



**FÓGRA FREASTAIL ar CHRUINNÍÚ SPEISIALTA NA COMHAIRLE
i SEOMRA NA COMHAIRLE, HALLA NA CATHRACH, CNOC CHORCAÍ,
DÉARDAOIN, ar 22 MEÁN FÓMHAIR 2016 ag 6.15 i.n.**

**NOTIFICATION TO ATTEND A SPECIAL MEETING OF COUNCIL
TO BE HELD IN THE COUNCIL CHAMBER,
CITY HALL, DUBLIN 2, ON THURSDAY 22ND SEPTEMBER 2016 AT 6.15 p.m**

Do Gach Ball den Chomhairle.

A Chara,

Iarrtar ort a bheith i láthair ag **Cruinniú Speisialta** de Chomhairle Cathrach Bhaile Átha Cliath a thionólfar i **Seomra na Comhairle, Halla na Cathrach, Cnoc Chorcaí, ar 22 Meán Fómhair 2016 ag 6.15 i.n.** chun an ghnó seo leanas a phlé agus gach is gá i dtaca leis a dhéanamh, nó a chur a dhéanamh, nó a ordú a dhéanamh:-

Silent Prayer/Reflection

PAGE

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|----------|--|---------|
| 1 | Motion submitted by Lord Mayor Brendan Carr and Councillors Seamas McGrattan, Janice Boylan, Larry O'Toole, Míchéal MacDonncha, Ciarán O'Moore, Noeleen Reilly, Cathleen Carney Boud, Anthony Connaghan, Daithí Doolan, Greg Kelly, Ray McHugh Alison Gilliland, Dermot Lacey, Ray McAdam and Andrew Montague pursuant to Section 30 of Standing Orders - "The City Council hereby rescinds it's decision to adopt Motion No 36 on O'Devaney Gardens on 25th of July 2016. The motion as passed is not consistent with City Council plans or Government policy. This Council supports the provision of 30% social & 20% affordable and cost rental on the site and calls on the Chief Executive to expedite the comprehensive development of the site" | |
| 2 | Report No. 258/2016 of the Head of Finance (K. Quinn) - Budget Strategy For Financial Year 2017. | 1 - 16 |
| 3 | Report No. 259/2016 of the Head of Finance (K. Quinn) - Budget 2017: Public Consultation Process. | 17 - 24 |
| 4 | Report No. 260/2016 of the Chief Executive (O. Keegan) - Consideration of LPT - Local Adjustment Factor Financial Year 2017. | 25 - 50 |

**Deirdre Ni Rahallaigh,
Riarathóir Cruinnithe,
An Ché Adhmaid,
Baile Átha Cliath 8**

16 Meán Fómhair 2016

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Draft Budget Strategy for Financial Year 2017:
For consideration at a special meeting of Dublin City Council scheduled for
22nd September 2016

1. Executive Summary

The draft budget strategy required to be submitted to the Minister for the Housing, Planning, Community & Local Government, by 30th September 2016 is based on:

- My expectation that the Department of Housing, Planning, Community & Local Government will meet the incurred costs of provision of homeless related services in the current year 2016 and for the coming year 2017;
- That further efficiencies will be made in Dublin City Council in 2017 in addition to those made in 2016 and previously.
- The capacity to secure €15m reductions (either through reduced expenditure or increased income).
- The incorporation of a further enduring loss of €2.5m rates income funds arising from the appeals on revaluation reductions through a programme of revaluation of global valuations.
- The existing 50% vacancy refunds being retained.
- The retention of the existing ARV for commercial rates in the financial year 2017 (0.256). The ARV has been held since 2015 and has not been increased since 2009.
- The forecasted capital spend for 2017 as identified in Dublin City Council's 2017 to 2019 capital programme.
- The funding parameters for Local Property Tax receipts collected and held centrally based on Circular Fin 04/2016. These parameters include an estimated loss of €160k funding over the 2016 values in the event that the Elected Members apply a 15% reduction notwithstanding an increased 2017 LPT yield of €1.9m, the withholding of 20% (€15.9m) LPT receipts centrally and the requirement that €28.6m self funding (the LPT receipts replace previous government grants) of services in housing and roads. This is reduced on 2016 by €15.3m, linked to the PRD adjustment of €16.4m.
- The removal of a Departmental grant received in 2016 of €3.2m as compensation for lost rates income due to the revaluation of certain utility companies
- The absence of confirmation that a grant of €4.2m provided in 2016 relating to the costs of implementation of the Landsdowne Road Agreement will be funded in 2017 and future years

In light of these factors I propose that the Elected Members give consideration to applying no variation to the basic LPT rate in Dublin City in 2017 (i.e. not apply the -15% local adjustment factor applied in previous years) in order to generate an additional €11.92m in 2017 to protect and enhance Council services. If this is not acceptable I recommend that Elected Members apply a local adjustment factor of -7.5% in 2017

which will generate an additional €5.96m to the City Council to protect and enhance services.

2. Introduction

2.1. Background

This draft Budget Strategy is presented to the elected members of Dublin City Council for consideration at the special meeting of Dublin City Council scheduled for 22nd September 2016. The Local Government (Financial and Audit Procedures) Regulations 2014 (S.I. 226 of 2014) on this and other matters came into effect from 1st June 2014. Circular Fin 05/14 requires that local authorities report to the Dept of Housing, Planning, Community & Local Government by 30th September on a preliminary estimation of income and expenditure for the following year. Circular Fin 4/2016 now requires that local authorities report to the Department of Housing, Planning, Community & Local Government by 23rd September.

2.2. Purpose

The purpose of this report is to provide elected members of Dublin City Council with a draft budgetary strategy for the financial year 2017 having regard to the format as prescribed by the Minister for the Housing, Planning, Community & Local Government, and to factors pertinent to the forthcoming financial year. This report reflects the expected service provision, expenditure commitment, and resource base in 2017, based on available information.

2.3. Scope

Information is presented in a format prescribed by the Minister (see Appendix 1). The report does not address in detail issues relating to the consideration to vary the Local Property Tax by a local adjustment factor (please see report: 260/2016). Also this report does not contain a detailed budget. The draft Annual Budget for the financial year 2017 will be considered by the City Council elected members at the Statutory Budget meeting scheduled to be held on 14th November 2016.

2.4. Method

Financial data provided is based on actual data to date (September 2016) along with reasonable estimates of likely outturns for the current financial year 2016. A comprehensive mid-year review of the financial performance was carried out in July 2016. Service provision is based on known factors and does not reflect any changes which may be introduced by Government over the relevant period of the strategy.

2.5. Relevant Factors to Budget Strategy

The factors relevant are:

1. Commercial rates in 2017 – ARV and loss of rates income
2. Vacancy refunds – in respect of financial year 2017
3. Enduring impact of the commercial rate revaluation
4. Variation of the Local Property Tax 2017
5. Grant funding for 2017
6. Financial Management and cost pressures in the current year (2016)
7. Service demands 2017
8. Income trends for 2017
9. Efficiencies made in 2016 and planned for 2017

10. Expenditure commitments 2017
11. Capital Expenditure and Income 2017
12. Financial Position (as prescribed)

2.6. Objectives of Budget Strategy

The objectives of Dublin City Council's Budget Strategy are:

- To indicate a financially sustainable approach to funding operational services and capital programmes for the financial year 2017
- To ensure that the resource base as identified is adequate to provide services to business and communities
- To ensure that service provision and expenditure commitments are priced giving best value for money to Dublin City Council and the people who live, work or visit Dublin City
- To ensure that the City's resource base is prudently managed and that the compliance is achieved with Circular Finance 03/09 which states that there can be no deficits in local authority budgets (operational or capital)
- To comply with EU requirements that the main parameters of national budgets are published by 15th October each year.

3. Factors relevant to Budget Strategy

3.1 Importance of Commercial Rates to Service Provision

The funding of local government services occurs through a range of sources – specific government grants, commercial rates, income from services, the general purpose allocation (Local Government Fund allocation). Appendix 2 and 3 sets out the trends in recent years as to the value of inputs from these sources to the funding of services. All sources of funding are important however commercial rates are especially important. The buoyancy of trade in Dublin City is crucial to the City's economic prospects. Trade must function with a cost base that reflects relevant inputs and no more. Dublin City Council services support trade and so it is appropriate that commercial entities make a contribution for their trading environment. This contribution must be appropriate and not at a level which dampens trade and removes potential for growth.

Appendix 4 details commercial ratepayers in Dublin City by band in 2016. Almost 77% of commercial ratepayers have a rates charge in 2016 of €10K or under, while almost 40% of commercial rate payers have a rates charge in 2016 of under €3,000. By contrast, almost 50% of the total rates debit is paid by 2% of commercial rate payers or 432 accounts.

This budget strategy is based on the recommendation to hold the ARV for commercial rates in the financial year 2017 at the 2015 and 2016 levels i.e. the application of the multiplier .256 (see Appendix 5).

3.2 Vacancy Refunds

The Local Government Reform Act provides for elected members to determine, by resolution, the vacancy refund rate to apply to electoral districts within the local authority's jurisdiction. In Dublin City a vacancy refund rate of 50% has applied to date under the Dublin 1930 Act (i.e. where a rateable premises has been vacant, 50% of rates due has been paid, with 50% not paid). In other local authorities, a full 100% vacancy rate refund has applied. In other words where a rateable premises was vacant, no rates were due.

Over the period 2012-2015, the value of vacancy rates refunds in Dublin City amounted to an estimated annual value of between €13.2m and €17.4m. This arises from the total value of rates associated with vacant premises being between €26.4m and €34.8m, with €13.2m - €17.4m being the value paid as rates and also the value not due or refunded. Please see Table 1 below for details of vacancy refunds in Dublin City in 2012 - 2015.

Table 1 – Vacancy Refunds Dublin City 2012-2015								
	2012		2013		2014		2015	
AREA	No. of Accounts	Vacancy Credits	No. of Accounts	Vacancy Credits	No. of Accounts	Vacancy Credits	No. of Accounts	Vacancy Credits
Central Area	519	€3,998,258	553	€4,678,432	520	€3,292,518	479	€2,730,963
North Central Area	186	€1,089,824	199	€1,015,851	220	€1,051,523	207	€872,939
North West Area	227	€1,495,091	265	€1,457,689	229	€1,314,017	263	€1,085,722
South Central Area	378	€2,283,313	364	€1,912,214	339	€1,648,624	334	€1,527,788
South East Area	986	€6,554,872	1028	€8,305,296	1019	€7,317,206	954	€6,949,833
MISC	7	€20,799	0	€0	0	€0		
	2303	€15,442,157	2409	€17,369,482	2327	€14,623,888	2237	€13,167,244

The legislation provides that the elected members may determine the application of vacancy refunds for one or more electoral areas, and may determine the proportion of refund that will apply to the specified areas for the whole of the financial year in question. Appendix 6 illustrates the electoral areas of Dublin City. This strategy is based on the recommendation that the existing 50% vacancy refunds be retained on the basis that:

- A 50% charge is reasonable and should not be reduced further i.e. the refund rate should not be increased.
- As approximately two thirds of all vacant rateable commercial properties in 2014 are within the Central and South East areas, it is likely that these vacancy refunds applied for these areas in 2017 will be reduced year on year owing to improving economic conditions as borne out by the trends illustrated in Table 2.
- Increasing charges to business at a time of fragile economic growth might displace that growth to other local authority areas

3.3 Revaluation of commercial properties in Dublin City by the Valuation Office

The Valuation Office carried out a review of commercial property valuations in Dublin City and determined restated valuations in the context of trading conditions in April 2011. The revaluation outcome was that 56% of ratepayers have reduced liabilities, 41% have increased rates liabilities, with 3% having no change. The revaluation process is intended to be neutral in yield to the local authority i.e. Dublin City Council should not benefit from an increased yield from commercial rates as a revaluation outcome.

The existing revaluation legislative framework provides for an appeal process after the Valuation Office has determined the restated valuations for commercial properties. This construction (i.e. appeal after final determination) results in a permanent loss of funds for local authorities from reductions in rates liability granted on appeal. This occurs as any reductions in rate liability determined by the valuation tribunal are not followed by a revised local authority determination. Local authorities have lost between 3% and 5% of total rates yield through this process. Dublin City Council requested legislative amendments so that the yield to local authorities, including the outcome from appeals, remains neutral. However, the legislation remains unchanged.

3.3.1 Financial impact of revaluation on the commercial rate base

The process in relation to the appeals to the Valuation Tribunal is in the final phases. Of 900 appeals, 671 are dealt with at September 2016. It is expected that by year end 2016, 800 appeals will have been heard with the balance in 2017. In 2016, the loss of rates income through global revaluations was compensated by a once off grant. This loss of €3.2m impacts in 2017. It is prudent to factor a further overall net reduction of €2.5m in commercial rates income in respect of these matters. Table 2 sets out the cumulative loss of Rates income to Dublin City Council through the revaluation process 2014 – 2017 of €43.2m.

Table 2 – Cumulative loss of Rates Income through revaluation 2014 – 2017 (€m)

Year	VO	VT ¹	VT ²	VT ³	Globals	Total
2014	4.4	2	3	0.6		10
2015	4.4	2	3	0.6		10
2016	4.4	2	3	0.6		10
2017	4.4	2	3	0.6	3.2	13.2
Total	17.6	8	12	2.4	3.2	43.2

VO: Valuation Office

VT¹: Valuation Tribunal - 1st batch of appeals

VT²: Valuation Tribunal - 2nd batch of appeals

VT³: Valuation Tribunal - 3rd batch of appeals

3.4 Variation of the Local Property Tax 2016

Report 260/2016 relates to the consideration of the Local Property Tax Local Adjustment Factor in respect of the financial year 2017. In summary, that report identifies that:

- The assurance from the Department of Housing, Planning, Community & Local Government to meet the incurred costs of provision of homeless related services in the current year 2016 and for the coming year 2017
- The continuing levels of efficiencies achieved within Dublin City Council to date and to be achieved in 2017.

This strategy incorporates that:

- a local adjustment factor is not applied to the LPT Basic Rate in respect of LPT liability for the year 2016 (see Report 260/2016)

3.5 Financial Pressures in the current year 2016

In 2016, an operational budget of €803.5m was adopted by the elected members and an Annual Rate on Valuation of .256 was struck. Financial management reporting in Dublin City Council ensures that significant budget variances are identified and appropriate actions are taken to minimise any adverse financial impact.

During 2016, cost and funding pressures continue to significantly shape service provision in the City. While trading conditions have improved, this improvement is not consistently experienced across all sectors or locations within the City. As a result constraints on the collection of commercial rates remain among some businesses particularly in relation to receiverships and liquidations. Unemployment has shown steady contractions in recent

months, the underlying numbers of persons unemployed has decreased with clusters of unemployment relating to skills and training. This has an impact on debt collections relating to households and also impacts on the service demands placed on many of Dublin City Council's services. Over the course of 2016, many issues have arisen which have been dealt with by management. The key financial pressures having corporate impact are set out below.

Homeless Services

The numbers of persons presenting as homeless increased again in 2016. The costs of service provision for homeless persons increased in line with demand. Trends in demand for homeless related services have been well documented and debated over 2016 and previous years. The Minister for Housing, Planning, Community & Local Government announced the Action Plan for Housing and Homelessness: Rebuilding Ireland. This action plan is built on 5 key pillars, one of which is to address homelessness. The Minister's commitment to tackling homelessness and to Dublin City Council's services for those presenting as homeless is evident. I am satisfied that the Minister will fund the additional costs incurred by Dublin City Council for the provision of homeless related services due to increased presentation, notwithstanding that written confirmation of financing has not yet been received.

Table 3 sets out detail of the costs of provision of homeless services in 2016 and 2017.

Table 3 - Analysis of Homeless Expenditure - 2016

	2016 - Projected		2016 - Adopted	
		% Share	Budget	% Share
Expenditure	104,800,741		91,326,646	
Income				
DECLG	80,381,453	76.7%	66,760,096	73.1%
Fingal	2,081,873	2.0%	2,081,873	2.3%
South Dublin	1,994,873	1.9%	1,994,873	2.2%
Dun Laoghaire	1,971,873	1.9%	1,971,873	2.2%
Other (HSE/Health & Misc)	1,161,869	1.1%	1,161,869	1.3%
Total Income	87,591,941	83.6%	73,970,584	81.0%
Net Expenditure (DCC Funded)	17,208,800	16.4%	17,356,062	19.0%
Total Expenditure	104,800,741	100%	91,326,646	100%

Note: The budget 2016 figures are based on the adopted budget for 2016. The required funding for 2016 from the Department of Housing, Planning, Community & Local Government is estimated at €80.38m. If this funding is received, the DoHPC&LG will then be funding 76.79% of the cost of Homeless. The Dublin LAs funding is now at €6m or 5.8% of the total cost of Homeless. The Dublin City Council contribution amounts to €17.2m or 16.4% of the cost of Homeless. This information is based on available data (early September). It is highly probable that trends may change, thereby increasing the quantum of expenditure incurred.

3.6 Service Demands 2017

In framing this draft budget strategy, due regard has been given to service demands likely to present in 2017. The most significant are:

- **Homeless services:** see comments above in relation to the funding requirement for homeless services in 2017.
- **LPT funding Framework:** there is considerable expectation among householders to experience a positive change in service provision i.e. to invest in local services, notwithstanding the absolute low value of funds available for service provision arising from the funding parameters applied by the Dept.

3.7 Trends in Income 2017

Commercial rates and Local Property Tax have been considered separately. In relation to income from goods and services, the most significant trend having corporate impact is that of housing rents and parking meters, both of which are expected to increase in 2017. A grant of €3.2m received in 2016 for the loss of Rates income related to the revaluation of global utility companies will not be paid in 2017. Further, as of now (early September 2016), a grant providing funding for the costs of implementation of the Landsdowne Road Agreement of €4.2m received in 2016 has not been confirmed for 2017.

3.8 Efficiencies made in 2016 and planned for 2017

Over the course of 2016, efficiencies have been made in how service provision is structured and the associated costs of same, specifically:

Procurement

Dublin City Council continues to pursue value for money outcomes through the introduction of local contracts and Frameworks and through availing of central procurement arrangements. The Office of Government Procurement schedule of contracts and Frameworks (August 2016), identifies potential for DCC to generate further savings through aggregation and leverage in the following areas:

- Professional Services
- Facilities Management & Maintenance
- ICT Services and Office Equipment
- Marketing, Print and Stationery
- Fleet and Plant Hire and Maintenance
- Travel, Transport and HR Services
- Cleaning Products and Equipment
- PPE (Personal Protective Equipment)
- White Goods
- Courier Services

Staff

Dublin City Council staff numbers at 30th June 2016 demonstrate a reduction of both core and non-core staff, from 6,932 at December 2008 to 5,331 at 30th June 2016. This represents a reduction of 1,601 in both core and non-core staff or 23.1% of the 2008 staff resource. The City Council continues to review service delivery with a view to minimising the impact on service provision in the context of this large drop in staff resources.

Table 4: Staff Numbers

	December 2008	June 2016
Headcount	7278	5367
Core	7125	5460
Non Core	153	177
WTE	6931.5	5330.65
Core	6794.7	5158.20
Non Core	136.8	172.45

Financial Management

This budget strategy provides that further efficiencies will be made in Dublin City Council in 2017. As of September 2016, expenditure reductions of €15m are targeted across all service departments of Dublin City Council. This process includes a focused review of spend, service provision and income levels. This budget strategy is based on achieving the objective implementing €15m reductions (either through reduced expenditure or increased income). Given the recurrent contracting budgets since 2009, this target may not be achieved. In the context of reducing resources to protect service provision, there is a strong rationale not to apply a reduction to the basic LPT rate.

3.9 Expenditure Commitments 2017

Dublin City Council's budget is comprised of both discretionary (i.e. costs which a decision could be made not to incur by changing service provision) and non-discretionary costs (i.e. costs which will be incurred, regardless of service provision). Practically many cost elements have a base non discretionary value (such as base electricity costs or base material costs) with a discretionary element that could be varied through revised procurement practices or changed work practices. The 2016 expenditure for DCC is €803.5m. Of this amount €46.7m is the value of the service level agreement between Dublin City Council and Irish Water, whereby the expenditure is fully recouped. This leaves a budget of €756.8m, of this amount €78.4m or 10.4% are discretionary costs. Examples of discretionary costs are advertising, purchase of tools and equipment, purchase of supplies etc. The value of non discretionary costs in 2015 is €678.2m or 89.6%. Examples of non discretionary costs would be loan charges, insurance payments, electricity etc. I consider that the rate between each cost elements will continue to vary such that the level of discretionary costs continues to reduce relative to non discretionary costs over 2017 with the proportion of non discretionary costs increasing over the proportion of discretionary costs. This trend results in a reduced capacity for cost reductions implemented in the short term and a requirement for changes in cost structure to be planned over the medium to longer term.

3.10 Capital Expenditure and Income 2017

The budget strategy is based on the forecasted capital spend for 2017 as identified in Dublin City Council's 2017 to 2019 capital programme. Adjustments have been made for movements in terms of spend, income etc. as identified both at the midyear review in July and to date (September 2015). A detailed capital programme for the period 2016 to 2018 based on further analysis will be presented to the Elected Members in November along with the operational budget for the financial year 2016.

3.11 Financial Position

Regulations made by the Minister for the Housing, Planning, Community & Local Government prescribe the format of financial information to be provided to elected members as part of the consideration of the draft budget strategy.

Table 5: FINANCIAL POSITION OF DUBLIN CITY COUNCIL

	As at Year To 30th of June 2016
ASSETS	€
Current assets (including cash and investments)	445,094,670
General revenue reserve (if surplus)	36,957,268
Loans receivable	464,489,944
	-
LIABILITIES	€
Current liabilities (including overdraft)	370,853,268
General revenue reserve (if deficit)	-
Loans payable	-
Voluntary housing/mortgage loans	391,488,299
Non mortgage loans	173,023,180
	-
INDICATORS	-
Ratio of loans payable to revenue income	70.3%
Ratio of current assets to current liabilities	1.2:1

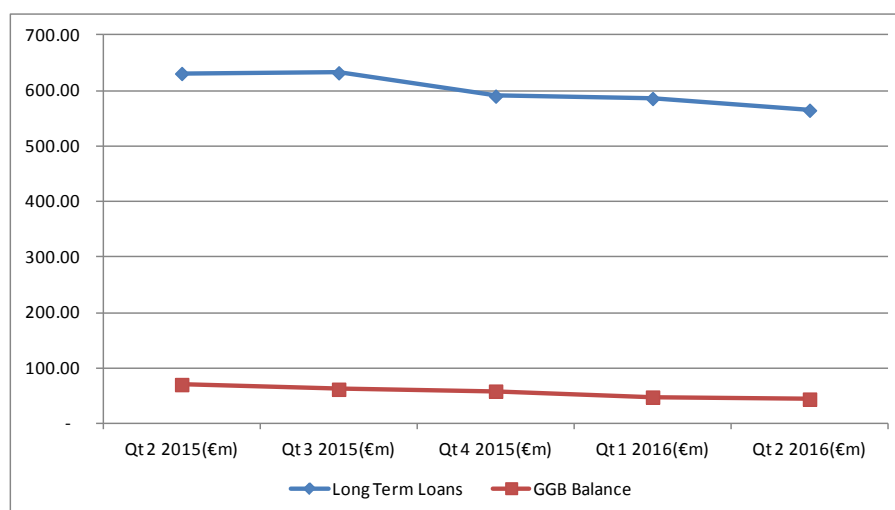
Dublin City Council's financial position over the past year, as reported to Government and the EU/IMF on a quarterly basis is set out below. This data demonstrates that the GGB has reduced over the year Qtr 2 2015 to Qtr 2 2016.

Table 6: GGB Data 2015 to 2016

	Qt 2 2015(€m)	Qt 3 2015(€m)	Qt 4 2015(€m)	Qt 1 2016(€m)	Qt 2 2016(€m)
Current Assets	434.95	325.97	254.35	520.60	445.09
Current Liabilities	408.91	282.70	191.16	438.54	370.85
Creditors (<1yr)	644.15	656.43	623.10	619.01	601.29
Long Term Loans	630.74	631.97	589.97	585.69	564.51
GGB Balance	70.28	61.79	58.37	47.65	43.99
Movement against Q4 of previous year	1.87	10.36	13.78	10.72	14.38

Note: A 3rd quarter financial review has been completed and the expected 2016 financial outturn will yield a credit balance within the parameters of €18m - €22m.

Long Term Loans



4.0 Summary

My advice to the Elected Members that the draft budget strategy be submitted to the Minister for Housing, Planning, Community & Local Government by 30th September 2016 and is based on:

- My expectation that the Department of Housing, Planning, Community & Local Government will meet the incurred costs of provision of homeless related services in the current year 2016 and for the coming year 2017;
- That further efficiencies will be made in Dublin City Council in 2017 in addition to those made in 2016 and previously.
- The capacity to secure €15m reductions (either through reduced expenditure or increased income).
- The incorporation of a further enduring loss of €2.5m rates income funds arising from the appeals on revaluation reductions through a programme of revaluation of global valuations.
- The existing 50% vacancy refunds being retained.
- The retention of the existing ARV for commercial rates in the financial year 2017 (0.256). The ARV has been held since 2015 and has not been increased since 2009.
- The forecasted capital spend for 2017 as identified in Dublin City Council's 2017 to 2019 capital programme.
- The funding parameters for Local Property Tax receipts collected and held centrally based on Circular Fin 04/2016. These parameters include an estimated loss of €160k funding over the 2016 values in the event that the Elected Members apply a 15% reduction notwithstanding an increased 2017 LPT yield of €1.9m, the withholding of 20% (€15.9m) LPT receipts centrally and the requirement that €28.6m self funding (the LPT receipts replace previous government grants) of services in housing and roads. This is reduced on 2016 by €15.3m, linked to the PRD adjustment of €16.4m.
- The removal of a Departmental grant received in 2016 of €3.2m as compensation for lost rates income due to the revaluation of certain utility companies
- The absence of confirmation that a grant of €4.2m provided in 2016 relating to the costs of implementation of the Landsdowne Road Agreement will be funded in 2017 and future years

In light of these factors I propose that the Elected Members give consideration to applying no variation to the basic LPT rate in Dublin City in 2017 (i.e. not apply the -15% local adjustment factor applied in previous years) in order to generate an additional €11.92m in 2017 to protect and enhance Council services. If this is not acceptable I recommend that Elected Members apply a local adjustment factor of -7.5% in 2017 which will generate an additional €5.96m to the City Council to protect and enhance services.

Kathy Quinn
Head of Finance

Appendix 1 - Report to Department of Finance - Preliminary estimate of capital and current income and expenditure

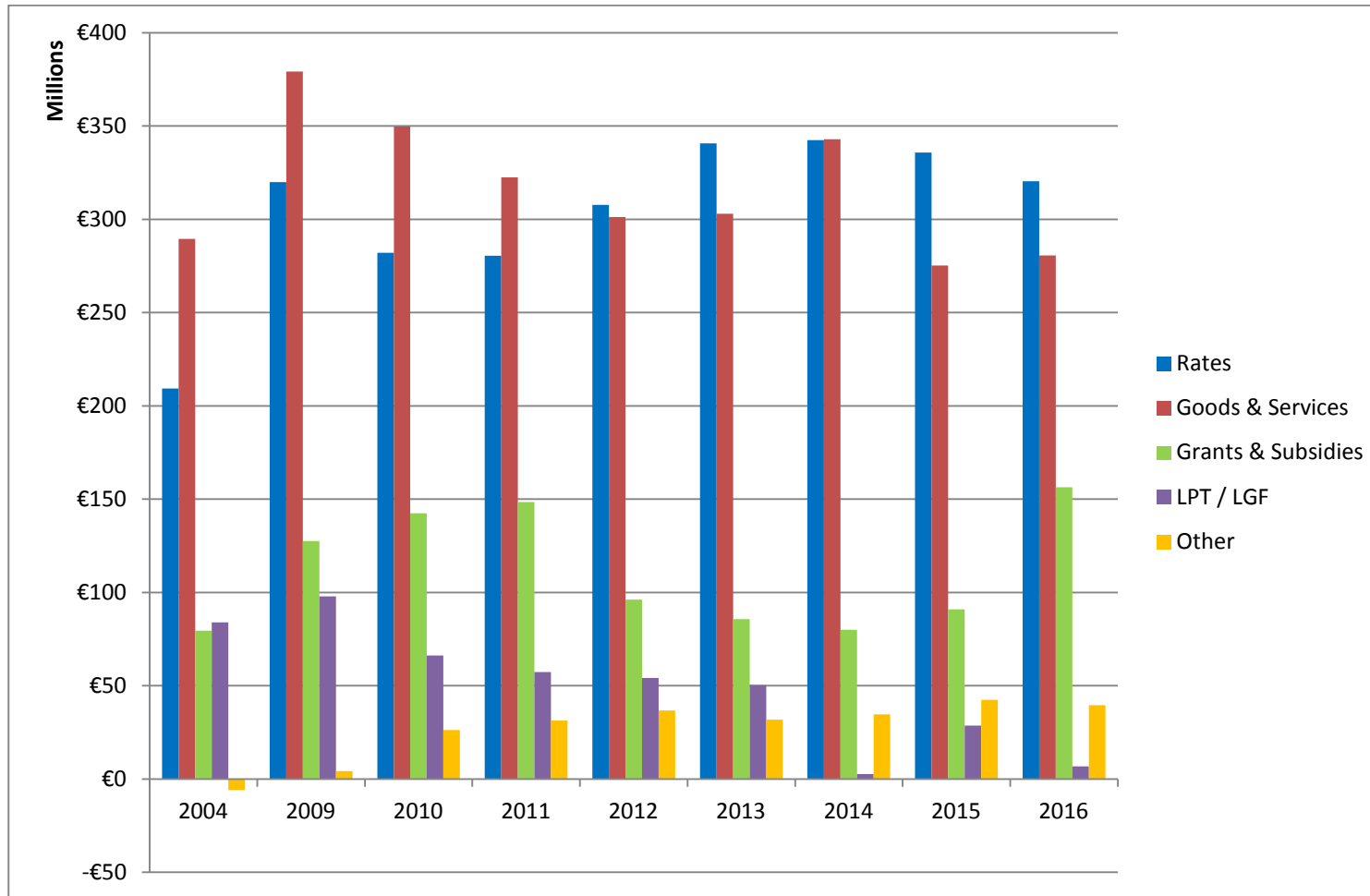
Table A		Category Description	Revenue / Capital	Own Resource / Central Govt	2016	2017	2018 to 2021 - Please note any known policy changes expected in the years 2018 to 2021
Income	1	Rates	Revenue	Own Resource			
	2	NPPR	Revenue	Own Resource			
	3	LGF - LPT Allocation					
		of which					
		LPT Allocation - Own Use	Revenue	Own Resource			
		LPT Allocation - Self Funding	Revenue				
		LPT Allocation - Self Funding	Capital				
	4	Pension Related Deduction	Revenue			N/A	
	5	Goods & Services					
		of which					
		Rents from Houses	Revenue	Own Resource			
Expenditure		Housing Loans Interest & Charges	Revenue	Own Resource			
		Other Goods & Service Income	Revenue	Own Resource			
		Irish Water	Revenue				
	6	Revenue Grants & Subsidies	Revenue				
	7	Capital Grants & Subsidies	Capital				
	8	Non Mortgage Borrowing	Revenue				
	9	Non Mortgage Borrowing	Capital				
	10	Other capital income	Capital				
		Total Income					
	11	Payroll Costs	Revenue				
		of which					
Expenditure		Salary & Wages					
		Pensions					
		Other payroll costs					
	12	Financial Expenses	Revenue				
		of which					
		Bad debt Provision (including irrecoverable rates)					
		Interest paid to central government (NTMA & OPW)					
		Interest paid to HFA					
		Interest paid to other financial institutions					
	13	Other Revenue Expenses	Revenue				
		of which					
Expenditure		Maintenance/Improvement of LA Housing					
		RAS Programme / HAP					
		Expenditure on behalf of Irish Water					
		Other					
	14	Capital Expenditure	Capital				
		of which					
		grants					
		gross fixed capital formation					
		Other					
		Total Expenditure					
Table B		Transfer to Reserves	Revenue / Capital	Own Resource / Central Govt	2016	2017	
	(a)	Net Transfers to Reserves (from /to Revenue to/from Capital)					
	(b)	Transfers to Reserves (direct to Balance Sheet - principal on repayment of non mortgage Loans)					

Notes

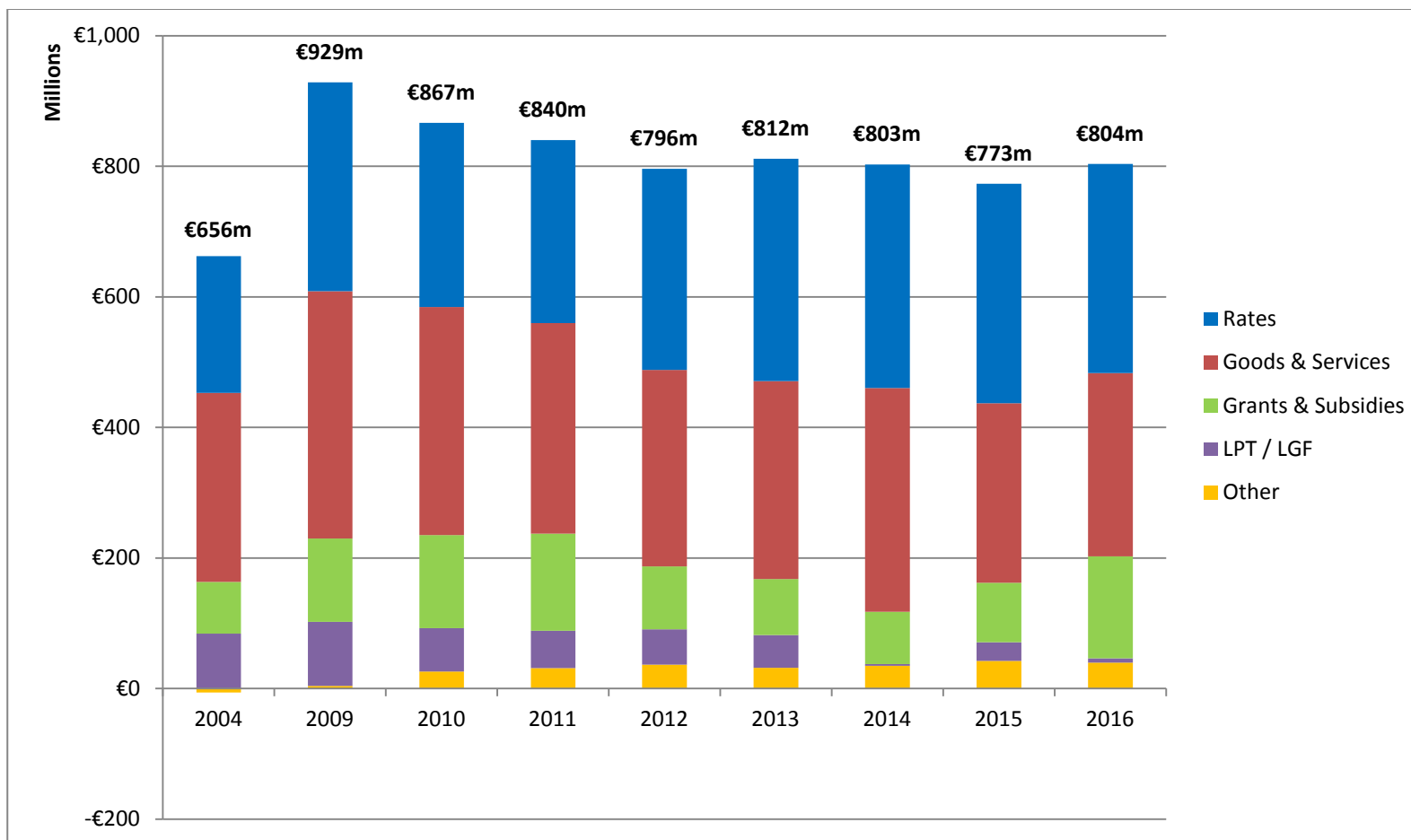
- Report to be completed based on the current year and taking into account any known policy changes for the forthcoming and future years.
- The overall report should balance.
- Budgeted transfers between Revenue and Capital should be included in the relevant section of Table A Income & Expenditure. Table B separately identifies Transfers to Reserves included in Table A to facilitate statistical analysis required by DoF and CSO.
- Other Revenue Expenses - Other includes principal amounts to be repaid on non- mortgage loans. Principal amounts to be repaid on mortgage loans not included in report as included directly to the Balance Sheet. See separate note on Transfers to Reserves.
- Capital Expenditure - Other to include agency services and other non-capital formation or grant expenditure.
- Capital Expenditure - Gross capital formation to include WIP / Preliminary Expenses and Purchased Assets.

APPENDIX 2 – ANALYSIS OF FUNDING SOURCES

Budgeted Income Sources by Year



Appendix 3 - Budgeted Total Income by Year



Appendix 4 - Rate Bands

CHARGE 2016	No Of Accounts	Cumulative total	% per band	Cumulative Total	Total debit per band	% of Debit	Cumulative Total
€1 - €999	2142	2142	10.38%	10.38%	€1,316,457.98	0.41%	0.41%
€1,000 - €3,000	6056	8198	29.35%	39.73%	€11,749,353.02	3.62%	4.03%
€3,000 - €5,000	3702	11900	17.94%	57.67%	€14,413,833.28	4.44%	8.47%
€5,000 - €10,000	3915	15815	18.97%	76.65%	€27,512,645.29	8.48%	16.95%
€10,000 - €25,000	2790	18605	13.52%	90.17%	€42,873,998.39	13.21%	30.16%
€25,000 - €50,000	1056	19661	5.12%	95.29%	€36,888,244.35	11.37%	41.53%
€50,000 - €75,000	363	20024	1.76%	97.05%	€21,648,388.61	6.67%	48.20%
€75,000 - €100,000	177	20201	0.86%	97.91%	€15,166,822.40	4.67%	52.87%
€100,000 - €500,000	377	20578	1.83%	99.73%	€73,320,176.61	22.59%	75.47%
€500,000 -	55	20633	0.27%	100.00%	€79,611,863.81	24.53%	100.00%
TOTAL	20633		100.00%		€324,501,783.74	100.00%	

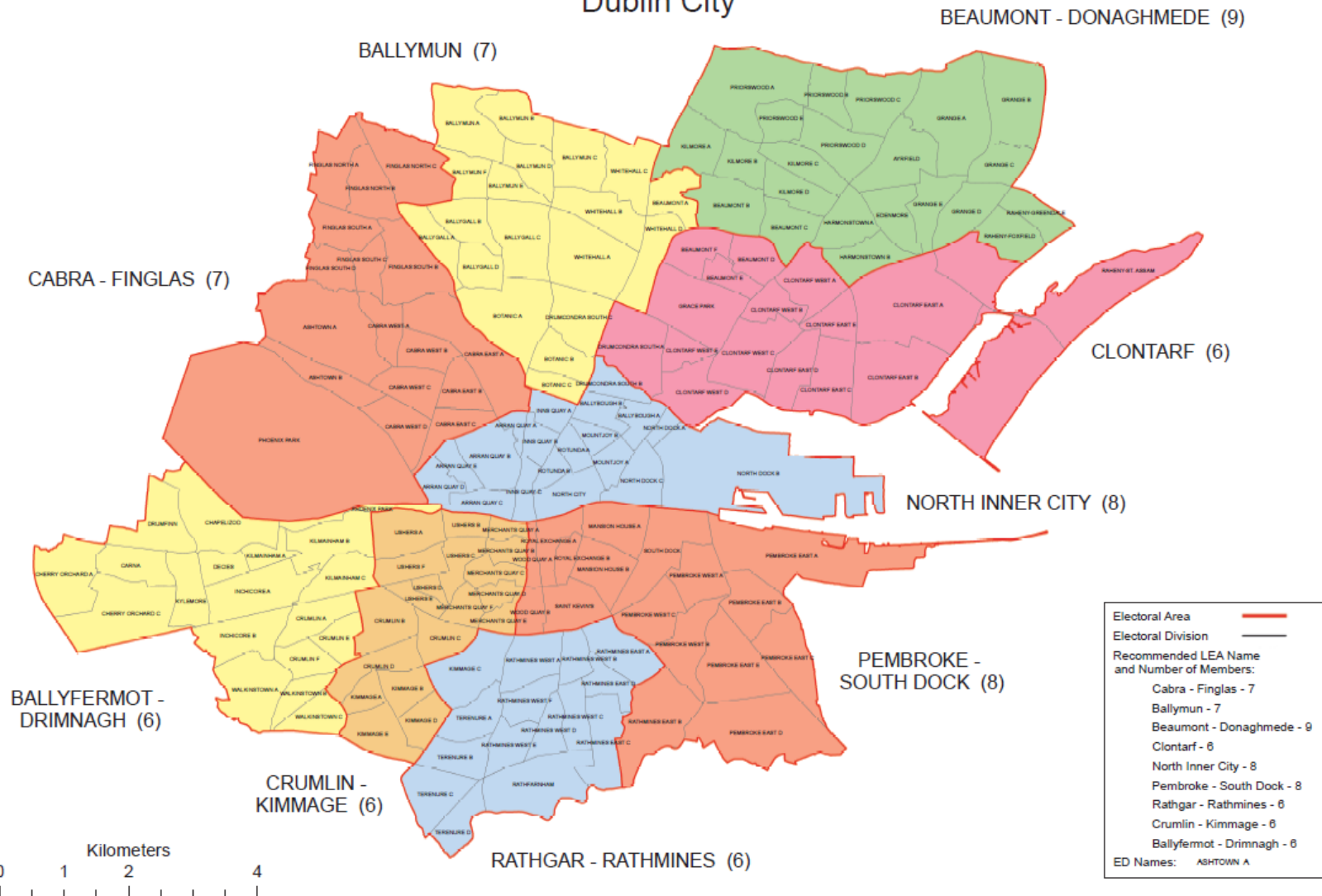
Appendix 5 - Rates

Potential new GARV 2017

<u>Increase in GARV</u>				
Estimate NEV 2017	+ %	ARV +1% to 5%	Total Income	Difference
€1,249,914,454	0%	0.256	€319,978,100	
€1,249,914,454	1%	0.259	€323,177,881	€3,199,781
€1,249,914,454	2%	0.261	€326,377,662	€6,399,562
€1,249,914,454	3%	0.264	€329,577,443	€9,599,343
€1,249,914,454	4%	0.266	€332,777,224	€12,799,124
€1,249,914,454	5%	0.269	€335,977,005	€15,998,905
<u>Decrease in GARV</u>				
Estimate NEV 2017	- %	ARV -1% to - 5%	Total Income	Difference
€1,249,914,454	0%	0.256	€319,978,100	
€1,249,914,454	-1%	0.253	€316,778,319	-€3,199,781
€1,249,914,454	-2%	0.251	€313,578,538	-€6,399,562
€1,249,914,454	-3%	0.248	€310,378,757	-€9,599,343
€1,249,914,454	-4%	0.246	€307,178,976	-€12,799,124
€1,249,914,454	-5%	0.243	€303,979,195	-€15,998,905

Local Electoral Area Boundary Committee Report 2013

Dublin City





Budget 2017 Public Consultation Process
For consideration at a special meeting of Dublin City Council scheduled for 22nd September 2016

1. Executive Summary

The public consultation process can be summarised as follows:

<ul style="list-style-type: none">• The total number of completed surveys was 174• The largest single group of respondents were Dublin City Council residents (160 or 92%)• 87.9% (or 153 respondents) indicated that they were aware that Councillors had the power to vary the basic rate of the LPT	<ul style="list-style-type: none">• 75.4% (or 129 respondents) wished for the LPT to be varied• 83.1% (or 108 respondents) did not wish to increase the basic rate of the LPT• A total of 89 (or 51.1%) respondents included a comment/observation in the survey
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2. Background

The Local Property Tax (Local Adjustment Factor) Regulations 2014 requires that Dublin City Council consult with the public in its administrative area in relation to its consideration of the setting of a local adjustment factor. Dublin City Council is further required to have regard, in its consideration of a report summarising the written submissions received from the public consultation process.

3. Public Notice

Dublin City Council placed an advertisement, on Thursday July 14th, in both the Irish Times and Dublin City Gazette newspapers giving notice of the consideration of setting a local adjustment factor and seeking completion of an online survey on this issue. The notice was in compliance with the prescribed format as indicated in the regulations. The consultation period extended from Thursday 14th July 2016 to Monday 15th August 2016.

The public were notified of the consultation via:

- www.dublincity.ie
- Social media (Facebook & Twitter)
- Public Participation Network newsletter

Hard copies of the survey were made available at:

- Public libraries

- Area Offices
- Customer Services Centre

The survey was available for completion in English & Irish.

4. Management of Consultation Process

Dublin City Council utilises a cloud-based software for managing, publicising and archiving its consultation activity for the LPT Public Consultation. The software (Citizen Space) hosted a web application which has been designed with a view to allowing organisations to run their consultation processes more efficiently and effectively.

The consultation process was managed using:

- Password-protected administration area allowing staff of the City Council to add, edit and report on consultations;
- A front-end website allowing the public to search for, share and participate in consultations that are being run by Dublin City Council;
- An online survey system for securely collecting consultation responses from users.

The use of this tool supported the protection by Dublin City Council of the integrity of responses.

5. Response to Consultation Process

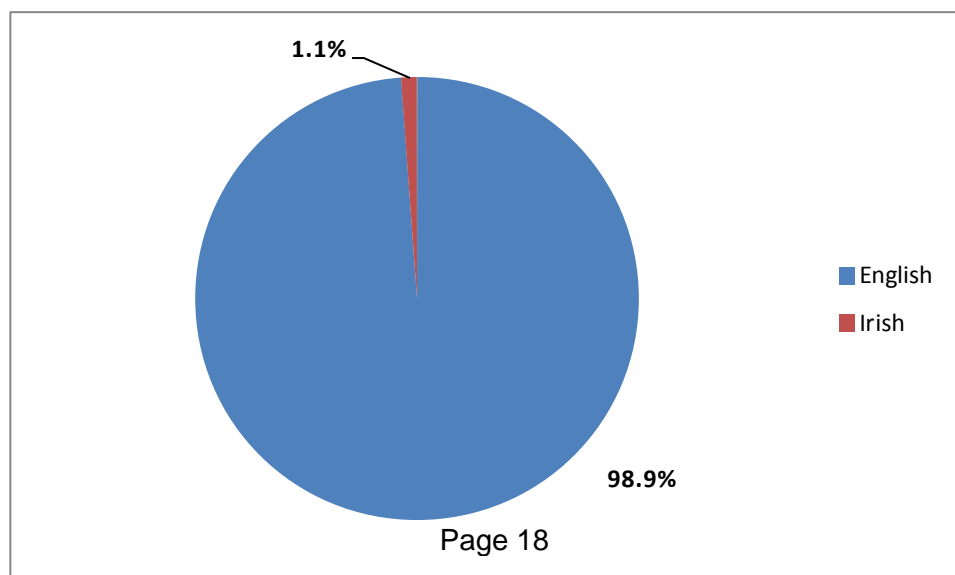
174 surveys were completed during the consultation process. This number represented 6 groups in the following categories;

- a) Dublin City Council Residents
- b) Non-Dublin City Council Residents (using Dublin City Council services)
- c) Business
- d) Charitable Organisation
- e) Sectoral Interest and
- f) Other (requested to specify).

A total of 129 submissions supported that a local adjustment factor be applied to the LPT liability, while a total of 42 submissions supported that a local adjustment factor should not be applied to the LPT liability. A total of 3 submissions did not answer the question.

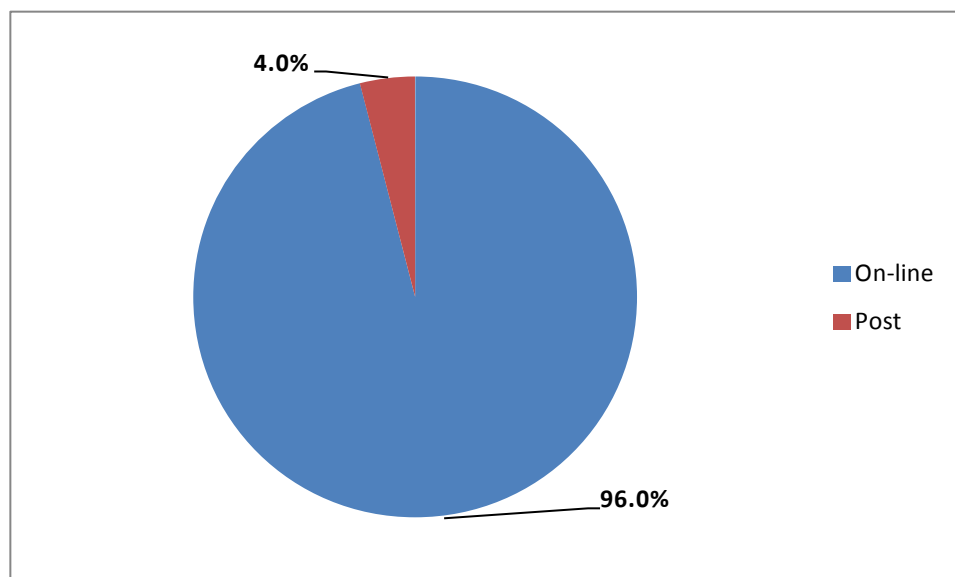
6. Analysis of Survey results

6.1 Total number of respondents



The total number of completed surveys was 174, of which 172 (98.9%) were in English and 2 (1.1%) were in Irish.

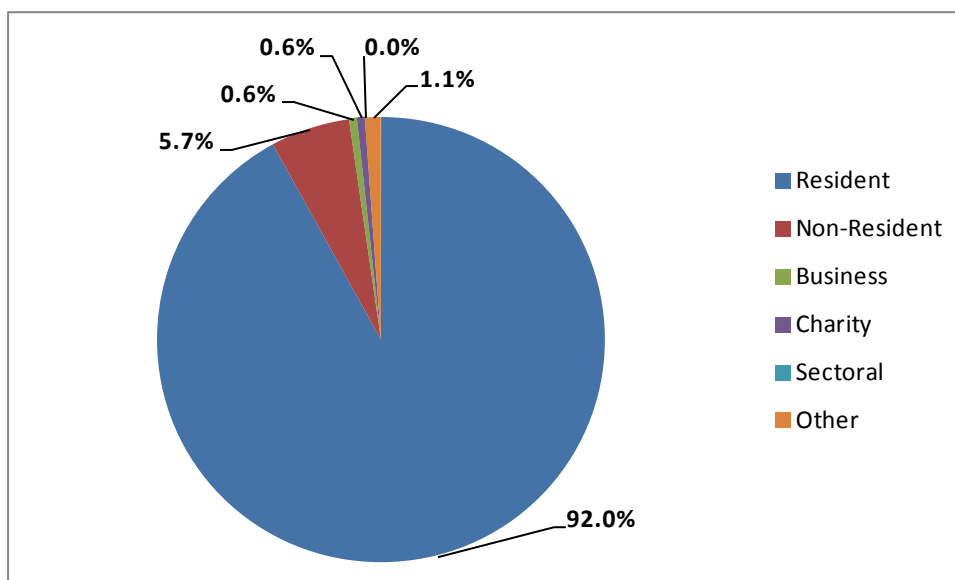
6.2 Analysis of submissions received



Completed surveys were submitted as follows:

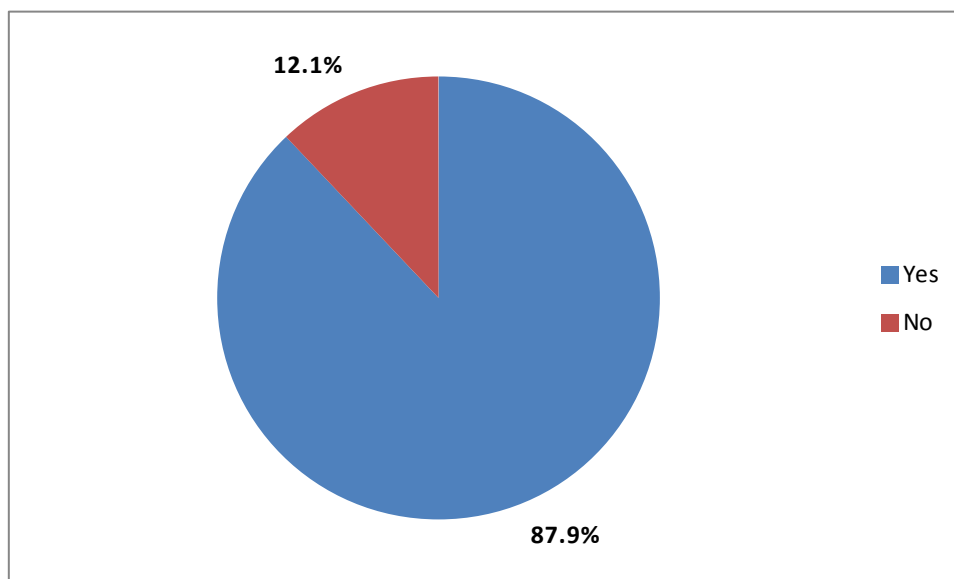
- On-line at www.dublincity.ie, a total of 167 (96%)
- By post to the Finance Department, a total of 7 (4%)

6.3 Question 1 – Analysis of Respondents



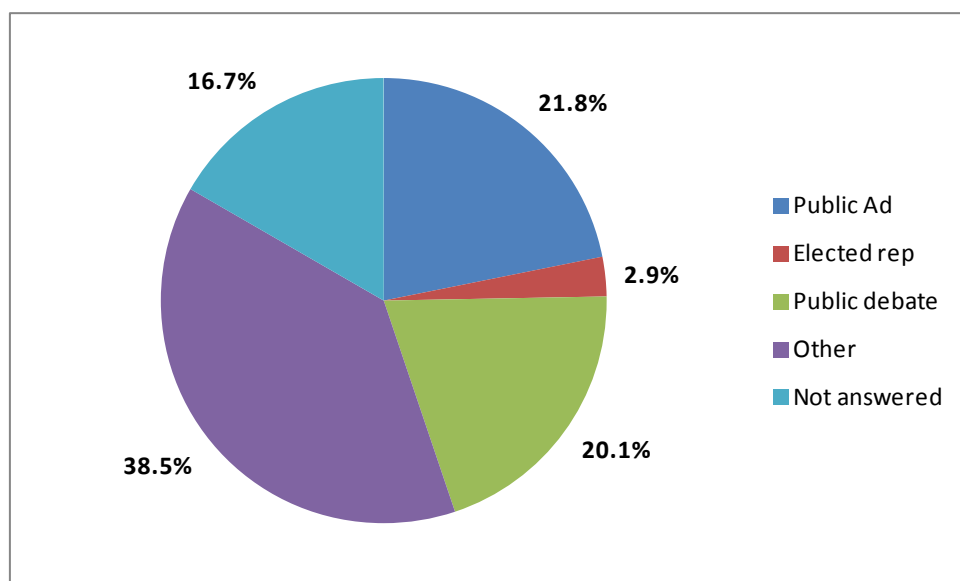
The largest single group of respondents were Dublin City Council residents who comprised 160 (or 92.0%) of the total, followed by Non-Dublin City Council residents at 10 (or 5.7%).

6.4 Question 2 – Are you aware that City Councillors can vary the basic rate of the Local Property Tax for Dublin City Council’s revenue budget for 2017 by +/- 15%



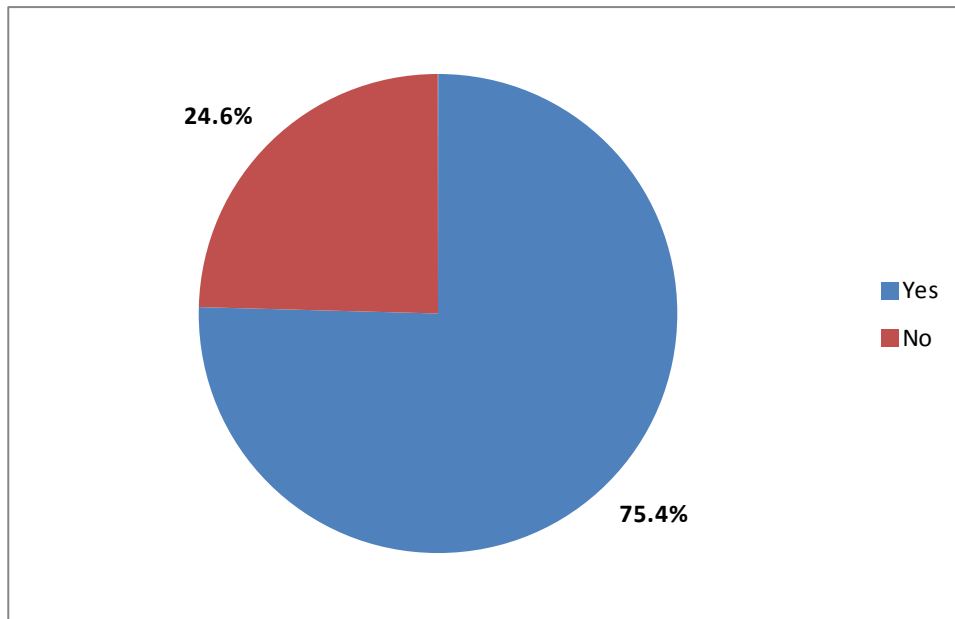
A total of 87.9% (or 153 respondents) indicated that they were aware that Councillors had the power to vary the basic rate of the LPT. A total of 12.1% (or 21 respondents) were not aware that Councillors had the power to vary the basic rate.

6.5 Question 3 – How did you become aware of this?



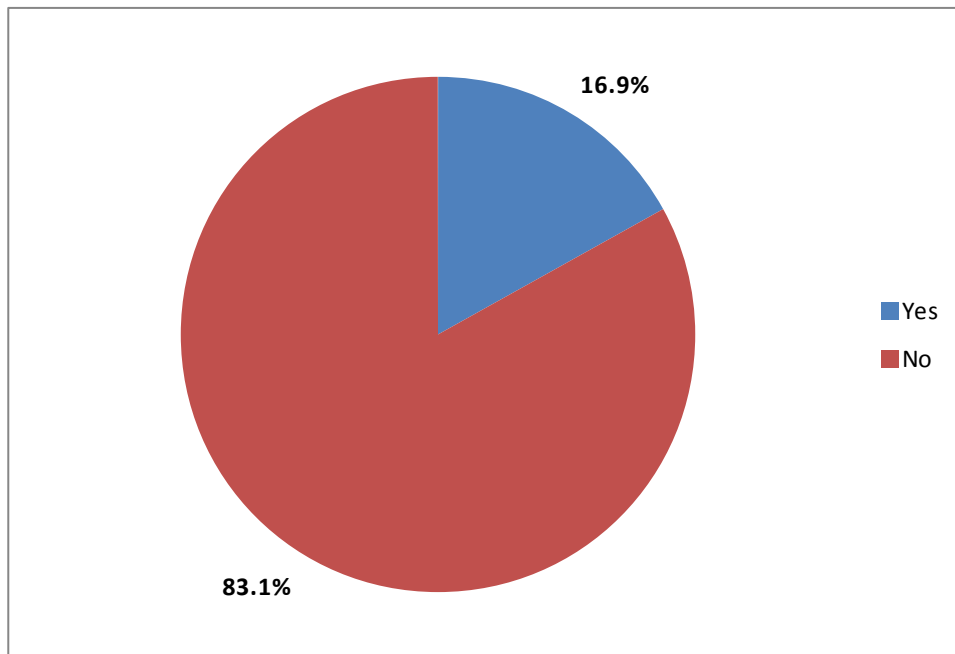
A total of 38.5% (or 67 respondents) became aware of the consultation by 'Other' methods such as the media comment, social media, word of mouth and knowledge of the relevant legislation. A total of 21.8% (or 38 respondents) became aware due to our advertisements and 20.1% (or 35 respondents) became aware of the consultation by public debate.

6.6 Question 4 – Do you wish your elected representative to vary the basic rate of the Local Property Tax?



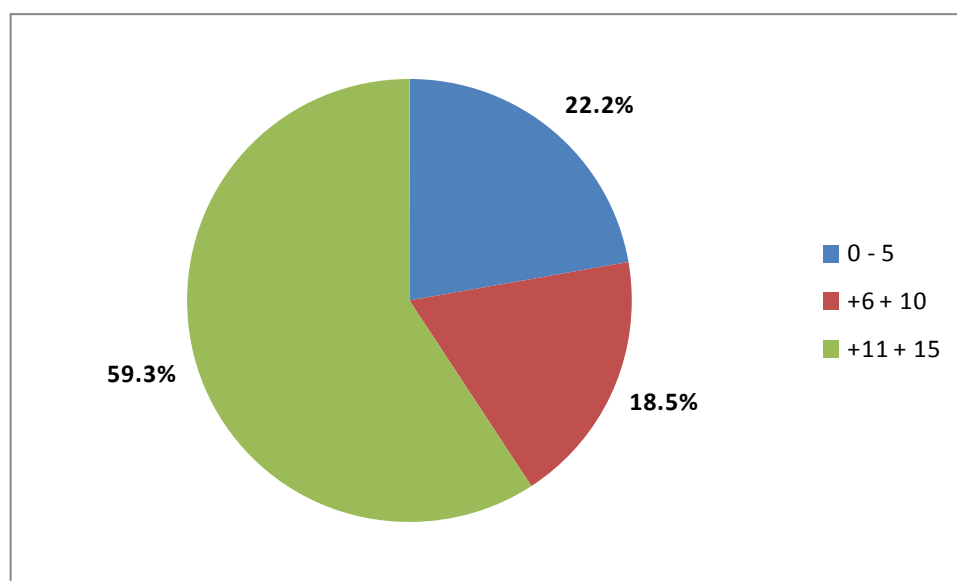
A total of 171 respondents answered this question. Of these, 75.4% (or 129 respondents) wished for the LPT to be varied, 24.6% (or 42 respondents) did not ask to vary the LPT.

6.7 Question 5 – Do you wish your representative to increase the basic rate of the Local Property tax?



A total of 130 respondents answered this question. Of those who answered, 83.1% (or 108 respondents) did not wish to increase the basic rate of the LPT. 16.9% (or 22 respondents) wished to increase the basic rate.

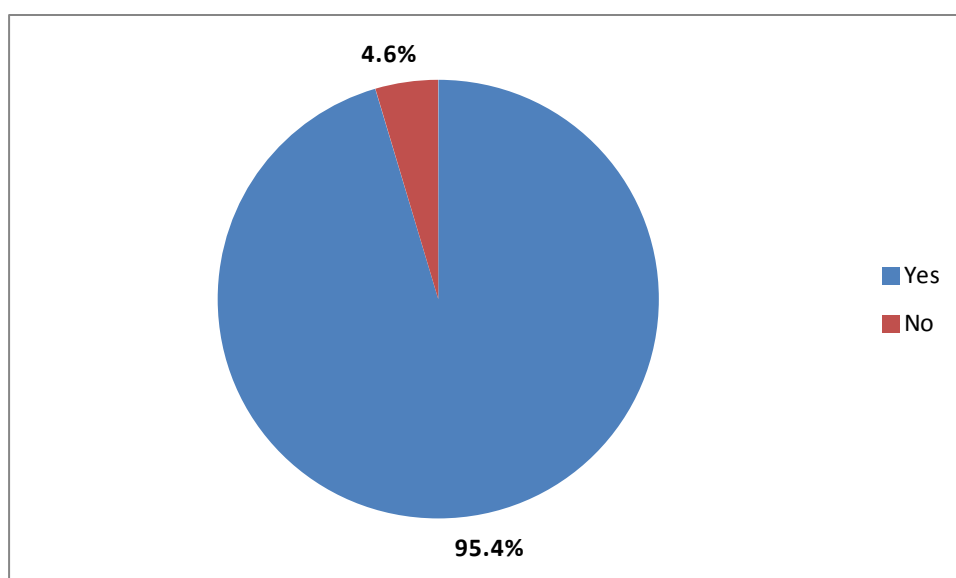
6.8 Question 6 – If yes by what range?



In question 5, a total of 22 respondents indicated they wished to increase the basic rate of LPT however 27 respondents answered this question. 59.3% (or 16 respondents) requested an increase of 11% - 15%, followed by 18.5% (or 5 respondents) who requested an increase of 6% - 10% with the balance of 22.2% (or 6 respondents) requesting an increase of between 0% - 5%.

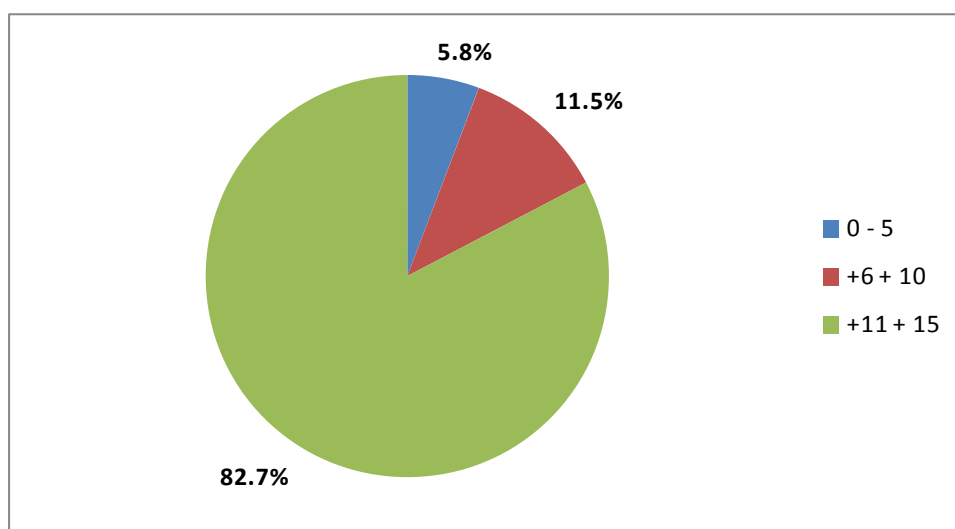
The above analysis is based on the 27 responses.

6.9 Question 7 – Do you wish your representative to decrease the basic rate of the Local Property tax?



A total of 108 respondents answered this question. Of those that answered, 95.4% (or 103 respondents) wished for the basic rate of the LPT to be reduced. 4.6% (or 5 respondents) did not wish for the basic rate of the LPT to be reduced.

6.10 Question 8 – If yes by what range?



In question 7, a total of 103 respondents indicated that they wished to increase the basic rate of the LPT however, 104 respondents answered this question. Of those respondents who requested a decrease in the basic rate of the Local Property Tax, 82.7% (or 86 respondents) called for a reduction of 11% - 15%, followed by 11.5% (or 12 respondents) calling for a reduction of 6% - 10%, with the balance of 5.8% (or 6 respondents) calling for a reduction of under 5%.

The above analysis is based on the 104 responses.

Note: The above analysis on questions 4 through 8 excludes those respondents who did not answer the question.

6.11 Question 9 – Additional Comments/Observations made

Respondents were given an opportunity to make additional comments / observations. Not all respondents took this opportunity.

Area	Comment
Existing Tax Burden	A total of 19 respondents (21.3%) referenced the existing tax burden as making it difficult to pay the LPT. Other taxes referenced were Stamp duty, VAT, DIRT, waste and water charges
Better Services	A total of 18 respondents (20.2%) referenced that the LPT should be used to fund services for the City. Comments included areas such as funding homeless, social housing, litter in the city centre, the lack of additional funding it generates for the City
Unfairness towards Dublin City	A total of 17 respondents (19.1%) referenced the inequality of the LPT against Dublin City. Reference was made to rising property prices, and that the charge should be based on a per square metre/foot basis.
Increase the tax	A total of 6 respondents (6.7%) replied that the tax to should be increased and used to fund additional services such as infrastructure, roads, parks and expanding the bike scheme
Decrease the tax	A total of 6 respondents (6.7%) replied that the tax to should be reduced. They reference areas such as how the economic recovery has not benefited everyone, the tax should be kept low, and since it's also used to

	subsidise other LA's & replace Government Grants we should not be facilitating this so we should reduce our rate
Ability to pay	A total of 4 respondents (4.5%) referenced that the LPT fails to acknowledge a person's ability to pay
Abolish the LPT	A total of 4 respondents (4.5%) referenced that the LPT should be abolished
LPT retention	A total of 2 respondents (2.2%) referenced that the full LPT raised in DCC should be retained in DCC and that we should not be subsidising other LA's
Miscellaneous	A total of 12 respondents replies fell into this area covering such diverse areas as the power of councils, how apartment owners are already paying management fees, how people should be better informed of the existence of these surveys

7.0 Summary

In summary:

- The total number of completed surveys was 174
- The largest single group of respondents were Dublin City Council residents (160 or 92%)
- 87.9% (or 153 respondents) indicated that they were aware that Councillors had the power to vary the basic rate of the LPT
- 38.5% (or 67 respondents) became aware of the consultation by 'other means' (media comment, social media, word of mouth etc.), followed by 21.8% (or 38 respondents) who became aware by public debate
- 75.4% (or 129 respondents) wished for the LPT to be varied
- 83.1% (or 108 respondents) did not wish to increase the basic rate of the LPT
- Of those who did wish to increase the basic rate of the LPT, 59.3% (or 16 respondents) requested an increase of less than 5%, followed by 22.2% (or 6 respondents) who requested an increase of 11% - 15%, with the balance of 18.5% (or 5 respondents) requesting an increase of between 6% - 10%
- 95.4% (or 103 respondents) wished for the basic rate of the LPT to be reduced
- Of those respondents who requested a decrease in the basic rate of the Local Property Tax, 82.7% (or 86 respondents) called for a reduction of 11% - 15%, followed by 11.5% (or 12 respondents) who called for a reduction of 6% - 10%, with the balance of 5.8% (or 6 respondents) calling for a reduction of under 5%
- A total of 89 (or 51.1%) respondents included a comment/observation in the survey



Consideration of the Local Property Tax Local Adjustment Factor in respect of the financial year 2017

**For consideration at a special meeting of Dublin City Council scheduled for
22nd September 2016**

1.0 Executive Summary

I have considered the many factors having influence on the variation of the basic rate of LPT and draw the attention of the Elected Members to:

- The expected adverse movement in the resource base of the City Council during 2016 and estimated for 2017 as set out in this report;
- The impact on service provision in the event that LPT for 2017 is reduced;
- The assumption that the Department of Housing, Planning, Community & Local Government will meet the incurred costs of provision of homeless related services in the current year 2016 and for the coming year 2017;
- The draft budget strategy (report 258/2016) which provides that the Annual Rate on Valuation (ARV) or multiplier for commercial rates is held at the 2016 level (ARV 0.256). The ARV has been held since 2015 and has not been increased since 2009;
- The expectation of a further enduring loss of €2.5m rates income funds arising from the appeals on revaluation reductions;
- The draft budget strategy (report 258/2016) that the arrangements for vacancy refunds will remain unchanged;
- The removal of a Departmental grant received in 2016 of €3.2m as compensation for lost rates income due to the revaluation of certain utility companies
- The absence of confirmation that a grant of €4.2m provided in 2016 relating to the costs of implementation of the Landsdowne Road Agreement will be funded in 2017 and future years
- The funding parameters for Local Property Tax receipts collected and held centrally based on Circular Fin 04/2016. These parameters include an estimated loss of €160k funding over the 2016 values in the event that the Elected Members apply a 15% reduction notwithstanding an increased 2017 LPT yield of €1.9m, the withholding of 20% (€15.9m) LPT receipts centrally and the requirement that €28.6m self funding (the LPT receipts replace previous government grants) of services in housing and roads. This is reduced on 2016 by €15.3m, linked to the PRD adjustment of €16.4m.

In light of these factors I propose that the Elected Members give consideration to applying no variation to the basic LPT rate in Dublin City in 2017 (i.e. not apply the -15% local adjustment factor applied in previous years) in order to generate an additional €11.92m in 2017 to protect and enhance Council services. If this is not acceptable I recommend that Elected Members apply a local adjustment factor of -7.5% in 2017 which will generate an additional €5.96m to the City Council to protect and enhance services.

2.0 Introduction

2.1 Background

This report is presented to the elected members of Dublin City Council at a special meeting held on 22nd September 2016 for the purpose of:

Consideration of the outcome of the public consultation process related to a variation of a LPT (see Report 259/2016),

Consideration of a budget strategy for Dublin City Council in respect of the financial year 2017 (see Report 258/2016), and

Consideration of the Local Property Tax local adjustment factor in respect of the financial year 2017.

2.2 Purpose

The purpose of this report is to inform the elected members of matters relevant to the Local Property Tax Local Adjustment Factor. Regard has been made of the guidance issued on this and related matters by the Department of Housing, Planning, Community & Local Government (DoHPC&LG) in circulars:

Fin 05/2014 Local Government (Financial and Audit Procedures) Regulations 2014 and associated budget related matters

Fin 08/2014 Guidance associated with the Local Property Tax (Local Adjustment Factor) Regulations 2014

Statutory Instrument 296 of 2014 Local Property Tax (Local Adjustment Factor) Regulations 2014

Fin 04/2016 – 2016 LPT Property Valuations Dublin City Council and Provisional LPT Allocation 2017 Dublin City Council (attached)

Fin 05/2016 – 2017 Budget Meeting and other matters (attached)

2.3 Relevant Factors

The relevant factors for consideration within this report include:

Estimation of Income and Expenditure for Dublin City Council for the financial year 2017

The financial position of the authority, having regard to the prescribed format advised by the DoHPC&LG.

The financial effect of a variation to the Local Adjustment Factor

Public Consultation, feedback provided in report 259/2016

LPT related funding framework applied by Department of Housing, Planning and Local Government

2.4 Scope

Information is presented having regard to the requirements set by the Minister for the Housing, Planning, Community & Local Government in relation to format and content. Report 258/2016 deals with the consideration of a Budget Strategy for Dublin City Council for the financial year 2017. The draft 2017 Annual Budget will be considered by the elected members of Dublin City Council at the Statutory Budget meeting scheduled to be held on 14th November 2016.

2.5 Method

Financial data provided in this report is based on:

Quarter 2 2016 report on income, expenditure and General Government Borrowing (GGB) returns to the DoEC&LG,

A mid-year financial review as amended by actual data to date (September 2016) along with reasonable estimates of likely outturns for current financial year and an estimation of likely trend for the financial year 2017 for both income and expenditure

Estimations of service provisions are based on known factors and do not reflect any changes which may be introduced by Government during the financial year 2017. Data provided by the Revenue commissioners in relation to LPT collection, deferrals and exemptions

2.6 Key issues for consideration by elected members

Having considered the issues relevant to the LPT variation, the elected members must, by resolution:

Decide to vary or not and the value and direction of variation, if relevant.

Notify the decision to the Revenue Commissioners by 30th September in a format prescribed by the Minister for Housing, Planning, Community & Local Government.

Notify the decision to the Minister Housing, Planning, Community & Local Government by 23rd September in a format prescribed by the Minister.

Note that in the event that this deadline is not achieved the Minister will interpret that the LPT rate is held at its base level until the following year.

3.0 Financial Assessment

3.1 Movements in Property Valuation

The elected members must consider the financial/economic impact of a variation on both the wider economy of the area and also on the persons liable to pay the tax. The construction of the LPT originally provided for was such that from 1st November 2016, liability for the following year will be based on valuations in the preceding November. The property valuation aspect of the tax is not correlated to movements in income. The City Valuer has advised that over the period May 2013 – June 2016, residential property valuations in Dublin City rose by an average factor of 40% with a range of increases across areas in the City from 20% to 100%. The Finance (Local Property Tax) (Amendment) Act 2015 provides that LPT related property valuations will be based on May 2013 up to the financial year 2019.

3.2 Impact of LPT Variation on liable households

A further aspect of the consideration by the elected members is the impact of a variation to the basic rate of LPT on liable households. Circular Fin 04/2016 sets out an analysis of property valuation bands in Dublin City as provided by the Revenue Commissioners.

Appendix 1 sets out a schedule of the impact of variations in the LPT in Dublin City on property valuation bands, in respect of increases of between 1% and 15% and of decreases between 1% and 15%. For example, should the LPT local adjustment factor be applied to increase the basic rate by 5%, then the LPT liability in respect of a property valued in May 2013 at €230k would increase from €405 to €425.25 (i.e. by €20.25). Should the LPT local adjustment factor be applied to decrease the basic rate by 5%, then the LPT liability in respect of that property would decrease from €405 to €384.75 (i.e. by €20.25).

Table 1: Estimation of Income & Expenditure 2016 & 2017

			Y2016 Adopted to Y2016 Revised			Y2016 Adopted to Y2017 Draft		
Category Description			2016 Adopted	2016 Revised	Variance	2016 Adopted	2017	Variance
Income	Rates		320,305,036	324,505,036	4,200,000	320,305,036	317,405,036	- 2,900,000
	NPPR		2,500,000	4,600,000	2,100,000	2,500,000	2,500,000	-
	LGF - LPT Allocation							
	of which	LPT Allocation - Own Use	6,800,295	6,800,295	-	6,800,295	23,060,295	16,260,000
		LPT Allocation - Self Funding	26,668,600	26,668,600	-	26,668,600	26,668,600	-
	Pension Related Deduction		12,400,000	12,400,000	-	12,400,000	-	- 12,400,000
	Goods & Services							
	of which	Rents from Houses	73,500,000	75,400,000	1,900,000	73,500,000	75,000,000	1,500,000
		Housing Loans Interest & Charges	10,248,223	10,248,223	-	10,248,223	10,248,223	-
		Other Goods & Service Income	174,758,267	184,558,267	9,800,000	174,758,267	179,518,267	4,760,000
		Irish Water	46,707,124	46,707,124	-	46,707,124	46,707,124	-
	Revenue Grants & Subsidies		129,669,723	144,739,723	15,070,000	129,669,723	148,939,723	19,270,000
	Total Income		803,557,268	836,627,268	33,070,000	803,557,268	830,047,268	26,490,000
Expenditure	Payroll Costs							
	of which	Salary & Wages	297,160,662	286,160,662	- 11,000,000	297,160,662	292,660,662	- 4,500,000
		Pensions	89,273,996	92,273,996	3,000,000	89,273,996	94,333,996	5,060,000
		Other payroll costs			-			
	Financial Expenses							
	of which	Bad debt Provision (including irrecoverable rates)	50,008,700	44,778,700	- 5,230,000	50,008,700	41,758,700	- 8,250,000
		Interest paid to central government (NTMA & OPW)	-	-	-	-	-	-
		Interest paid to HFA	13,061,366	10,796,483	- 2,264,883	13,061,366	12,781,366	- 280,000
		Interest paid to other financial institutions	311,454	311,454	-	311,454	311,454	-
	Other Revenue Expenses							
	of which	Maintenance/Improvement of LA Housing	41,153,703	41,653,703	500,000	41,153,703	41,153,703	-
		RAS Programme / HAP	28,828,317	28,828,317	-	28,828,317	28,828,317	-
		Expenditure on behalf of Irish Water	11,381,775	11,381,775	-	11,381,775	11,381,775	-
		Other	272,377,295	297,472,178	25,094,883	272,377,295	306,837,295	34,460,000
	Total Expenditure		803,557,268	813,657,268	10,100,000	803,557,268	830,047,268	26,490,000
Expected Credit Balance Y2016R				22,970,000	22,970,000			
Expected Credit Balance Y2017							-	-

Note The above template is one that must be returned to Department of Housing, Planning, Community & Local Government
The final draft budget submitted to the Council will be vary from this analysis
The assumption for the Y2017 LPT is that the basic rate will be reduced by 15%

3.3 Financial Position of Dublin City Council

The regulations made by the Minister for Housing, Planning, Community and Local Government prescribe the format of financial information to be provided to elected members as part of the consideration of a variation of the LPT local adjustment factor. Table 1 above has been prepared under two scenarios: from adopted 2016 budget to revised (year end) 2016 and from adopted 2016 budget to 2017 estimate. This table is based on the parameters that the base LPT rate is reduced by 15% by the Elected Members, the ARV does not change from 2016 to 2017 and that the costs of homeless services above that already provided for will be met by the Department of Housing, Planning, Community and Local Government.

3.4 Application of LPT Funding in 2016

In 2015, Dublin City Council was advised of the LPT Allocation for the financial year 2016. Table 2 below provides information on how that allocation was directed to be spent by the Department of Housing, Planning, Community and Local Government by way of circular letters over the course of 2016.

Table 2: Analysis of LPT 2016

	€	
Dublin City LPT - 100%	77.5	Per Fin 07/2015
Equalisation Fund - 20%	15.5	Per Fin 07/2015
LPT Retained Locally - 80%	62.0	Per Fin 07/2015
Less - 15% Local Adjustment Factor	11.6	Agreed by Council
Compensation Funding	0.2	Per Fin 07/2015
LPT available Funding	50.6	
Roads Funding	5.7	Per Fin 10/2015
Housing (Rev & Cap)	38.1	Per Fin 10/2015
Existing CPG in allocation	2.7	
Additional funding in Y2015	4.1	
	50.6	

3.5 Impact on Dublin City Council LPT Related Funding in 2017

Circular Fin 04/16 gives a provisional LPT allocation for Dublin City Council (see Appendix A). LPT receipts in respect of Dublin City householders in 2017 are set at €79.5m (€79,467,549). In absolute terms, this amounts to an increase of €1.9m (€1,920,107) between 2016 and 2017. Appendix 2 sets out in detail how the allocation was made by the Department to Dublin City Council. Table 3 below provides a summary of Appendix A.

Table 3 – Summary Extract of Appendix 2

	Movement (€000)
Change in discretionary funding (Step 2, Appendix 2)	+ 384
Increase in value of 15% reduction (arising from increased LPT receipts – Step 3 Appendix 2)	-288
Loss of Supplementary Funding given in 2016 (Step 5 Appendix 2)	-256
Net Loss of LPT related funding to DCC in 2017 in the event of a 15% reduction to the LPT basic rate	-160

The impact of the LPT allocation made by the Dept to Dublin City Council is that:

The increased LPT receipts of €1,920k from Dublin City householders results in increased funding for services of €384k;

The supplementary funding of €256k given in 2016 by the Department to Dublin City Council has been withdrawn;

In the event of the maximum reduction of 15% being applied by the elected members to the LPT liability, an additional loss of €288k accrues to Dublin City Council. The cumulative impact of the approach taken in the allocation of LPT receipts to Dublin City Council is that despite increased receipts of €1,920k, the LPT allocation is reduced by €160k.

4.0 Local Property Tax (LPT)

4.1 Commencement of LPT

The Local Property Tax was introduced under the Finance (Local Property Tax) Act 2012. Liability for the tax commenced on 1st July 2013. The value of the Local Property Tax liability is determined by the property valuations of liable properties. The tax is payable on most residential properties with limited exceptions.

4.2 Control of LPT

The LPT is collected by the Revenue Commissioners from liable persons in the State across a variety of payment methods. The monies collected by the Revenue Commissioners are transferred to the Government to be applied to the Local Government Fund, under the control of the Department of Housing, Planning and Local Government. LPT payments are not collected by and retained by local authorities.

The Local Government Fund is managed under the direction of the Minister for Housing, Planning and Local Government. The fund was established in 1999 with the purpose of

'providing local authorities with the finance for general discretionary funding of their day-to-day activities and for non-national roads, and funding for certain local government initiatives'.

At inception the Local Government Fund was comprised of monies from motor tax receipts and the Exchequer (i.e. tax receipts). Also all monies within the fund were allocated to the provision of local government services. Since 2012 there is no longer an Exchequer contribution to the Fund and a contribution has been made *from* the Local Government Fund to the Exchequer. Revised arrangements have been put in place such that motor tax receipts no longer fund the Local Government Fund. The funding of allocations from the Local Government Fund to Dublin City Council by the DoHPC&LG is sourced only to LPT payments that is, no contributing funds from Motor Tax receipts or the Exchequer.

4.3 Redistribution

The Department of Housing, Planning, Community and Local Government operates a process of redistribution of funds within the Local Government Fund. The Department previously operated a Needs and Resources Model which was intended to identify the needs of local authorities and align these needs to available resources. Dublin City Council has in the past made submissions to the Department on the needs of Dublin City, both as the capital city and in the context of having areas of high deprivation. The

Department's policy with regard to redistribution / equalisation has been stated in circular Fin 04/2016 as:

"Since 2015, all authorities' minimum provisional LPT allocations were linked to the former General Purpose Grant (GPG) 2014 baseline level. For 2017, the main change in the mechanism around LPT allocations will be the inclusion of Pension Related Deductions (PRD) in a revised LPT Baseline. This new LPT baseline (minimum requirement for funding) incorporates PRD equivalent to the levels retained by local authorities in 2014 along with the former GPG 2014 baseline level.

The Government has also agreed that no local authority will be any worse off in their pre-variation LPT discretionary allocation compared to the sum of their 2016 equivalent plus PRD amounts retained by them in 2014. This is to ensure that all authorities retain the full benefit of including PRD in the revised LPT Baseline. PRD deductions currently retained by local authorities as an income stream will, from 2017 on, be remitted directly to the Exchequer. Accordingly, there will be no further compensation, similar to that provided in 2016, to assist local authorities to meet the costs arising from changes in PRD under the Lansdowne Road Agreement. Dublin City Council's new LPT Baseline is €19,095,592.

Equalisation

The Government also reaffirmed its intention to continue with 80% retention of all Local Property Tax receipts within the local authority area where the Tax is raised. The remaining 20% of the Tax collected nationally will be re-distributed on an equalised basis to local authorities, within the context of the annual allocations of LPT, to ensure that all authorities receive, at a minimum, an amount equivalent to their revised LPT baseline as set out above. This 20% for equalisation will be based on the total expected level of LPT in each local authority area and will not be adjusted if the basic rate of LPT is varied. Based on its surplus position when expected 2017 LPT receipts are compared to the 2017 LPT Baseline, Dublin City Council will not be in receipt of equalisation funding in 2017."

4.4 Consideration of Basic Rate

The basic rate of local property tax is determined as the product of the midpoint of the valuation band, multiplied by the appropriate rate. Valuation bands are established as commencing with €1 - €100,000, thereafter increasing in units of €50,000 up to €1m, after which the additional value over €1m is multiplied by a higher rate. Two rates apply; firstly a rate of 0.18% is applied to the midpoint of the relevant valuation band for properties valued in between €1 and €1m. For properties valued in excess of €1m, the rate of 0.18% applies to the chargeable value of up to €1m without reference to a midpoint, and a rate of 0.25% applies to the remainder of the chargeable value exceeding €1m. In 2013, the tax payable was 50% of the basic rate.

The passing of a resolution for the application of a local adjustment factor to the basic rate local property tax is a reserved function. Elected members must consider:

Whether or not to apply a local adjustment factor to the basic rate local property tax. In the event of a variation, elected members must decide whether that variation is upwards or downwards and the value within a band of no more than 15% more or less than the basic rate. A local adjustment factor cannot be in excess of 15% of the basic rate.

4.5 Public Consultation Process

The Local Property Tax (Local Adjustment Factor) Regulations 2014 require that a local authority consult with the public in its administrative area in relation to its consideration of

the setting of a local adjustment factor. The Local Authority is further required to have regard, in its consideration of a report summarising the written submissions received from the public consultation process. In addition, the regulations provide that the Chief Executive provide a report to elected members giving details of how the public consultation process was conducted and its outcome. Report no 258/2016 provides details of the LPT public consultation process.

4.6 Circular Fin 04/2016

The estimated 2017 LPT receipts of €79.5m are referenced in Circular 04/2016, against 2016 estimates of €77.5m. As referenced earlier, notwithstanding the €1,920k increase in receipts, Dublin City Council will receive €160k less in 2017 in the event of a 15% LPT reduction. In the event that the LPT base rate is not reduced, Dublin City Council would receive an additional funding of €96k, notwithstanding the additional €1,920k receipts. The Dept of Housing, Planning and Local Government were asked to comment and advised that:

“Any losses arising from local variation decisions should ultimately be borne by the authority. It is a decision which should only be taken in the full knowledge of the consequences and this is in accordance with the LPT variation regulations. Local authorities will not be compensated for a loss of income arising from downward variation of the rate.”

5.0 Recommendation of Chief Executive

5.1 Variation to basic rate of LPT

I have considered the many factors having influence on the variation of the basic rate of LPT and draw the attention of the Elected Members to:

- The expected adverse movement in the resource base of the City Council during 2016 and estimated for 2017 as set out in this report;
- The impact on service provision in the event that LPT for 2017 is reduced;
- The assumption that the Department of Housing, Planning, Community & Local Government will meet the incurred costs of provision of homeless related services in the current year 2016 and for the coming year 2017;
- The draft budget strategy (report 258/2016) which provides that the Annual Rate on Valuation (ARV) or multiplier for commercial rates is held at the 2016 level (ARV 0.256). The ARV has been held since 2015 and has not been increased since 2009;
- The expectation of a further enduring loss of €2.5m rates income funds arising from the appeals on revaluation reductions;
- The draft budget strategy (report 258/2016) that the arrangements for vacancy refunds will remain unchanged;
- The removal of a Departmental grant received in 2016 of €3.2m as compensation for lost rates income due to the revaluation of certain utility companies
- The absence of confirmation that a grant of €4.2m provided in 2016 relating to the costs of implementation of the Landsdowne Road Agreement will be funded in 2017 and future years
- The funding parameters for Local Property Tax receipts collected and held centrally based on Circular Fin 04/2016. These parameters include an estimated loss of €160k funding over the 2016 values in the event that the Elected Members apply a 15% reduction notwithstanding an increased 2017 LPT yield of €1.9m, the withholding of 20% (€15.9m) LPT receipts centrally and the requirement that €28.6m self funding (the LPT receipts replace previous government grants) of services in housing and roads. This is reduced on 2016 by €15.3m, linked to the PRD adjustment of €16.4m.

In light of these factors I propose that the Elected Members give consideration to applying no variation to the basic LPT rate in Dublin City in 2017 (i.e. not apply the -15% local adjustment factor applied in previous years) in order to generate an additional €11.92m in 2017 to protect and enhance Council services. If this is not acceptable I recommend that Elected Members apply a local adjustment factor of -7.5% in 2017 which will generate an additional €5.96m to the City Council to protect and enhance services.

Owen P. Keegan
Chief Executive
Dublin City Council

Appendix 1: Schedule of impact of Variations in LPT in Dublin City on property valuation bands

Impact of Increase in LPT in Dublin City on property valuation bands																	
Property Valuation	Midpoint	Current LPT	Increase by 1%	Increase by 2%	Increase by 3%	Increase by 4%	Increase by 5%	Increase by 6%	Increase by 7%	Increase by 8%	Increase by 9%	Increase by 10%	Increase by 11%	Increase by 12%	Increase by 13%	Increase by 14%	Increase by 15%
0-100,000	€50,000.00	€90.00	€90.90	€91.80	€92.70	€93.60	€94.50	€95.40	€96.30	€97.20	€98.10	€99.00	€99.90	€100.80	€101.70	€102.60	€103.50
100,001-150,000	€125,000.00	€225.00	€227.25	€229.50	€231.75	€234.00	€236.25	€238.50	€240.75	€243.00	€245.25	€247.50	€249.75	€252.00	€254.25	€256.50	€258.75
150,001-200,000	€175,000.00	€315.00	€318.15	€321.30	€324.45	€327.60	€330.75	€333.90	€337.05	€340.20	€343.35	€346.50	€349.65	€352.80	€355.95	€359.10	€362.25
200,001-250,000	€225,000.00	€405.00	€409.05	€413.10	€417.15	€421.20	€425.25	€429.30	€433.35	€437.40	€441.45	€445.50	€449.55	€453.60	€457.65	€461.70	€465.75
250,001-300,000	€275,000.00	€495.00	€499.95	€504.90	€509.85	€514.80	€519.75	€524.70	€529.65	€534.60	€539.55	€544.50	€549.45	€554.40	€559.35	€564.30	€569.25
300,001-350,000	€325,000.00	€585.00	€590.85	€596.70	€602.55	€608.40	€614.25	€620.10	€625.95	€631.80	€637.65	€643.50	€649.35	€655.20	€661.05	€666.90	€672.75
350,001-400,000	€375,000.00	€675.00	€681.75	€688.50	€695.25	€702.00	€708.75	€715.50	€722.25	€729.00	€735.75	€742.50	€749.25	€756.00	€762.75	€769.50	€776.25
400,001-450,000	€425,000.00	€765.00	€772.65	€780.30	€787.95	€795.60	€803.25	€810.90	€818.55	€826.20	€833.85	€841.50	€849.15	€856.80	€864.45	€872.10	€879.75
450,001-500,000	€475,000.00	€855.00	€863.55	€872.10	€880.65	€889.20	€897.75	€906.30	€914.85	€923.40	€931.95	€940.50	€949.05	€957.60	€966.15	€974.70	€983.25
500,001-550,000	€525,000.00	€945.00	€954.45	€963.90	€973.35	€982.80	€992.25	€1,001.70	€1,011.15	€1,020.60	€1,030.05	€1,039.50	€1,048.95	€1,058.40	€1,067.85	€1,077.30	€1,086.75
550,001-600,000	€575,000.00	€1,035.00	€1,045.35	€1,055.70	€1,066.05	€1,076.40	€1,086.75	€1,097.10	€1,107.45	€1,117.80	€1,128.15	€1,138.50	€1,148.85	€1,159.20	€1,169.55	€1,179.90	€1,190.25
600,001-650,000	€625,000.00	€1,125.00	€1,136.25	€1,147.50	€1,158.75	€1,170.00	€1,181.25	€1,192.50	€1,203.75	€1,215.00	€1,226.25	€1,237.50	€1,248.75	€1,260.00	€1,271.25	€1,282.50	€1,293.75
650,001-700,000	€675,000.00	€1,215.00	€1,227.15	€1,239.30	€1,251.45	€1,263.60	€1,275.75	€1,287.90	€1,300.05	€1,312.20	€1,324.35	€1,336.50	€1,348.65	€1,360.80	€1,372.95	€1,385.10	€1,397.25
700,001-750,000	€725,000.00	€1,305.00	€1,318.05	€1,331.10	€1,344.15	€1,357.20	€1,370.25	€1,383.30	€1,396.35	€1,409.40	€1,422.45	€1,435.50	€1,448.55	€1,461.60	€1,474.65	€1,487.70	€1,500.75
750,001-800,000	€775,000.00	€1,395.00	€1,408.95	€1,422.90	€1,436.85	€1,450.80	€1,464.75	€1,478.70	€1,492.65	€1,506.60	€1,520.55	€1,534.50	€1,548.45	€1,562.40	€1,576.35	€1,590.30	€1,604.25
800,001-850,000	€825,000.00	€1,485.00	€1,499.85	€1,514.70	€1,529.55	€1,544.40	€1,559.25	€1,574.10	€1,588.95	€1,603.80	€1,618.65	€1,633.50	€1,648.35	€1,663.20	€1,678.05	€1,692.90	€1,707.75
850,001-900,000	€875,000.00	€1,575.00	€1,590.75	€1,606.50	€1,622.25	€1,638.00	€1,653.75	€1,669.50	€1,685.25	€1,701.00	€1,716.75	€1,732.50	€1,748.25	€1,764.00	€1,779.75	€1,795.50	€1,811.25
900,001-950,000	€925,000.00	€1,665.00	€1,681.65	€1,698.30	€1,714.95	€1,731.60	€1,748.25	€1,764.90	€1,781.55	€1,798.20	€1,814.85	€1,831.50	€1,848.15	€1,864.80	€1,881.45	€1,898.10	€1,914.75
950001-1000000	€975,000.00	€1,755.00	€1,772.55	€1,790.10	€1,807.65	€1,825.20	€1,842.75	€1,860.30	€1,877.85	€1,895.40	€1,912.95	€1,930.50	€1,948.05	€1,965.60	€1,983.15	€2,000.70	€2,018.25

Impact of Decrease in LPT in Dublin City on property valuation bands																	
Property Valuation	Midpoint	Current LPT	Decrease by 1%	Decrease by 2%	Decrease by 3%	Decrease by 4%	Decrease by 5%	Decrease by 6%	Decrease by 7%	Decrease by 8%	Decrease by 9%	Decrease by 10%	Decrease by 11%	Decrease by 12%	Decrease by 13%	Decrease by 14%	Decrease by 15%
0-100,000	€50,000.00	€90.00	€89.10	€88.20	€87.30	€86.40	€85.50	€84.60	€83.70	€82.80	€81.90	€81.00	€80.10	€79.20	€78.30	€77.40	€76.50
100,001-150,000	€125,000.00	€225.00	€222.75	€220.50	€218.25	€216.00	€213.75	€211.50	€209.25	€207.00	€204.75	€202.50	€200.25	€198.00	€195.75	€193.50	€191.25
150,001-200,000	€175,000.00	€315.00	€311.85	€308.70	€305.55	€302.40	€299.25	€296.10	€292.95	€289.80	€286.65	€283.50	€280.35	€277.20	€274.05	€270.90	€267.75
200,001-250,000	€225,000.00	€405.00	€400.95	€396.90	€392.85	€388.80	€384.75	€380.70	€376.65	€372.60	€368.55	€364.50	€360.45	€356.40	€352.35	€348.30	€344.25
250,001-300,000	€275,000.00	€495.00	€490.05	€485.10	€480.15	€475.20	€470.25	€465.30	€460.35	€455.40	€450.45	€445.50	€440.55	€435.60	€430.65	€425.70	€420.75
300,001-350,000	€325,000.00	€585.00	€579.15	€573.30	€567.45	€561.60	€555.75	€549.90	€544.05	€538.20	€532.35	€526.50	€520.65	€514.80	€508.95	€503.10	€497.25
350,001-400,000	€375,000.00	€675.00	€668.25	€661.50	€654.75	€648.00	€641.25	€634.50	€627.75	€621.00	€614.25	€607.50	€600.75	€594.00	€587.25	€580.50	€573.75
400,001-450,000	€425,000.00	€765.00	€757.35	€749.70	€742.05	€734.40	€726.75	€719.10	€711.45	€703.80	€696.15	€688.50	€680.85	€673.20	€665.55	€657.90	€650.25
450,001-500,000	€475,000.00	€855.00	€846.45	€837.90	€829.35	€820.80	€812.25	€803.70	€795.15	€786.60	€778.05	€769.50	€760.95	€752.40	€743.85	€735.30	€726.75
500,001-550,000	€525,000.00	€945.00	€935.55	€926.10	€916.65	€907.20	€897.75	€888.30	€878.85	€869.40	€859.95	€850.50	€841.05	€831.60	€822.15	€812.70	€803.25
550,001-600,000	€575,000.00	€1,035.00	€1,024.65	€1,014.30	€1,003.95	€993.60	€983.25	€972.90	€962.55	€952.20	€941.85	€931.50	€921.15	€910.80	€900.45	€890.10	€879.75
600,001-650,000	€625,000.00	€1,125.00	€1,113.75	€1,102.50	€1,091.25	€1,080.00	€1,068.75	€1,057.50	€1,046.25	€1,035.00	€1,023.75	€1,012.50	€1,001.25	€990.00	€978.75	€967.50	€956.25
650,001-700,000	€675,000.00	€1,215.00	€1,202.85	€1,190.70	€1,178.55	€1,166.40	€1,154.25	€1,142.10	€1,129.95	€1,117.80	€1,105.65	€1,093.50	€1,081.35	€1,069.20	€1,057.05	€1,044.90	€1,032.75
700,001-750,000	€725,000.00	€1,305.00	€1,291.95	€1,278.90	€1,265.85	€1,252.80	€1,239.75	€1,226.70	€1,213.65	€1,200.60	€1,187.55	€1,174.50	€1,161.45	€1,148.40	€1,135.35	€1,122.30	€1,109.25
750,001-800,000	€775,000.00	€1,395.00	€1,381.05	€1,367.10	€1,353.15	€1,339.20	€1,325.25	€1,311.30	€1,297.35	€1,283.40	€1,269.45	€1,255.50	€1,241.55	€1,227.60	€1,213.65	€1,199.70	€1,185.75
800,001-850,000	€825,000.00	€1,485.00	€1,470.15	€1,455.30	€1,440.45	€1,425.60	€1,410.75	€1,395.90	€1,381.05	€1,366.20	€1,351.35	€1,336.50	€1,321.65	€1,306.80	€1,291.95	€1,277.10	€1,262.25
850,001-900,000	€875,000.00	€1,575.00	€1,559.25	€1,543.50	€1,527.75	€1,512.00	€1,496.25	€1,480.50	€1,464.75	€1,449.00	€1,433.25	€1,417.50	€1,401.75	€1,386.00	€1,370.25	€1,354.50	€1,338.75
900,001-950,000	€925,000.00	€1,665.00	€1,648.35	€1,631.70	€1,615.05	€1,598.40	€1,581.75	€1,565.10	€1,548.45	€1,531.80	€1,515.15	€1,498.50	€1,481.85	€1,465.20	€1,448.55	€1,431.90	€1,415.25
950001-1000000	€975,000.00	€1,755.00	€1,737.45	€1,719.90	€1,702.35	€1,684.80	€1,667.25	€1,649.70	€1,632.15	€1,614.60	€1,597.05	€1,579.50	€1,561.95	€1,544.40	€1,526.85	€1,509.30	€1,491.75

Appendix 2 – Analysis of LPT Allocation per Finance Circular 04/2016

Analysis of Y2017 LPT Allocation per Finance Circular 04/2016			
	2016	2017	Movement
	A	B	A - B
Step 1 Calculation of Annual Surplus			
	€		€
Dublin City LPT - 100%	77,547,442	79,467,549	- 1,920,107
Equalisation Fund - 20%	15,509,488	15,893,510	- 384,021
LPT Retained Locally - 80%	62,037,954	63,574,039	- 1,536,086
Previous GPG allocation (already in funding base)	2,667,330	2,667,330	-
PRD Funding (Based on AFS 2014 Actuals) - New Y2017	-	16,428,262	- 16,428,262
Annual Surplus - LPT retained locally	59,370,624	44,478,447	14,892,176
Step 2 Analysis of Discretionary Funding & Self Funding			
Discretionary Funding (20% of total LPT Income)	15,509,488	15,893,510	- 384,021
Balance of Surplus for Self Funding (Roads & Housing)	43,861,135	28,584,937	15,276,198
Surplus LPT - to be retained locally	59,370,624	44,478,447	14,892,176
Step 3 Cost of 15% Reduction			
Value of reduction	11,632,116	11,920,132	- 288,016
Step 4 Analysis of Total Funding Available			
Surplus LPT - to be retained locally	59,370,624	44,478,447	14,892,176
LGF/GPG	2,667,330	2,667,330	-
PRD Funding	-	16,428,262	- 16,428,262
Total	62,037,954	63,574,039	- 1,536,086
Step 5 Analysis of Funding			
15% Reduction	11,632,116	11,920,132	- 288,016
Self Funding - Housing & Roads	43,861,135	28,584,938	15,276,197
LGF/GPG	2,667,330	2,667,330	-
PRD Funding	-	16,428,262	- 16,428,262
Discretionary Funding (services)	3,877,372	3,973,377	- 96,005
Supplementary Funding	255,593	-	255,593
Total	62,293,546	63,574,039	- 1,280,493



27 July 2016

Circular Fin 04/2016

Chief Executive

cc. Head of Finance

Provisional Local Property Tax Allocations 2017 – Dublin City Council

A Chara,

I am directed by the Minister for Housing, Planning, Community and Local Government to inform you that the provisional Local Property Tax (LPT) allocations from the Local Government Fund for 2017 have been agreed and your authority's allocation is set out below. LPT Allocations have been calculated using the Revenue Commissioners' projections of net declared liabilities of €447m post variation in 2016 (as set out in Appendix B to this document). On a pre-variation basis, the full 2016 net declared liability amounts to €484m and this is the estimate applied to the provisional LPT allocations process for 2017.

Local Retention of Local Property Tax

A new funding model, based on local retention of Local Property Tax, was first introduced in 2015. It aims to benefit local ownership and financial autonomy, achieve improved outcomes and greater engagement between local electors and their local authorities. It is also recognised that local authorities' cost and income bases vary significantly from one another. The ability to raise additional revenue varies considerably among local authorities and some require extra financial support in order to meet the costs of service delivery.

Revised 2017 LPT Baseline to include Pension Related Deductions

Since 2015, all authorities' minimum provisional LPT allocations were linked to the former General Purpose Grant (GPG) 2014 baseline level. For 2017, the main change in the mechanism around LPT allocations will be the inclusion of Pension Related Deductions (PRD) in a revised LPT Baseline. This new LPT baseline (minimum requirement for funding) incorporates PRD equivalent to the levels retained by local authorities in 2014 along with the former GPG 2014 baseline level.

The Government has also agreed that no local authority will be any worse off in their pre-variation LPT discretionary allocation compared to the sum of their 2016 equivalent plus PRD amounts retained by them in 2014. This is to ensure that all authorities retain the full benefit of including PRD in the revised LPT Baseline. PRD deductions currently retained by local authorities as an income stream will, from 2017 on, be remitted directly to the Exchequer. Accordingly, there will be no further compensation, similar to that provided in 2016, to assist local authorities to meet the costs arising from changes in PRD under the Lansdowne Road Agreement.

Dublin City Council's new LPT Baseline is €19,095,592.

Equalisation

The Government also reaffirmed its intention to continue with 80% retention of all Local Property Tax receipts within the local authority area where the Tax is raised. The remaining 20% of the Tax collected nationally will be re-distributed on an equalised basis to local authorities, within the context of the annual allocations of LPT, to ensure that all authorities receive, at a minimum, an amount equivalent to their revised LPT baseline as set out above. This 20% for equalisation will be based on the total expected level of LPT in each local authority area and will not be adjusted if the basic rate of LPT is varied. Based on its surplus position when expected 2017 LPT receipts are compared to the 2017 LPT Baseline, Dublin City Council will not be in receipt of equalisation funding in 2017.

Self-Funding

Some local authorities will receive greater levels of funding in 2017 from the Local Government Fund as a result of local retention of LPT compared to their LPT Baseline. The Government has decided that these local authorities will have the surplus allocated in two ways:

- Part of the surplus up to the equivalent of 20% of total expected LPT income (or the full amount of the surplus if that is less than 20%) can be used as additional discretionary income by local authorities for whatever purposes they wish as part of their normal budgetary process; and
- The remainder of the surplus, if any, will then be available to the local authority to fund services in the housing and/or roads areas thereby replacing

Central Government funding for some of these services. Authorities are expected to continue providing such services regardless of the changed approach to funding.

Based on its surplus position when expected 2017 LPT receipts are compared to the 2017 LPT Baseline, Dublin City Council will be required to self-fund services in the Housing and Roads areas.

The specific detail of the level of Central Government Voted grants funding to be provided to local authorities is a matter that will be considered, as normal, as part of the Estimates process.

Provisional Local Property Tax allocation to Dublin City Council in 2017

The Local Property Tax allocation for Dublin City Council for 2017 (**pending any decision to locally vary the basic rate**) is **€63,574,040**. As a local authority that will be in receipt of 2017 LPT income in excess of the LPT Baseline, Dublin City Council will be entitled to retain an amount of this surplus funding equivalent to 20% of the total expected LPT yield or €15,893,510 for their own discretionary purposes, e.g. to fund additional budget items, reduce borrowing, etc. Dublin City Council will be required to use the remainder of the surplus to self-fund some specified services in Housing and Roads areas to the value of €28,584,938. Details of the self-funding breakdown between Housing and Roads, capital and revenue will issue in a separate circular.

Variation

Every local authority has the power, from 1 July 2014, to vary the basic rate of LPT by up to 15%. It should be noted that if Dublin City Council decides to vary the LPT basic rate upwards (by up to 15%) in 2017, it will retain 100% of the resultant additional income collected in the local authority area. Similarly, if Dublin City Council decides to vary the LPT basic rate downwards (by up to 15%) in 2017, the resultant loss in LPT income will be reflected in reduced LPT funding to the authority.

Please refer to the table in **Appendix A**, which sets out the basis for the allocation.

2016 Local Property Tax (LPT) Statistics and Property Valuation Bands

2016 Local Property Tax (LPT) Preliminary Statistics and Property Valuation Bands were provided to this Department by the Revenue Commissioners as at June 2016. This information is being provided for statistical purposes only to assist in the consideration of the local adjustment factor for 2017 LPT, as set out in section 20 of the Finance (Local Property Tax) Act 2012.

LPT statistics set out in Appendix B to this document outline the following:

- 2016 LPT Exempt (additional to declared liabilities)
- 2016 LPT Amounts Declared
- 2016 LPT Amounts Deferred
- 2016 Net LPT Position

The projected amounts for 2016 LPT reflect any local decision to lower the basic rate by the local adjustment factor in 2016, i.e. data provided is post variation. This is of course subject to normal fluctuations that may be caused by transfers in property ownership and the on-going compliance campaign in operation by the Revenue Commissioners.

In accordance with section 152 of the Finance (Local Property Tax) Act 2012, the Department requested information in relation to property valuation bands for each local authority area from the Revenue Commissioners.

The Revenue Commissioners have requested that the following would be clarified in relation to the data set out in the table hereunder:

- The data provided represents valuation bands based on property values as at the 1 May 2013 valuation date;
- Any differences in the percentages are due to rounding; and
- The figures are based on preliminary analysis of returns filed and other Local Property Tax related information; of necessity, a certain amount of estimation has been required.

LPT 2016 Valuation Bands	0-100,000	100,001- 150,000	150,001- 200,000	200,001- 250,000	250,001- 300,000	Over 300,000
Dublin City Council	10.7%	20.7%	21.4%	17.8%	9.8%	19.7%

Local Authorities will be advised of any further information once it becomes available.

Mise, le meas,

A handwritten signature in blue ink, reading "Rory O'Leary". The signature is written in a cursive style with a large 'R' and 'O'.

Rory O'Leary

Assistant Principal

Local Government Finance

Appendix A

Dublin City Council - 2017 LPT Allocation (Pending any decision to vary the basic rate)

	€
LPT 100%	<u>79,467,549</u>
LPT 20% to Equalisation Fund	<u>15,893,510</u>
LPT Retained Locally (80%)	63,574,040
2017 LPT Baseline	<u>19,095,592</u>
2017 Surplus (LPT Retained Locally – 2017 LPT Baseline)	<u>44,478,448</u>

Amount of Surplus to be retained for Discretionary

Purposes (20% of basic rate of LPT income) 15,893,510

Balance of Surplus to Self-Fund Housing and Roads Services	<u>28,584,938</u>
	<u>44,478,448</u>

Total LPT Funding to be provided in 2017 63,574,040

Value of potential increase or decrease in 2017 LPT Allocation

for every 1% of variation implemented +/- 794,675

Appendix B – 2016 LPT Preliminary Statistics, post application of the 2016 Local Adjustment Factor (June 2016) Revenue Commissioners

Local Authority	LPT 2016 Exempt	LPT 2016 Declared	LPT 2016 Deferred	Net LPT 2016 Post Variation
Carlow County Council	€129,275	€4,019,608	€75,915	€3,943,693
Cavan County Council	€123,345	€4,482,978	€80,910	€4,402,068
Clare County Council	€181,343	€8,642,021	€119,865	€8,522,156
Cork City Council	€303,025	€10,083,478	€195,172	€9,888,306
Cork County Council	€1,056,319	€39,090,672	€504,880	€38,585,792
Donegal County Council	€227,295	€11,018,127	€170,550	€10,847,577
Dublin City Council	€2,333,124	€68,946,818	€1,399,401	€67,547,417
Dún Laoghaire-Rathdown CC	€1,408,979	€44,557,210	€652,957	€43,904,253
Fingal County Council	€939,016	€32,950,805	€550,688	€32,400,117
Galway City Council	€156,225	€8,205,172	€100,350	€8,104,822
Galway County Council	€347,559	€14,735,590	€181,328	€14,554,262
Kerry County Council	€341,100	€14,224,659	€165,308	€14,059,351
Kildare County Council	€503,427	€20,215,058	€315,570	€19,899,488
Kilkenny County Council	€238,667	€7,521,154	€102,555	€7,418,599
Laois County Council	€130,655	€4,983,937	€80,685	€4,903,252
Leitrim County Council	€82,620	€2,146,298	€27,720	€2,118,578
Limerick City and County Council	€413,413	€15,929,374	€261,293	€15,668,081
Longford County Council	€77,653	€2,077,954	€37,289	€2,040,665
Louth County Council	€239,877	€9,496,299	€203,463	€9,292,836
Mayo County Council	€215,550	€10,516,521	€128,880	€10,387,641
Meath County Council	€416,820	€17,770,269	€327,465	€17,442,804
Monaghan County Council	€86,217	€3,562,495	€58,302	€3,504,193
Offaly County Council	€107,865	€4,986,855	€90,450	€4,896,405
Roscommon County Council	€123,825	€4,027,696	€56,138	€3,971,558
Sligo County Council	€185,200	€5,314,813	€70,853	€5,243,960
South Dublin County Council	€616,254	€27,248,698	€569,636	€26,679,062
Tipperary County Council	€329,265	€11,988,117	€182,768	€11,805,349
Waterford City and County Council	€261,513	€9,429,080	€162,653	€9,266,427
Westmeath County Council	€158,929	€6,481,438	€103,208	€6,378,230
Wexford County Council	€301,335	€12,398,422	€242,190	€12,156,232
Wicklow County Council	€466,306	€17,375,433	€319,100	€17,056,333
Totals	€12,501,995	€454,427,043	€7,537,536	€446,889,507

Note 1: This analysis is preliminary; there is a small element of estimation in regard to the distribution of amounts by Local Authority.

Note 2: The LPT Declared amount includes declared amounts from returns filed to date, deferred amounts and amounts due on foot of instructions sent to employers and pension providers to collect LPT by way of mandatory deduction at source.

Note 3: The figures include LPT amounts for properties owned by Local Authorities and Approved Housing Bodies.

Note 4: The exemption amounts set out above are based on claims made and will be subject to certain verification checks. In addition, the full effects of exemptions are not reflected in the statistics as where an exemption was claimed, the property owner was not always required to value their property.



Circular Fin 05/2016

Head of Finance,

5 September 2016

Re: 2017 Budget meeting and other budget matters

Dear Head of Finance,

Further to the Local Government Act 2001 (as amended), the Local Government (Financial and Audit Procedures) Regulations 2014 and the Local Government (Financial and Audit Procedures) (Amendment) Regulations 2015, I am directed by the Minister for the Housing, Planning, Community and Local Government to refer to the 2017 Budget meeting and other budgetary matters.

1. Budget 2017 - Prescribed Periods

The prescribed periods that apply for the holding of 2017 Budget meetings are as follows:

All local authorities and joint bodies: 1 November 2016 to 30 November 2016.

The prescribed periods that apply for the holding of a meeting of a municipal district to consider the draft budgetary plan are as follows:

All local authorities: 12 October 2016 to 18 November 2016

As set out in the Local Government (Financial and Audit Procedures) (Amendment) Regulations 2015 the meeting with a municipal district must conclude no later than 10 days prior to the local authority budget meeting.

2. Consultation on main budget at Municipal District/local area level and Schedule of Municipal District Works

2.1 Consultation on main budget at Municipal District/local area level

While the Municipal District system has only been in operation for a short time, there are already clear indications of significant benefits being achieved. The elected members perform a wide range of important reserved functions at Municipal District level including consideration of draft budgetary plans for the district and amendment of same; adoption of a schedule of works for the district and; adoption of statements on the economic elements and the community elements of the Local Economic and Community Plan for the consideration of the local authority.

The Municipal District system seeks to maximise efficiency while retaining a high degree of local community-focussed decision making and democratic representation, thereby respecting the principle of subsidiarity. Municipal districts now cover the entire territory of each county, reflecting European norms. As well as creating a more rational and comprehensive structural arrangement, the system is resulting in more effective and community-focussed decision making and implementation.

2.2 General Municipal Allocation and Draft Budgetary Plan

In keeping with these principles, and as required by Section 102(4A)(a) of the Local Government Act 2001 (as amended), local authorities are required, as part of the budgetary process, to ensure there is formal consultation with municipal district members for each municipal district in the council's functional area in the preparation of the draft local authority budget. It is open to each local authority (in consultation with the relevant municipal district) to agree the precise format this consultation may take (e.g. Budget Workshops; Budget Strategy Meetings etc). The consultation should afford members the opportunity to input to the development of the local authority budget and identify particular priorities for that municipal district for the year ahead for consideration within that overall budget, informed, where possible, by data in relation to the expenditure levels in each municipal district in the current year.

This consultation should also apply to equivalent sub-structures (local area level) within the city authorities, Cork, Dublin and Galway, and the 3 county authorities within the Dublin area, Dún Laoghaire-Rathdown, Fingal and South Dublin, again leaving the exact format to individual authorities in consultation with the relevant members.

Local authorities are also requested to ensure that the consideration of the draft budgetary plan at municipal district level be appropriate and meaningful, having due regard to role of the municipal district. Your attention is drawn to the template for the draft budgetary plan (Appendix 3 of Circular Fin 05/2014) which should be customised or amended as appropriate.

2.3 Schedule of Municipal District Works

Section 103A of the Local Government Act 2001 (inserted by section 58 of the Local Government Reform Act 2014) provides that, following the adoption of the annual budget, a schedule of proposed works of maintenance and repair to be carried out during the financial year in each municipal district shall be prepared, for adoption by the municipal district members. The Schedule of Municipal District Works (SMDW) is, in effect, a plan of works that prioritises and apportions the use within each municipal district, of funding provided in the overall local authority revenue budget for particular purposes. Consideration should also be given to replicating this approach in the city authorities and the 3 county authorities within the Dublin area.

In the case of local authority areas which do not have municipal districts it is considered that it would be good practice to prepare a schedule of works in any event to identify where works will be prioritised in the local authority area during the year.

Local authorities are reminded that:

- Preparation and adoption of the SMDW is a mandatory requirement.

- The SMDW must be prepared under the direction of the Chief Executive.
- The SMDW is to be prepared as soon as may be following the adoption of the annual budget, for consideration and adoption by resolution, with or without amendment, by the municipal district members.
- If not adopted by the municipal district members, the SMDW reverts to the full council for the elected members consideration and adoption, with or without amendment.

By virtue of being adopted at district level, the SMDW represents an important enhancement of subsidiarity in local government. The provision is fundamentally important to the new system of governance at sub-county level, giving effect to measures set out in the *Government's Action Programme for Effective Local Government, Putting People First*. The SMDW is among the most important new reserved functions introduced by the Reform Act 2014.

Detailed guidance on the preparation and adoption of the SMDW was issued in Circular LG 27/2014 (FIN 21/2014) which local authorities are requested to adhere to. Please note that the Department intends to review this guidance in the near future.

3. Report to the Department of Finance - Preliminary estimate of capital and current income and expenditure for the forthcoming financial year: Requirement for Expenditure Benchmark purposes

Fin 05/2014 and Fin 08/2015 set out the requirement that each local authority provide a report to the Department setting out its preliminary estimate of current and capital income and expenditure for the forthcoming financial year. This requirement remains in place for 2017. However the reporting template has been amended with an earlier return date of 23rd September to the Department. The local government sector data will then be consolidated by the Department of Finance with information from all parts of general government. As the date of preparation of this report predates the budget meeting, it should include the best estimate of revenue and capital income and expenditure to the end of the current year and for the next financial year 2017. Any known policy changes impacting on the income and expenditure categories between 2018 and 2021 should be noted on the template.

This report assumes additional importance for 2017 as it will form the basis of assessing the sector's impact on the Expenditure Benchmark rule as required under the Stability and Growth Pact.

Implications for expenditure management of the local government sector

The Local Government Sector is subject to the public expenditure rules set out as part of the management of the Stability and Growth Pact similar to the rules applying to all Government Departments by way of Ministerial ceilings. Local authorities are included in General Government Expenditure and therefore expenditure can only grow beyond the rates set if extra revenue raising measures are taken (e.g. Government raise taxes or local authorities increase local charges).

Under the Expenditure Benchmark component of the fiscal rules, unplanned expenditure giving rise to the need for a proposed increase to expenditure ceilings cannot be funded by cyclical (i.e. non-permanent) revenues but, rather, through expenditure savings and efficiencies elsewhere or via discretionary revenue measures. The overall allocation of expenditure ceilings by sector remains a matter for Government as part of the budgetary process.

***Own resource** expenditure at local government level will impact on these expenditure rules, however any revenue raising measures taken by the sector can be kept and spent within the sector.*

Own resource expenditure can be broadly defined as expenditure arising from income generated from a local authorities own sources; this includes income generated from commercial rates, goods and services, income from Local Property Tax (excluding any self-funding element) and any non- mortgage borrowing that may be availed of by the local authority.

Grants to local authorities from a Government Department or agency (or the EU) are accounted for in that Department's expenditure ceiling and therefore not accounted for as own resource expenditure by the local authority.

The table to be completed as per Appendix 1 is attached in a spreadsheet accompanying this Circular, and should be sent to vincent.potter@housing.gov.ie and niamh.kinsella@housing.gov.ie no later than **23rd September 2016**.

4. Statutory Budget Book

Format of 2017 statutory budget book

The following changes will be made in the 2016 statutory budget book:

Table A changes

- Labels for rates amended for the sake of clarity
 - “Net Amount of Rates to be Levied (C)=(A)-(B)” becomes “Net Amount of Rates to be Levied (A)-(B)”

Calculations, including the treatment of the Base Year Adjustment (Table C), remain unchanged.

Table F Change

- A new line will be included for General Municipal Allocation (GMA) as H0909.

The budget pack is currently being tested by pilot sites and will issue once testing has been completed.

Reminders

- Table A Commercial rates should be presented gross
- Table A ‘Amount of Rates to be Levied (Gross of BYA)’ plus ‘Value of Base Year Adjustment’ = ‘Net Amount of Rates to be Levied’
- Table C should set out the Annual Rate of Valuation (ARV) and the Base Year Adjustment (BYA) to apply to each of the dissolved rating authorities
- Table C - Note that the ‘Base Year Adjustment 2017’ column (iii) is the sum of column (ii) minus column (i) i.e. a general local authority ARV of 70 with an effective ARV in a rating area of 65 shows as a BYA of -5
- Totals of BYA and Net Effective Valuation (NEV) in Table C should be consistent with those in Table A (the NEV for all former rating areas should be listed in Table C in order to present the total NEV)

- Section 32 penalty income should be shown in Division H, Other income, account element 'Other fines'
- Any change in approach to vacancy refunds will be reflected in a cost increase or reduction (Regulation 29 of Local Government (Financial & Audit Procedures) Regulations 2014 and Circular Fin05/2014)
- Transactions between legal entities within the local government sector should be shown as 'Inter-authority transactions'
- Income from services provided on an agency basis for entities outside the local government sector should be shown as 'agency services & repayable works'
- Cost drivers to be in L1 for budget allocations

Local authorities are requested to exercise restraint in adopting the ARV and, where appropriate, the BYA for 2017. Furthermore, local authorities should seek to provide to the greatest extent possible, certainty for commercial ratepayers in terms of the impact harmonisation may have on their rates bills in future years.

5. Submission of budget information

A CSV file and one hard copy of the budget must be submitted to Niamh Kinsella (niamh.kinsella@housing.gov.ie) at Department of Housing, Planning Community and Local Government, Newtown Road, Wexford. The submission of information to the Department is required by Friday 30 December 2016.

To reduce the level of queries, the following checks should be completed prior to submission:

- All checks on the soft copy budget check sheets are at 0
- CSV files should be checked for format errors, such as incorrect line errors, commas, etc.
- Soft copy budget files should be submitted with each CSV file
- All soft copy budget files should be compared to hard copy budget books submitted to ensure no inconsistencies
- All CSV figures should be rounded to whole numbers; and
- All submissions to be checked and submitted by the contact person for the local authority's budget files in event of any queries arising

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Lorraine O'Donoghue
Principal
Local Government Finance

Appendix 1 - Report to Department of Finance - Preliminary estimate of capital and current income and expenditure

Table A		Category Description	Revenue / Capital	Own Resource / Central Govt	2016	2017	2018 to 2021 - Please note any known policy changes expected in the years 2018 to 2021
Income	1	Rates	Revenue	Own Resource			
	2	NPPR	Revenue	Own Resource			
	3	LGF - LPT Allocation					
		of which					
		LPT Allocation - Own Use	Revenue	Own Resource			
		LPT Allocation - Self Funding	Revenue				
		LPT Allocation - Self Funding	Capital				
	4	Pension Related Deduction	Revenue			N/A	
	5	Goods & Services					
		of which					
		Rents from Houses	Revenue	Own Resource			
		Housing Loans Interest & Charges	Revenue	Own Resource			
Expenditure		Other Goods & Service Income	Revenue	Own Resource			
		Irish Water	Revenue				
	6	Revenue Grants & Subsidies	Revenue				
	7	Capital Grants & Subsidies	Capital				
	8	Non Mortgage Borrowing	Revenue				
	9	Non Mortgage Borrowing	Capital				
	10	Other capital income	Capital				
		Total Income					
	11	Payroll Costs	Revenue				
		of which					
		Salary & Wages					
		Pensions					
		Other payroll costs					
	12	Financial Expenses	Revenue				
		of which					
		Bad debt Provision (including irrecoverable rates)					
		Interest paid to central government (NTMA & OPW)					
		Interest paid to HFA					
		Interest paid to other financial institutions					
	13	Other Revenue Expenses	Revenue				
		of which					
		Maintenance/Improvement of LA Housing					
		RAS Programme / HAP					
		Expenditure on behalf of Irish Water					
		Other					
	14	Capital Expenditure	Capital				
		of which					
		grants					
		gross fixed capital formation					
		Other					
		Total Expenditure					
Table B		Transfer to Reserves	Revenue / Capital	Own Resource / Central Govt	2016	2017	
	(a)	Net Transfers to Reserves (from /to Revenue to/from Capital)					
	(b)	Transfers to Reserves (direct to Balance Sheet - principal on repayment of non mortgage Loans)					

Notes

- (I) Report to be completed based on the current year and taking into account any known policy changes for the forthcoming and future years.
- (II) The overall report should balance.

- (III) Budgeted transfers between Revenue and Capital should be included in the relevant section of Table A Income & Expenditure. Table B separately identifies Transfers to Reserves included in Table A to facilitate statistical analysis required by DoF and CSO.
- (IV) Other Revenue Expenses - Other includes principal amounts to be repaid on non- mortgage loans. Principal amounts to be repaid on mortgage loans not included in report as included directly to the Balance Sheet. See separate note on Transfers to Reserves.
- (V) Capital Expenditure - Other to include agency services and other non-capital formation or grant expenditure.
- (VI) Capital Expenditure - Gross capital formation to include WIP / Preliminary Expenses and Purchased Assets.

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