



Comhshaol, Pobal agus Rialtas Áitiúil
Environment, Community and Local Government



03 September 2015

Circular Fin 07/2015

Chief Executive

cc. Head of Finance

**Provisional Local Property Tax Allocations 2016 – 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 (LPT) allocations from the Local Government Fund for 2016 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 €432m post variation in 2015 (as advised in Circular Fin 06/2015). On a pre-variation basis, the full 2015 net declared liability amounts to €474m and this is the estimate applied to the provisional LPT allocation process for 2016.

Local Retention of Local Property Tax and Equalisation

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.

Following detailed consideration of the potential impacts on the overall Exchequer financial position and the financial positions of individual local authorities, the Government has agreed that funding provided from LPT for individual local authorities for 2016 will be maintained at the levels of the previous year; excluding the amounts required to self-fund housing and roads, no local authority will be worse off in 2016 from its LPT allocation post-variation compared to 2015, unless the

authority decides to apply a greater local adjustment factor reduction in 2016 than in 2015. 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 no local authority is worse off from local retention of LPT in 2016 compared to the General Purpose Grant baseline in 2014. 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 2016 LPT receipts are compared to GPG baseline in 2014, South Dublin County Council will not be in receipt of equalisation funding in 2016.

Self-Funding

Some local authorities will receive greater levels of funding in 2016 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 in 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 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.

Based on its surplus position when expected 2016 LPT receipts are compared to the GPG funding in 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.

Provisional Local Property Tax allocation to South Dublin County Council in 2016

The Local Property Tax allocation for South Dublin County Council for 2016 **(pending any decision to locally vary the basic rate)** is **€24,510,397**. As a local authority that will be in receipt of 2016 LPT income in excess of 2014 GPG funding, 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 €6,127,599 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 €17,458,892. 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 South Dublin County Council decides to vary the LPT basic rate upwards (by up to 15%) in 2016, 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 2016, the resultant loss in LPT income will be reflected in reduced LPT funding to the authority.

The Government has also confirmed that compensatory funding will be provided so that no local authority will be worse off in their discretionary LPT allocation in 2016 (i.e. allocation excluding the amounts required to self-fund housing and roads) compared to 2015 and that the level of compensation to be provided will be limited to a maximum of the shortfall that would exist if the same local adjustment factor is applied in 2016 as in 2015.

In the case of South Dublin County Council, where a local adjustment factor of -15% was applied for 2015, the authority will be compensated up to €100,771 if the same adjustment factor (-15%) is applied for 2016. Any compensation, where appropriate, will ensure that the authority is no worse off in its discretionary income compared to last year. This will be an additional allocation to be finalised following the outcome of the local adjustment factor decision of the local authority. If South Dublin County Council decides to apply a local adjustment factor which has the effect of increasing the discretionary allocation over 2015 levels; they will retain any gain arising and no compensation will be paid.

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

Mise, le meas,



Lorraine O'Donoghue

Principal

Local Government Finance

Appendix A

South Dublin County Council - 2016 LPT Allocation (Pending any decision to vary the basic rate)

	€
LPT 100%	<u>30,637,996</u>
LPT 20% to Equalisation Fund	<u>6,127,599</u>
LPT Retained Locally (80%)	24,510,397
GPG Funding 2014	<u>923,906</u>
2016 Surplus (LPT Retained Locally - 2014 GPG Allocation)	<u>23,586,491</u>
Amount of Surplus to be retained for Discretionary	
Purposes* (20% of basic rate of LPT income)	6,127,599
Balance of Surplus to Self-Fund Housing and Roads Services	<u>17,458,892</u>
	<u>23,586,491</u>
Total LPT Funding to be provided in 2016	<u>24,510,397</u>
Value of potential increase or decrease in 2016 LPT Allocation if maximum variation of 15% implemented	4,595,699

*Note: Please refer to final paragraph of circular regarding additional compensation for loss in discretionary income in 2016.