

04 September 2014

Circular Fin 14/2014

Chief Executive

cc. Head of Finance

Provisional Local Property Tax Allocations 2015 – South Dublin County Council

A Chara,

I am directed by the Minister for the Environment, Community and Local Government to inform you that the provisional Local Property Tax allocations from the Local Government Fund for 2015 have been agreed and your authority's allocation is set out below. These allocations are based on the latest Revenue Commissioners' projections of LPT income in 2015 of €500m. LPT Allocations have been calculated using the net declared liabilities of €478m (as advised in Circular Fin 09/2014), with each local authority receiving their 2014 declared liability plus a proportional share of the additional €22m expected to be collected in 2015 (based on their percentage share of the 2014 declared liability (€478m)).

Local Retention of Local Property Tax

Local authorities' cost and income bases vary significantly from one another. In previous years, General Purpose Grants have been structured to bring about equalisation over time; that is, a position of balance where the financial needs of local authorities are met by their resources and they are able to provide an appropriate level of service to their customers. It is understood that not all local authorities have the same ability to raise additional revenue locally and appropriate levels of financial support need to be made available to individual local authorities in order to sustain the continued ability of those authorities to meet their service delivery costs.

Under the Finance (Local Property Tax) Act 2012, commencing in 2014 the Minister for Finance will pay into the Local Government Fund an amount equivalent to the Local Property Tax (LPT) paid into the Central Fund during that year, with new powers being conferred on local authorities to vary the basic rate of LPT by up to 15% from 2015. This new funding model aims to lead to a virtuous cycle of local ownership and financial autonomy, improved outcomes and greater engagement between local electors and their local authorities.

Equalisation

Following detailed consideration of the potential impacts on the overall Exchequer financial position and the financial positions of individual local authorities, the Government has confirmed its intention to move to 80% retention of all Local Property Tax receipts within the local authority area where the Tax is raised from 2015. 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 no local authority is worse off from local retention of LPT in 2015 compared to General Purpose Grant allocations in 2014. This 20% 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 2015 LPT receipts are compared to GPG Allocations 2014, South Dublin County Council will not be in receipt of equalisation funding in 2015.

Self-Funding

Some local authorities will receive greater levels of funding in 2015 from the Local Government Fund as a result of local retention of LPT compared to the level of funding they received from General Purpose Grants for 2014. 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 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 vital services in the social housing and 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 and a new service delivery framework for local government, as provided for in the Local Government Reform Act 2014, will be put in place to promote coherence between local and national policy objectives.

Based on its surplus position when expected 2015 LPT receipts are compared to GPG Allocations 2014, South Dublin County 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. The central funding of certain services will continue in areas of specific strategic importance where the burden of expenditure might itself be uneven, for example in the provision of funding of

homelessness services. In this context, the matter of overall Housing grant allocations for 2015 is, of course, inextricably linked with the new Social Housing Strategy that will be finalised shortly.

Provisional Local Property Tax allocation to South Dublin County Council in 2015

The Local Property Tax allocation for South Dublin County Council for 2015 **(pending any decision to locally vary the basic rate)** is **€26,122,733**. As a local authority that will be in receipt of 2015 LPT income in excess of 2014 GPG levels, South Dublin County Council will be entitled to retain an amount of this surplus funding equivalent to 20% of the total expected LPT receipts or €6,530,683 for their own discretionary purposes, e.g. to fund additional budget items, reduce borrowing, or to fund the cost of reducing the LPT basic rate. South Dublin County Council will be required to use the remainder of the surplus to self-fund some services in Housing and Roads areas to the value of €18,668,144.

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 South Dublin County Council decides to vary the LPT basic rate upwards (by up to 15%) in 2015, it will retain 100% of the resultant additional income collected in the local authority area. Similarly, if South Dublin County Council decides to vary the LPT basic rate downwards (by up to 15%) in 2015, 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.

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Fiona Quinn
Principal
Local Government Finance

Appendix A

South Dublin County Council - 2015 LPT Allocation (Pending any decision to vary the basic rate)

	€
LPT 100%	32,653,416
LPT 20% to Equalisation Fund	6,530,683
LPT Retained Locally (80%)	26,122,733
GPG Allocation 2014	923,906
2015 Surplus (LPT Retained Locally - 2014 GPG Allocation)	25,198,827
Amount of Surplus to be Retained for Discretionary Purposes (20% of basic rate of LPT income)	6,530,683
Balance of Surplus to Self-Fund Housing and Roads Services	18,668,144
	25,198,827
Total LPT Funding to be Provided in 2015	26,122,733
Value of Potential Increase or Decrease in 2015 LPT Allocation if Maximum Variation of 15% Implemented	4,898,012