Circular Fin 08/2015

Head of Finance,

8 September 2015

<div align="center">

Re: 2016 Budget meeting and other budget matters

</div>

Dear Head of Finance,

Further to the Local Government Act 2001, as amended, the Local Government (Financial and Audit Procedures) Regulations 2014 as amended by the Local Government (Financial and Audit Procedures) (Amendment) Regulations 2015**,** I am directed by the Minister for the Environment, Community and Local Government to refer to the 2016 Budget meeting and other budgetary matters.

1. **Local Government (Financial and Audit Procedures) (Amendment) Regulations 2015 (S.I. 363 of 2015)**

The Local Government (Financial and Audit Procedures) (Amendment) Regulations 2015 (copy enclosed) amend the Local Government (Financial and Audit Procedures) Regulations 2014 by providing that the meeting at which municipal district members consider the draft budgetary plan must conclude no later than 10 days prior to the local authority budget meeting; this period was previously 21 days.

Having regard to the change effected by the Local Government (Financial and Audit Procedures) (Amendment) Regulations 2015, the requirements of Circular Fin 05/2014 and the experience of the 2015 Budget process, local authorities are asked 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 may be customised as appropriate. In this context, the preparation of the draft budgetary plan at municipal district level is being reviewed, with a view to expanding its scope for future budgets.

2. Budget 2016 - Prescribed Periods

The prescribed periods that apply for the holding of 2016 Budget meetings are as follows:

All local authorities and joint bodies: 2 November 2015 to 27 November 2015.

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: 15 October 2015 to 13 November 2015

As set out in the Local Government (Financial and Audit Procedures) (Amendment) Regulations 2015 (and as outlined at 1 above) the meeting with a municipal district must conclude no later than 10 days prior to the local authority budget meeting.

3. 30 September report to Department - Preliminary estimate of capital and current income and expenditure for the forthcoming financial year

Fin 05/2014 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 2015 financial year. This requirement remains in place for 2016 and the report to the Department at 30 September 2015 will be consolidated by the Department of Finance with information from all parts of general government. As the date of preparation predates the budget meeting in 2015, it should include the best estimate at this date of both revenue and capital income and expenditure for the next financial year 2016.

The table to be completed as per Appendix 1 is attached in a spreadsheet accompanying this Circular, and should be sent to Joe.Sinnott@environ.ie and David.Drea@environ.ie no later than 30 September 2015.

This report, while similar in layout to the Report to be considered by the members in making a decision on the variation of local property tax, is different in a number of important ways:

LPT variation – estimation of income and expenditure	Report to Department – preliminary estimation of income and expenditure
Format prescribed in Regulations	Format set out in Fin 05/14
Revenue income and expenditure only	Revenue and capital income and expenditure
Current financial year and next financial year	Next financial year only
To inform the members of the local authority	For compilation into general government budget information
Detailed information on preparation provided in Circular Fin 08/14	Detailed information on preparation to be provided below

The basis of preparation of this report is set out in Appendix 1 to this Circular.

4. Statutory Budget Book

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

Table A changes
- Labels for rates are amended for the sake of clarity
  - "Amount of Rates to be Levied (C)=(A)-(B)" becomes "Net Amount of Rates to be Levied (C)=(A)-(B)"
  - "Amount of Rates to be Levied (Net of BYA)   (D)" becomes "Amount of Rates to be Levied (Gross of BYA)   (D)"

  The calculations for these lines including the treatment of the Base Year Adjustment (Table   C) remains unchanged.

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

The Department is currently consulting with Unit 4 in relation to the budget template, so the above list may not be exhaustive. It is envisaged that this work will be completed in the coming days.

Reminders
- Table A Commercial rates should be presented gross
- 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
- 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 should continue to strive for reductions in commercial rates and other local charges, where possible, in order to support competitiveness in the economy, nationally and locally, and to protect the interests of communities.

Local authorities are requested to exercise restraint in adopting the ARV and, where appropriate, the BYA for 2016. 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.

Issue of budget pack
The Department is consulting with Unit 4 in relation to the budget template and pack and aim to have the pack issued as early as possible in September.

5. Submission of budget information
A CSV file and one hard copy of the budget must be submitted to David Drea (David.drea@environ.ie) at Department of the Environment, Community and Local Government, Newtown Road, Wexford. The submission of information to the Department is required by Thursday 31 December 2015.

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

Is mise, le meas,

Lorraine O'Donoghue
Principal
Local Government Finance

Appendix 1 - 30 September report to Department - Preliminary estimate of capital and current income and expenditure for the forthcoming financial year

Preliminary estimate of capital and current income and expenditure for the forthcoming financial year	
Local Authority *Insert Local Authority Name*	
	€
Overall balance (1 - 2)	-
1. Total Revenues / inflows	-
Rates / NPPR (net of bad debt provision for rates)	
Property income	
Inflows from central government[1]	
Inflows from operations in financial instruments[2]	
Other receipts	
2. Total expenditure / outflows	-
Compensation of employees[3]	
Interest paid to non government[4]	
Social benefits (transfer payments to households)	
Capital transfers (capital grants paid)	
Outflows to central government[5]	
Outflows from operations in financial instruments[6]	
Other expenditure (net of bad debt provision for rates)	

Notes

1   Grants and subsidies
2   Loans
3   Including pensions
4   Interest paid other than to the HFA, OPW or NTMA
5   Interest and principal paid to the HFA, OPW and NTMA
6   Principal repaid, other than to the HFA, OPW or NTMA

Basis of preparation

The notes on compilation of the report for this purpose reflect the ultimate use of this information in a European and statistical context.

---

1. Total Revenues / inflows

Rates/NPPR	Commercial Rates are classified as a tax under the European System of Accounts ESA, D.29 tax on production. ESA accounting rules on taxes and other compulsory transfers require them to be recorded on an accrual basis, when the underlying activities, transactions or other events occur that give rise to the liability to pay. In the case of recurrent taxes on land and buildings such as commercial rates, the 'underlying activity' is the use by a business of a rateable premises over the course of a particular period. The amount of taxes that are to be recorded as revenue should be the amount realistically expected to be collected. For that reason, and in this context, net rates revenue should be shown. In all other reporting (AFS, Statutory Budget, quarterly reports) commercial rates should continue to be shown gross.
	Any anticipated collection of arrears of NPPR income to be included
	Parking fines income should be recorded under this heading. Where parking fines are not accounted for separately from parking charges, 50% of the combined expected income should be shown.
Property income	Portion retained locally in addition to any portion provided for equalisation (if appropriate and as notified by the Department)
Inflows from central government	Revenue and capital grants and subsidies, including the pension related deduction
Inflows from operations in financial instruments	Loan principal repayments received from mortgage holders and voluntary bodies
	Non-mortgage loan income
Other income	The balance of expected revenue and capital income other than that accounted for above

---

2. Total Expenditure / outflows

Compensation of employees	Total of payroll costs (as normally set out in Appendix 1 of the AFS)
Interest paid to non-	Total expected to be paid in loan servicing (interest) on loans drawn

government	from institutions other than the HFA, NTMA or the OPW
Social benefits (transfer payments to households)	Expenditure to comprise homeless services, community employment scheme, RAS, mortgage allowance, and shared ownership/affordable housing subsidy
Capital transfers (capital grants paid)	Comprising grants paid through the revenue account to enterprises and individuals including where appropriate for voluntary housing, capital loan and subsidy scheme, community facilities voluntary housing, improvement works in lieu (grant aided portion), affordable housing, sale of private sites, new house grants, thatching grants, disabled persons and essential repairs grants
Outflows to central government	Total expected to be paid in loan servicing and repayments on amounts borrowed from the HFA, NTMA and OPW
Outflows from operations in financial instruments	Total expected to be paid in loan repayments on amounts borrowed from institutions other than the HFA, NTMA and OPW
Other expenditure	The balance of revenue and capital expenditure of the local authority
	Bad debt provision for commercial rates to be excluded