**MEETING OF South Dublin COUNTY COUNCIL**

**26th September 2016**

**Consideration of variation of the basic rate of the Local Property Tax**

**Introduction:**

The Local Property Tax (LPT) became effective from 1 July 2013 and is an annual self-assessed tax which is applied to the market value of residential properties. The charge is administered by the Revenue Commissioners and the proceeds are accounted for as exchequer funding in the national Budget. An amount equivalent to annual LPT receipts are assigned to the Local Government Fund by the Minister for Finance and distributed to local authorities by the Minister for Housing, Planning, Community and Local Government.

**Role of elected members in relation to setting of local adjustment factor:**

Section 20 of the Finance (Local Property Tax) Act 2012 (*as amended by Section 5 of the Finance (Local Property Tax) (Amendment) Act 2013*) provides each Local Authority with the power to vary the basic rate of the Local Property Tax within its administrative area (by a maximum of plus or minus 15% of the basic rate). Section 20 of the 2012 Act was commenced with effect from the 1st of July 2014 by the Finance (Local Property Tax) Act 2012 (Specified Date) Order 2012.

The Local Property Tax (Local Adjustment Factor) Regulations 2014 require that before determining whether or not to pass a resolution to vary the basic rate of local property tax, there are certain matters to which the local authority must have regard including:

1. **Report on Income and Expenditure**
2. **Financial position of the local authority**
3. **Financial effect of variation**
4. **Outcome of public consultation process**

Reports have been prepared for each of these headings**.**

It is important to note that the Members decision in this respect, applies for a period of one year from the next local property tax liability date. The 15% reduction to the basic rate of LPT, passed by the Members on 21st September 2015, applied for the period 1st November 2015 (liability date) to 31st October 2016. The rate reverts to the basic rate at the 1st November 2016, i.e. the pre-adjusted rate, and the Elected Members must now consider whether to reduce the basic rate, leave it unaltered or increase it, for 2017.

**1. Report on Income and Expenditure:**

* 1. **Local Property Tax Income Allocation 2016**:

In 2016 80% of LPT income collected was retained locally with the remaining 20% paid into an equalisation fund to ensure no local authority was worse off from local retention of LPT in 2016 compared to General Purpose Grant allocations in 2014.

Of the 80% retained locally (€24.5m) an amount of €6.1m was allocated as additional discretionary funding with the proviso that the cost of any local variation of the basic rate of LPT must be funded from this element of the allocation. A decision was taken by the Council to reduce LPT by 15% at a special meeting of the Council held on 21st September 2015. The cost of funding this reduction amounted to €4.6m thereby reducing the discretionary element of the allocation to €1.5m.

€0.9m was attributed in place of the 2014 Local Government fund/(GPG) allocation.

The remainder of the allocation amounting to €17.4m was assigned by the then Department of the Environment Community and Local Government to self-fund some services in housing and roads.

 Details of the 2016 LPT allocation are set out as follows:

|  |
| --- |
| **Analysis of Local Property tax allocation 2016** |
|  |  |
| **Local Property Tax allocation 100%** | **€30,637,996** |
| **Less : 20% Equalisation Fund** | **€6,127,599** |
| **LPT Retained Locally 80%** | **€24,510,397** |
| **Less : LPT surrendered via 15% variation** | **€4,595,699** |
| **Plus : LGF Compensation** | **€100,802** |
| ***Post variation allocation 2016*** | **€20,015,500** |
|  |  |
| ***Assigned to :*** |  |
| **Discretionary 2016 expenditure (Revenue Budget)\***  | **€2,556,600** |
| **Local roads maintenance and improvement (Revenue Budget)\*\*** | **€2,886,900** |
| **Housing Assoc./Vol. Body loan repayments (Revenue Budget)\*\*** | **€7,500,000** |
| ***(Total assigned to Revenue Budget)*** | **€12,943,500** |
| **Housing Capital Projects (Capital)\*\*** | **€7,072,000** |
| ***Post variation allocation 2016*** | **€20,015,500** |
| **\*€923,906(GPG) + €1,632,671(Post variation discretionary income)** |  |
| **\*\*€17,458,900 self-funding allocation** |   |

**1.2 Local Property Tax Income Allocation 2017**:

Department of Housing, Planning, Community and Local Government (DHPCLG) circular Fin 04/2016 dated 27th July 2016 re-affirms the Government’s intention that 80% of LPT income collected will be retained locally and the 20% balance will to be paid into an equalisation fund.

The Council’s LPT allocation for 2017 is €25,109,705 representing 80% of the LPT income of €31,387,132 that it is anticipated will be collected in the South Dublin County administrative area in 2017. The Department has advised that this income will be allocated as follows:

1. An amount equivalent to the 2014 Local Government Fund/GPG allocation of €923,906 is repeated in 2017 plus the pension related deduction amounts retained in 2014 of €2,932,356. This will be funded from the 80% LPT allocation to South Dublin. This brings South Dublin County Councils new LPT baseline to €3,856,262. However, it should be noted that PRD deductions currently retained as an income stream will, from 2017 onwards be remitted directly to the exchequer.
2. 20% of the 2017 LPT income collection amounting to €6,277,427 is provided for allocation at the discretion of the Council. The net proceeds from this allocation is available as discretionary income to fund enhanced or additional services, develop community facilities or to reduce commercial rates. This is the element of LPT income which will reduce or increase if the Council decide to vary the basic rate of the LPT for 2017.
3. The balance of €14,976,017 will be allocated by the DHPCLG to fund social housing and roads services.

|  |
| --- |
| **Analysis of Local Property tax allocation 2017** |
| **Local Government Fund allocation 2017** | **€923,906** |
| **Pension related Deduction (PRD) Allocation** | **€2,932,356** |
| **Discretionary LPT income (20% of anticipated LPT income) 2017** | **€6,277,426** |
| **To self-fund Housing and Roads transportation services** | **€14,976,017** |
| **Total LPT allocation 2016** | **€25,109,705** |

The following table sets out details of the Council’s LPT allocation 2017.

|  |
| --- |
| **South Dublin County Council** |
| **LPT Allocation (Pending and decision to vary the basic rate)** |
|   | **2017** | **2016** |
| Projected Gross LPT Income for County | €31,387,132 | €30,637,996 |
| Less amount allocated to Equalisation Fund – 20% | €6,277,427 | €6,127,599 |
| **LPT retained locally – 80%** | **€25,109,705** | **€24,510,397** |
|   |  |   |
| **Allocated as follows:** |  |   |
| Replaces GPG Allocation 2014 | €923,906 | €923,906 |
| Assigned for discretionary purposes - including variation of basic rate | €6,277,426 | €6,127,599 |
| Pension Related Deduction Allocation | €2,932,356 |   |
| Balance to self-fund Housing and Roads Services | €14,976,017 | €17,458,892 |
| **LPT allocation**  | **€25,109,705** | **€24,510,397** |
|   |  |   |
| **Cost of Variation if 15% reduction is applied**  | **€4,708,070** | **€4,595,699** |
| **Discretionary alloc. if 15% reduction applied** | **€1,569,356** | **€1,531,900** |

**1.3 Cost/Gain from varying the basic rate of the LPT**:

The estimated LPT collection in the South Dublin County administrative area in 2017 is €31,387,132 and the cost of funding or gain from each 1% reduction/increase to the basic rate amounts to €313,871. This will result in a total funding requirement of €4,708,070 if a decision is taken to apply the maximum reduction of 15%.

|  |  |
| --- | --- |
| **Projected South Dublin Co. Co. LPT Income** | **2017** |
| ***Cost or Gain from:*** |
| 1% Variation | €313,871 | 9% Variation | €2,824,842 |
| 2% Variation | €627,743 | 10% Variation | €3,138,713 |
| 3% Variation | €941,614 | 11% Variation | €3,452,585 |
| 4% Variation | €1,255,485 | 12% Variation | €3,766,456 |
| 5% Variation | €1,569,357 | 13% Variation | €4,080,327 |
| 6% Variation | €1,883,228 | 14% Variation | €4,394,198 |
| 7% Variation | €2,197,099 | 15% Variation | €4,708,070 |
| 8% Variation | €2,510,971 |   |   |

A reduction to the basic rate of LPT will be funded through the discretionary element of the LPT allocation e.g. if the maximum reduction is applied, the discretionary element of the LPT funding will reduce from €6,277,426 to €1,569,356. Conversely an increase to the basic rate will be added to the discretionary element of LPT e.g. if the maximum increase is applied, the discretionary element of the LPT funding will increase to €10,985,496.

**1.4 Preparation of Budget 2017:**

The 2017 Budget will be prepared on a phased basis with input from the Corporate Policy Group, Members and Chief Executive at differing stages of the process. The Local Government (Financial and Audit Procedures) Regulations 2014 and Circular Fin 05/2016 made provision for an outline budget strategy prepared in consultation with the CPG, and submitted to the DHPCLG by 23rd September.

The CPG discussed the 2017 Budget strategy and the variation of the Local Property Tax (LPT) on 4th July 2016 and confirmed the basic assumptions and the broad parameters for budget 2017. Following DHPCLG clarification via Circular Fin 04/2016 regarding local retention of LPT and receipt of the details of the LPT Allocation 2017, the CPG met again on 19th September 2016 to review and agree an overview of Budget 2017. The strategic budgetary decisions were discussed on the basis of information known at the time of these meetings. Further details are awaited about the impact of the national budget on other aspects of the council’s income and expenditure for 2017.

**1.5 National Budget**:

The Estimated Income and Expenditure for 2017 is based on an assumption that State grants and subsidies will be continued at 2016 levels adjusted by known activity changes in 2017 (e.g. rental accommodation scheme payments etc.). An adjustment has also been made to account for the funding of some housing and road grants from LPT. It should be noted that adjustments could apply to schemes for which grants and subsidies are currently allocated to the Council as “*the specific detail of the level of Central Voted grants funding to be provided to local authorities is a matter that will be considered, as normal, as part of the Estimates process.”* Details of the National Budget 2017 will become available on 11th October 2016.

**1.6 Key dates:**

* The Revenue Commissioners and the Minister for Housing, Planning, Community and Local Government must be notified by **30 September** **2016** if the council decides to vary the basic rate of the LPT for 2017.
* In addition a preliminary estimation of Revenue and Capital Income and Expenditure 2016 must be submitted to the DHPCLG by **23 September** **2016** to meet EU budgetary timelines.
* Consultation with the CPG about the parameters and content of the 2017 Budget will continue as will the group’s input into the budget strategy in the coming weeks.
* The 2017 National Budget will be presented to Dáil Éireann on 11th October and this will be followed by commitments from the DHPCLG and other funding bodies to contribute funds for specific operational and capital programmes.
* The 2017 Budget meeting must be scheduled within the prescribed period of 1st to 30th November 2016. Once commenced the meeting can be adjourned for up to 14 days from the date of the initial meeting (hence Budget 2017 must be adopted by 12th December, 2016).
As the South Dublin meeting is scheduled for **Thursday 3rd November 2016** the budget must be adopted by Wednesday 16th November 2016 at latest.

**1.7 Basis of preparation of Report on Income and Expenditure:**

As the timing of the preparation of this report predates both the national budget and the preparation of the Council’s draft Budget 2017 the Report on Income and Expenditure (as per table below) is based on the current year’s budget adjusted to take account of changes affecting Local Property Tax income and any other anticipated changes impacting grants, subsidies and activities.

Some preliminary work has also been carried out to project payroll and loan charges for 2017. This work will continue for remaining expenditure and income provisions in the context of the budget strategy during the development of the draft budget in October 2016. This timing also allows for greater certainty in relation to anticipated changes in activity levels and other grant allocations.

The following table sets out the Estimation of Income and Expenditure and is prepared in accordance with the Format prescribed in Schedule 1 of the Local Property Tax (Local Adjustment Factor) Regulations 2014.

**1.8 Estimation of 2017 Income and Expenditure of South Dublin County Council**

|  |  |  |
| --- | --- | --- |
|  | **Budget 2016** | **Estimated 2017** |
| **Income** | **€** | **€** |
| Commercial Rates \* | 118,162,800 | 118,668,850 |
| LPT/LGF \*\* | 12,943,500 | 20,520,588 |
| Grants & Subsidies | 44,196,300 | 44,835,527 |
| Other Income | 50,151,100 | 49,308,250 |
| **Total Income** | **225,453,700** | **233,333,215** |
|  |  |  |
| **Expenditure** |  |  |
| Payroll Expenses | 69,649,500 | 70,138,217 |
| Loan interest & principal repaid | 12,416,900 | 11,675,300 |
| Social Benefits (transfer payments to households) | 30,680,350 | 33,305,800 |
| Capital grants paid | 2,236,400 | 2,187,400 |
| Other expenditure | 110,470,550 | 116,026,498 |
| **Total Expenditure** | **225,453,700** | **233,333,215** |

The following assumptions have been made

\*No change in ARV pending detailed consideration of draft budget.

\*\*2017 LPT income is based on the 2016 revenue budget allocation with no reduction in the 2017 basic rate. Any decision to vary will be reflected in a corresponding reduction of Other Expenditure.

**2. Report on the Financial Position of South Dublin County Council**

**2.1 Report on the Financial Position of South Dublin County Council**

The table below sets out the financial position of the Council in the format required in the Local Property Tax (Local Adjustment Factor) Regulations 2014 and is based on the financial position as at 30 June 2016.

|  |
| --- |
| Financial Position of South Dublin County Council  |
|  | *at 30/6/2015* |
| **ASSETS** |  |
| Current Assets  | 241,496,844 |
| General revenue reserve |  18,807,882 |
| Loans receivable  | 161,366,094 |
|  |  |
| **LIABILITIES** |  |
| Current liabilities | 107,864,867 |
| General revenue reserve  |  |
| *Loans Payable* |  |
|  Voluntary housing/mortgage loans | 147,671,466 |
|  Non mortgage loans | 57,262,429 |
|  |  |
| **INDICATORS** |  |
| Ratio of loans payable to revenue income | 91%  |
| Ratio of current assets to current liabilities | 2.2:1 |

**2.2 Indicators:**

**Ratio of loans payable to revenue income: 91%**

This ratio otherwise known as the gearing ratio reflects the Council’s ability to repay its loans with its revenue income and falls within the recommended range.

**Ratio of current assets to current liabilities: 2.2:1**

This ratio otherwise known as the liquidity ratio reflects the Council’s ability to pay its current liabilities and also falls within the recommended range.

Both indicators reflect that the Council’s financial position is reasonably stable.

**2.3 Current assets:**

|  |  |
| --- | --- |
|  | Current assets @ 30/6/2016 |
|  | **€’M** |
| Trade debtors & prepayments(net of provisions) | 110.7 |
| Cash & Bank  |  124.9 |
| Dev’t Levies (net of provisions) |  2.2 |
| Due within 1 Year |  3.6 |
|  |  |
| Total | 241.4 |

**2.4 Current liabilities:**

|  |  |
| --- | --- |
|  | Current liabilities @ 30/6/2016 |
|  | **€’M** |
| Creditors & Accruals | 22.2 |
| Comm. Rates (2nd Moiety 2015) | 58.9 |
| Deferred income |  16.1 |
| Due within 1 Year |  10.6 |
|  |  |
| Total | 107.8 |

**2.5 General Revenue Reserve:**

The general revenue reserve reflects the cumulative revenue account surplus or deficit. South Dublin is presently in surplus from Revenue Account operations over an extended period of time. A deficit on the revenue account balance would indicate that the council had incurred more expenditure than income earned over a previous period - if a deficit is not addressed the council would ultimately encounter cash flow problems which would hinder future operations.

The council has a general reserve of €18.9M at 30th June 2016 which includes a €6.8M surplus for the period to 30th June 2016 plus the revenue reserve of €12.1M reported in the balance sheet to 31st December 2015. The surplus to 30th June 2016 does not take account of the seasonal nature of operations and services and is not reflective of the likely year end outturn.

Since 2009, in common with all local authorities, the Council has been subject to the provisions of Circular Fin 03/2009 Control and Monitoring of Local Authority Contribution to General Government Balance. This circular requires local authorities to keep their capital, revenue and bank accounts in balance each year and as a result revenue and capital expenditure can only be incurred by local authorities in any financial year to the extent that corresponding income is received.

**3. Impact of variation of Basic Rate of LPT:**

Section 17 of the Finance (Local Property Tax) Act 2012 provides for the calculation of the Local Property Tax charge for liable properties. The charge is calculated by multiplying the mid-point of the valuation band that the property falls into by the basic rate.

**Economic impact of a 5%, 10% or 15% LPT reduction for the property owner**



The following information was provided by the Revenue Commissioners in relation to property valuation bands in the South Dublin administrative area (Fin 04/2016). It is based on property values at the 1 May 2013 valuation date together with returns filed to date. It indicates that 52% of properties registered to the South Dublin administrative are in valuation bands less than €200,000. In 2016 liable persons on average would have paid €267.75 based on the 15% reduction applied (i.e. an annual reduction of €47.25).

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |
| **LPT 2016 Valuation Bands**  | **€0 to €100,000**  | **€100,001 to €150,000**  | **€150,001 to €200,000**  | **€200,001 to €250,000**  | **€250,001 to €300,000**  | **Over €300,000**  |
|  |   |   |   |   |   |   |
|  |  |  |  |  |  |  |
| **South Dublin County Council** | **6.9%** | **18.1%** | **27.2%** | **19.3%** | **10.3%** | **18.2%** |
|  |   |   |   |   |   |   |

**Economic impact on South Dublin if the 2017 LPT is varied:**

|  |  |  |
| --- | --- | --- |
|  | **South Dublin County Council** | **Discretionary LPT Allocation 2017** |
|   |  |   |
| **Local Property Tax 2017** | **€31,387,132** |   |
|   |  |   |
| 80% of LPT Retained | €25,109,705 |   |
| Reduction to State funding for Housing & Roads Services | -€14,976,017 |   |
| Pension Related Deduction (PRD) Allocation | -€2,932,356 |   |
| GPG allocation 2014 | -€923,906 |   |
|   |  |  |
| Available for local activities & projects if no change to the local property tax for 2017 | €6,277,426 | €6,277,426 |
|   |  |   |
| Projected cost of a 5% local adjustment factor reduction in 2017 | -€1,569,357 | €4,708,069 |
|   |  |   |
| Projected cost of a 10% local adjustment factor reduction in 2017 | -€3,138,713 | €3,138,712 |
|   |  |   |
| Projected cost of a 15% local adjustment factor reduction in 2017 | -€4,708,070 | €1,569,356 |
|   |  |   |
| Projected additional income from a 5% local adjustment factor increase in 2017 | €1,569,357 | €7,846,782 |
|   |  |   |
| Projected additional income from a 10% local adjustment factor increase in 2017 | €3,138,713 | €9,416,139 |
|  |  |  |
| Projected additional income from a 15% local adjustment factor increase in 2017 | €4,708,070 | €10,985,495 |

A reduction to the basic rate of LPT must be funded from the discretionary element of the LPT allocation. The discretionary element of LPT allocated to South Dublin County Council for 2017 will reduce from €6,277,426 to €1,569,356 if the maximum reduction is applied.

**4. Report on Outcome of Public Consultation Process**

The Local Property Tax (Local Adjustment Factor) Regulations 2014 made provision for a minimum consultation period of 30 days by a local authority with the public in its administrative area. The consultation process was initiated to facilitate members of the public make known their views about the potential impact of varying the LPT on individuals, businesses and local authority services.

This Council commenced the public consultation process on the 14th July 2016 by the placing of a notice in the local and national newspapers and on the Council’s website inviting submissions from the public with a closing date of 18th of August, 2016 for receipt of submissions.

An online submissions facility was provided on the Council’s website, and alerts were posted on Twitter and Facebook.

A copy of the notice published is set out below:

**NOTICE OF CONSIDERATION OF SETTING A LOCAL ADJUSTMENT**

**FACTOR**

The Finance (Local Property Tax) Act 2012 (as amended), makes specific provision that elected members of a local authority may pass a formal resolution to vary the basic rate of the Local Property Tax for their administrative area by a percentage known as the local adjustment factor. At the meeting set by South Dublin County Council to consider this matter, the members may set a local adjustment factor within the range of +/- 15% of the basic rate, or, may decide not to adjust the basic rate.

South Dublin County Council will meet in September 2016 to consider the setting of a local adjustment factor.

South Dublin County Council welcomes written submissions from the public on this matter specifically covering the potential effects of varying the basic rate of the Local Property Tax on businesses, individuals and on local authority services.

Submissions must be received by **18th August 2016** and be sent to:

**LPT, Finance Department, South Dublin County Council, County Hall, Tallaght, Dublin 24**

**or**

**LPT@Sdublincoco.ie**

**Signed: Daniel McLoughlin**

**Chief Executive**

**Dated: 14th July 2016**

**For further information go to www.sdcc.ie**

**Submissions:**

A total of 2 submissions were received by the closing date.

The submissions are summarised as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Ref** | **Received** | **method** | **Location** | **Submission** |
| LPT01 | 01/08/2016 | Hardcopy | Lucan | Reduction |
| LPT02 | 11/08/2018 | Online | Unknown | Reduction |

The full text of the submission is shown below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Ref** | **Date** | **Method** | **Location** | **Submission** | **Text** |
| LPT01 | 01/08/2016 | Hardcopy | Lucan | Reduction | In line with my last submission for 2016&2015 concurrently I would strongly advocate for the reduction of the 15% on the nominal valuation to remain &for the property tax figure to remain as before. It would not be correct to say that the tide of economic growth has risen all boats, there are many people still caught up in the mortgage arrears trap & facing eviction along also with those in the “vulture funds purchase” arrangements &facing uncertainty –we have yet to see the full scale of the homeless position, which will take many years to correct. The majority of homes are managing on balancing their finances on known bills that are expected to present themselves throughout the year, without the threat of large unexpected increases that would tip them over the edge & into debt. One also has to consider the coming budgets from the government, which may not be very kind to us in the near future, their clumsy accounting stating the countries (should be country’s) economic growth was 26% against the true figure which is nearer 5.5%, hence costing us to pay a further £240 million into the “euro” pot paid by you & me –the tax payer), & also the threat of “Brexit” which is an unknown entity (and is a train most definitely coming down the track) &will affect all of us for at least the next 4 or 5 years (please God it won’t be too negative or acrimonious) but this is a big unknown consideration . I would finish by saying that prudence is the better part of valour & say it is better to leave well alone rather than make any unnecessary changes that would tip people over the edge. |
| LPT02 | 11 August 2016 | Online | Unknown | Reduction | The Council need to take into account the financial straits we are all under and reduce this tax. It would be nice to see less waste in the council and more productivity to make up this reduction |

This report is submitted for consideration by the Members in accordance with Section 20 of the Finance (Local Property) Tax Act 2012 and Paragraph 8, Part 4, of the Local property Tax (Local Adjustment Factor) Regulations 2014. Under Section 21 of the Act a Local Authority that has varied the basic rate of the LPT must inform the Revenue Commissioners of that decision not later than the 30th of September in the year prior to which the LPT variation takes effect & Article 9, Part 5, of the Local Property Tax (Local Adjustment Factor) Regulations 2014 requires that notification of a variation must also be received by the Minister for Housing, Planning, Community & Local Government not later than that date. To comply with those requirements the adoption of the resolution by a Local Authority varying the basic rate of the LPT must be made prior to that date of 30th

September.

As provided for in Article 8 of the Local Property Tax (Local Adjustment Factor)

Regulations 2014 the varied rate of Local Property Tax applies for a period of one year from the next local property tax liability date i.e. from 1/11/2016 to 31/10/2017 after which time the rate of LPT reverts back to the initial (basic) rate as defined in the 2012 Act.

A copy of Circular Fin 04/2016 is attached setting out the LPT allocation for SDCC.

In considering the determination of the Local Adjustment Factor members are asked to consider the contents of this report, including the public submissions, together with the need to retain and expand current levels of Service. Members must also consider the increased costs in payroll, insurance, materials and general inflation. It must also be borne in mind that any LPT reduction will take from this Council’s capacity to respond to ever increasing demands for increased service levels to existing and new services. A full reduction of 15% reduces this response capacity by €4.7m.

Daniel McLoughlin

Chief Executive

21/9/2016