extent of the political centralisation in the state is rarely acknowledged or discussed as a serious political problem outside of academic discussions about local government. And the consequences of political centralisation receive little public treatment.

This paper will focus on the imbalance in political decision making in Ireland. It will concentrate on the position and role of local government in the overall system and evaluate how these have changed particularly since 2008. Section one will provide an overview of the structures of local government, the legal basis of its operation and its main functions. Section two will locate local government in a comparative European context to demonstrate the extent to which the concentration of power in central government in Ireland is anomalous. It will draw on financial data to highlight the fiscal imbalance in central-local relations. Section three highlights three areas where the negative consequences of power centralisation are especially visible; local government finances, reduced local accountability and imbalanced regional development. The need for greater devolution of power to local government has been well documented in reports and policy papers but it exists more as political slogan than policy action. But it is a concept which urgently needs to be reclaimed and delivered if Ireland is to break out of the destructive centralism which infects politics and the chapter concludes with some reflections on this point.

## **1. Diagnosing the problem: the centralisation mentality**

The most important sub-national tier of government in Ireland exists at local level. There are 31 councils in the state. These include city councils, county councils and, city and county councils. These local authorities have a constitutional mandate, a list of delegated functions and direct elections which take place on a five-year cycle. This suggests a structure that is robust and stable but a deeper investigation reveals a system which has endured waves of institutional re-organisation since 1922 (Haslam, 2003). And the

focus on structural design has often acted as a substitute for addressing glaring functional weaknesses within the system (Reidy, 2019)

Since independence in 1922, the number of local authority units has decreased substantially and all democratic structures below the city and county council have been abolished. Some of the most important rationalisations include the abolition of rural district councils in 1925 and the abolition of town councils in 2014. Council amalgamations were also finalised in 2014. In both Waterford and Limerick, the city council and county councils were amalgamated into a single authority for each jurisdiction. The two councils in Tipperary were also amalgamated. An initial decision to amalgamate the councils in Cork was reversed and the boundary of Cork city was expanded significantly in a later policy decision agreed in 2017. A plan to amalgamate authorities in Galway remains on the political agenda and is scheduled to take place after the local government elections in 2019. Therefore, it is unsurprising that Askim et al (2017: 561) reported that there was a 72.8% reduction in the number of local authority units in Ireland between 2004 and 2014 and that across Europe, Ireland had the highest level of territorial upscaling during this period. Furthermore, they report that the territorial upscaling was the result of centrist decisions and not driven by agreements among authorities at the local level. Local government institutions have very little capacity to shape the overall design of the governance tier. The initial decision to amalgamate the two local authorities in Cork in 2015 is a notable exception. It was resolutely resisted by the city council leading to a further evaluation and subsequent reversal of the original amalgamation decision (McKinnion, 2017) but this case is important primarily because of it being exceptional.

Ireland operates an unusual system of management within its councils with power shared between councillors and an appointed chief executive (known as the Manager until 2014). Since a constitutional reform in 1999, councillors are elected every five years and by law they have a number of reserved powers which are their sole domain. These include setting the annual budget and agreeing the development plan for the authority. Their planning powers were restricted following corruption scandals revealed in a number of tribunals in the 1990s. In theory and practice, the day to day management of the council and any item that is not listed as an exclusive function of the elected council is the responsibility of the chief executive. Councils had a well-deserved reputation for inefficiency, jobbery

and corruption for much of the twentieth century (Barrington, 1991; Byrne, 2012) and this undoubtedly influenced policy decisions which transferred responsibility for areas from personnel to planning away from the elected council to the management team, in a series of reforms. A direct consequence of successive policy changes has been a denuding of the role of political representatives (Quinlivan, 2008; 2015).

In addition to councils, there is also a maze of boards, agencies and authorities with responsibility for tourism, area specific economic development and Gaeltacht areas but the feature which distinguishes these organisations from councils is that they do not have direct elections (MacCarthaigh, 2008). Councillors occasionally sit on the boards of these organisations but councils do not have oversight over their work and most of the organisations report directly to government departments.

Councils have roles in the delivery of services in eight main areas which are: Housing and building, Road transport and safety, Water services, Development management, Environmental services, Recreation and amenity, Agriculture, education, health and welfare, and Miscellaneous services. At first glance, the list aligns with the functional areas overseen by local authorities in many other European states. However, Irish local authorities have quite restricted responsibilities in these areas, are primarily service providers and, they have limited capacity to shape policy. More importantly, local authorities have been stripped of specific service responsibilities in key areas as a consequence of centralising reforms initiated by governments from across the political spectrum.

Four areas of policy loss are noted here to highlight the point. A single health agency, the HSE was established in 2005 and replaced ten regional boards, eliminating councillor contributions to health administration. Voluntary Education Committees were reformed into Education and Training Boards in 2013 and the contribution of councillors to these new bodies was reduced. The administration of third level grants was transferred to a new body SUSI in 2011 and the establishment of Irish Water in 2013 removed responsibility for water services from local authorities. The scale of the functional loss is especially evident through an examination of the budgets of local authorities and looking at expenditure under some of the eight functional areas, it is clear that local authorities have little but

a notional influence in some categories, most especially in health (see Considine and Reidy, 2015).

However, local authorities have gained responsibilities and two policy initiatives stand out: *Better Local Government* (1996) and *Putting People First* (2014). *Better Local Government* allocated more precise policy roles to councillors and established special policy committees (SPCs) while *Putting People First* emphasised the role of local authorities in shaping economic and social development. Two specific developments highlight the additional responsibilities given to local government in the area of economic and social development. City and county enterprise boards were re-fashioned into Local Enterprise Offices (LEOs) and aligned and integrated into the council network. Greater community engagement was delivered with the establishment of Public Participation Networks (PPNs) in each of the 31 local authorities. The PPNs were intended to enhance the local democracy dimension of local government and representatives from social and cultural groups, minority communities and environmental bodies are included in the PPNs. Early evaluations of PPNs are encouraging and the 2017 annual report noted that PPNs had 882 representatives on 382 boards and that these representatives had made 63 written submissions on matters of local and national policy (Department of Rural and Community Development, 2017).

It is difficult to create a scorecard of local government functional changes following the reform waves since the 1990s. Local authorities have been stripped of functional responsibilities in health, education and infrastructure but new roles in social and economic development have been allocated, especially in the 2014 reforms and demands for local authorities to have specific functions in these areas were first made in the 1960s (see Devlin Report, 1970). However, an impression is created that local government is on the receiving end of policy changes in several areas and that centralising decisions are often taken without regard for the erosion of local democracy or the principle of subsidiarity.

## 2. Irish local government in the halfpenny place: a European comparison

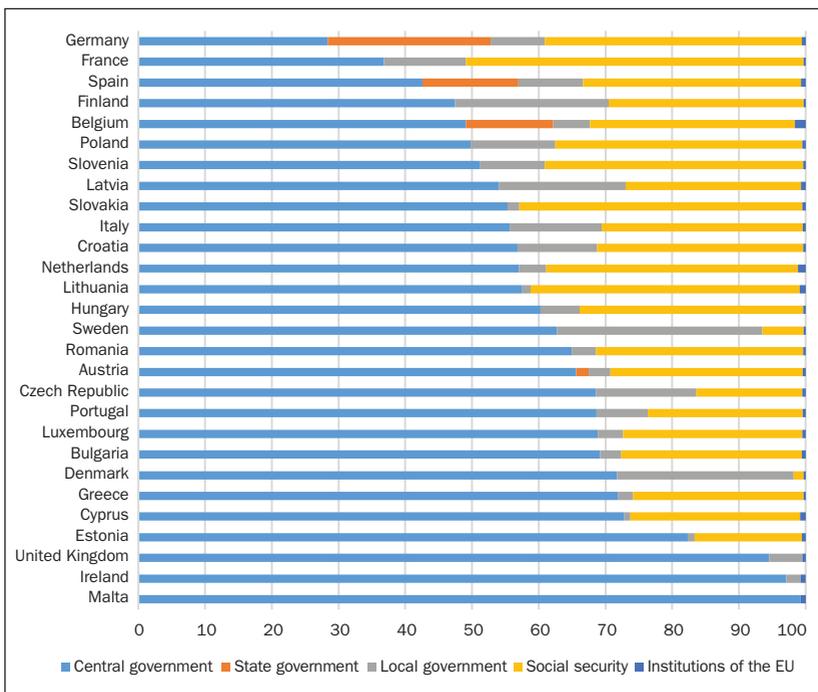
The centralised approach to governance in Ireland pre-dates independence. Local government structures developed during the nineteenth century and there was a strong preference for decision making to be managed in Dublin (as the centre of colonial administration in Ireland). The ethos of centralised decision making inherited by the nascent Irish state in 1922 was embraced and extended (Lee, 1987; Tierney, 2003). Among European countries, unsurprisingly Irish local government structures have most in common with other regions of the UK (Haslam, 2003). However, devolution reforms introduced by the New Labour government in the UK from 1997 enhanced power sharing across layers of government but no such changes have been attempted in Ireland. The establishment of regional government structures in Ireland was driven by the development of EU funding pathways (Callanan, 2018) and the structures are entirely administrative, have no direct election and exist largely without the knowledge of the vast majority of the electorate. The eight regional authorities and two assemblies were replaced by three assemblies in 2014.

The extent of the centralisation of power is well established and has been documented in several reports. Hence, it is unusual the issue does not receive greater treatment in public debate on the nature of government and politics in Ireland. The Devlin Group noted the significant dependence of local government on central government in the late 1960s (Chubb, 1992; Devlin Report, 1970) and this point was re-iterated in the Barrington Report (1991) which argued for substantial devolution of powers to local government, greater financial independence and the development of a sub-county layer of governance. The Barrington Report did inform some policy changes and influenced the shape of the Local Government Act (1991) but as Quinn argues the response to the Barrington Report was ‘minimalist, selective, piecemeal and conservative’ (2015: 11). More recently, the imbalanced nature of central-local relations was again highlighted in the *Putting People First* (2012: 10) policy document of the Fine Gael and Labour coalition which stated ‘The role of local government in Ireland is narrow by international comparison’. The diagnosis of centralisation is not disputed in either political or policy reports and indeed neither is the need for devolution of further powers. However, devolution efforts are often disconnected and research has suggested there is deep hostility to

devolution stemming from a distrust of local councils and a centralising mentality (Chubb, 1992; Tierney, 2003; Quinn, 2015).

The starkest evidence of the imbalance in power across layers of government is to be found in the comparative financial data for taxing and spending by level of government published by Eurostat. Figure 1 presents a breakdown of the revenue raised by each layer of government. Ireland is in second last position, with only Malta having a lower share of revenue raised at local level. More than 95% of tax revenues are raised by central government in Ireland. If the old maxim that ‘money is power’ holds, we can see that central government is where the power lies in Ireland. The figure also demonstrates quite clearly how atypical Ireland is relative to other small EU states like Finland, Austria and Denmark.

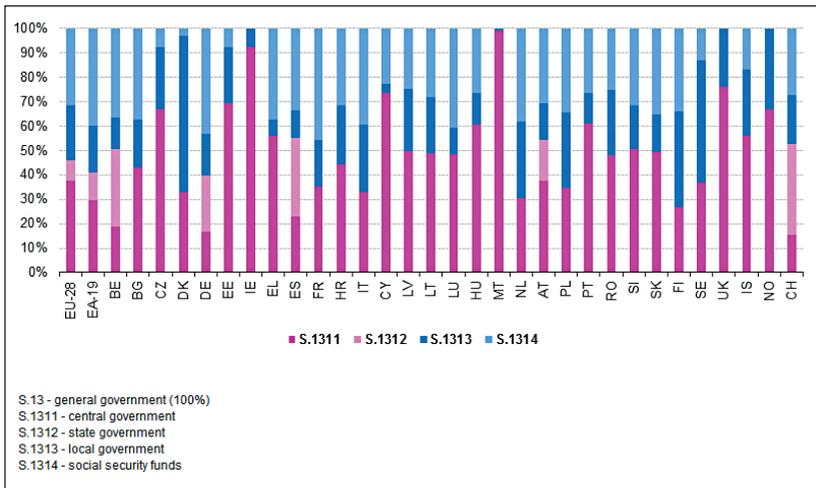
**Figure 1: Share of tax revenues by level of government in EU countries, 2016**



Source: Eurostat [https://ec.europa.eu/eurostat/statistics-explained/index.php/Government\\_finance\\_statistics\\_-\\_revenue\\_and\\_expenditure\\_by\\_subsector\\_of\\_general\\_government](https://ec.europa.eu/eurostat/statistics-explained/index.php/Government_finance_statistics_-_revenue_and_expenditure_by_subsector_of_general_government) (accessed 1 November 2018)

The data in Figure 2 outline the public spending patterns of central and local government across the EU. Ninety three percent of all public spending in Ireland is disbursed by central government with local government responsible for seven percent of total spending. Again only Malta has more centralised public spending practices within the EU. And Ireland does not have state/regional government structures.

**Figure 2: Share of public spending by level of government in EU countries, 2016**



Source: Eurostat [https://ec.europa.eu/eurostat/statistics-explained/index.php/Government\\_finance\\_statistics\\_-\\_revenue\\_and\\_expenditure\\_by\\_subsector\\_of\\_general\\_government](https://ec.europa.eu/eurostat/statistics-explained/index.php/Government_finance_statistics_-_revenue_and_expenditure_by_subsector_of_general_government) (accessed 1 November 2018)

The data presented in the two figures also reveal another important point about the financing of local government in Ireland. Local authorities spend more money than they raise in revenue and thus are heavily dependent on central government to fund large sections of their work. This is a common trend in central-local fiscal relations (Ladner et al., 2016) but the gap is even more notable in Ireland given the extreme imbalance in taxing and spending powers.

### 3. Does centralisation matter?

Subsidiarity is a principle that is most often associated with the European Union but it also underpins the essence of local government. It requires that decisions should be taken at the closest level to the citizen that is practicable. The 1983 European Charter of Local Self Government has subsidiarity as its underpinning motivation and outlined that public services can be delivered best by local providers who are most knowledgeable about the specific and distinct needs of individual communities. Fundamentally, this idea acknowledges that communities are heterogeneous and that local service delivery should take account of this. Ireland signed the Charter in 1997 and it came into effect in 2002. However, the extent of Ireland's embrace of subsidiarity remains very much in question.

Centralisation of power and state finances do have consequences. Management of the public finances in Ireland is more complex because of the extent of the state's fiscal centralisation. The annual budget is the most important financial day of the year because it makes almost all of the most important financial decisions for each budget year. This is not the case in most other countries because financial decision making is decentralised across layers of government. Commonly across EU states, local and regional taxes are levied on individuals, businesses and property. Property tax is an especially important source of revenue for local authorities in most states and it contributes to a degree a stability in sub-national revenues which has long been absent in Ireland. As Joumard and Konsgrud (2003: 186) argue, property is immovable, property tax evasion is difficult and infrastructural improvements in an area can enhance property values thereby providing some degree of a feedback loop. Revenues from property taxes tend to be very stable. This means that local property taxes can provide authorities with a steady source of income that is less likely than other revenue streams to be impacted by changes in central government finances or the business cycle. Given that Ireland has experienced quite high volatility in its tax revenues, it is surprising that the decision to re-introduce a property tax was delayed until 2013.

The need to establish a reliable revenue base for local government was a common refrain in reports and policy papers (NESC, 1985; KPMG, 1996; Indecon, 2005; Government Green Paper, 2008; Commission on Taxation Report, 2009) and a local property tax was identified as the most suitable

starting point to provide a stable revenue source. But it was not until the economic crisis that the decision was taken to act on years of policy recommendations (Considine and Reidy, 2015). Regrettably, significant restrictions were imposed on the autonomy of local councillors to alter the incidence of the local property tax. The rate may only be raised or decreased by 0.15% and the system of valuation is determined centrally by the minister for finance. Revenues from the tax accounted for just 9% of local government funding in 2017. The introduction of the tax is a positive step but the limitations on its incidence reduces its potential to develop as a more significant source of revenue for local government and it also minimises the extent to which there is local accountability and responsibility for local government financing (Considine and Reidy, 2015).

Moving to the political effects of centralisation, it is clear that arguments about uniformity of service provision and the need to meet public expectation levels were at the forefront of decisions which led to centralisation of health, education and infrastructure decisions (Collins et al., 2007; MacCarthaigh, 2008). Long standing concerns about inefficiency in local government (Barrington, 1991) and corruption (Byrne, 2012) also underpin the overall view that centralised service provision is superior. But, Ireland is almost unique in this assumption that centralisation leads to more effective service delivery. Diminution in local accountability was identified as a concern in a number of the consolidations listed above (most notably in the creation of the HSE: see Collins et al., 2007). But clearly accountability is given a lesser priority in the calculus of decision making.

A final area which must be noted in the discussion on the consequences of centralisation is regional development. The pattern of population movement towards the east of the country developed in tandem with industrialisation and reflected a trend common in many other European states. The extent to which public policy was leading to imbalanced development became a subject of some discussion during the *Celtic Tiger* period (see O'Leary 2003). It also featured in a different guise at the general election in 2016 when concerns that the economic recovery was concentrated in the wider Dublin area was identified as a factor in the collapse in the vote for Fine Gael and the Labour Party at that election (Marsh, Farrell and Reidy, 2018). As discussed in the earlier section, a number of reports emphasised the need for local authorities to be given enhanced roles in economic and social development (Devlin, 1970, Barrington, 1991) but it was not until the 2014 reform introduced as part

of the *Putting People First* programme that substantial progress was made in that direction. Delivering enhanced regional growth was also a requirement for the McKinnion (2017) review of local government structures in Cork. It may take considerable time before the effectiveness of these reforms can be evaluated but the urgent need to deliver more balanced regional development and the role of local authorities in achieving that objective is not in any doubt.

## 4. Reclaiming de-centralisation

This paper has sought to demonstrate that Ireland has one of the most centralised states in Europe. The only layer of democracy below national politics exists at local level in the form of councils. There is no meaningful regional government. More importantly, local government in Ireland is very restricted. The institutional structures of local government have been reformed on multiple occasions leaving Ireland with one of the highest representation ratios at local level across Europe (Reidy, 2019). Callanan (2003: 8) summarises the strengths of the Irish local government system as its ‘closeness to the population, its elected status, its accessibility and the opportunities it provides for participation in the democratic process’. These are the political dimensions of local government and although the representation ratio is particularly high, regular elections since 1999, the removal of the dual mandate in 2003 and the introduction of PPNs since 2014 have enhanced the vibrancy of local politics and local participation.

But the characterisation that local government in Ireland exists as ‘mere administration’ retains much validity. Local authorities have been stripped of roles in key areas and although there have been compensating powers allocated, it remains to be seen how successful these measures will be. Essentially, this means that decisions about a range of services are taken at national level and the potential of local communities to shape and develop their areas is more limited than it need be and more limited than is the case in most of our European neighbours.

Finally and perhaps most fundamentally the fiscal balance in central-local relations remains extreme. Until local authorities gain access to greater streams of revenue over which they are directly responsible for the tax base and rates, local government will not develop as a meaningful and independent layer of government.

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