



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	<u>63,574,040</u>
Value of potential increase or decrease in 2017 LPT Allocation <u>for every 1%</u> 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.