



An Roinn Tithíochta, Pleanála,
Pobail agus Rialtais Áitiúil
Department of Housing, Planning,
Community and Local Government



Oifig an Aire
Office of the Minister

14 November, 2016.

Mr. Colm Murphy,
Meeting Administrator,
Corporate Performance and Change Management,
South Dublin County Council,
County Hall,
Tallaght,
Dublin 24.



RE: REP1910/SC/16

Dear Mr. Murphy,

I have been asked by Mr. Simon Coveney T.D., Minister for Housing, Planning, Community and Local Government to refer to your letter and South Dublin County Council's motion regarding funding of Local Authorities.

At the outset, it is important to state that Local Property Tax (LPT) was introduced to provide an alternative, stable and sustainable funding base for the local authority sector, providing greater levels of connection between local revenue-raising and associated expenditure decisions. It is a positive outcome from the policy of local retention of LPT that local authorities will be able to use LPT proceeds to pay for local services which were funded by the Central Government in the past – this facilitates further implementation of the overall objective of the local government reform programme, which is greater devolution to the local government sector, through supporting enhanced local decision making on spending priorities, while also broadening the tax base more generally and reducing reliance on Central Government funding.

Responsibility for Local Property Tax legislation itself falls, for the most part, under the remit of the Minister for Finance. With this in mind, it would be more appropriate to direct your specific concerns regarding the collection of Local Property Tax and general taxation matters to the Minister for Finance.

As you are no doubt aware, the Minister for Finance requested Dr. Don Thornhill to carry out a review of the operation of the Local Property Tax in 2015. Following the receipt of Dr Thornhill's report, a number of measures arising from the recommendations in the Report were implemented in the Finance (Local Property Tax) (Amendment) Act 2015, including the deferral of the revaluation process to 2019. I understand that the Department of Finance will be considering issues relating to the implementation of the remaining recommendations in Dr Thornhill's Report.

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Part of the motion submitted requests that; as part of a revised local government funding model, there should be engagement by local authorities with their citizens in the setting of service levels, determining budgets, levying charges etc. It is important to note that since the introduction of local retention of LPT in 2015, local authorities have had the power to vary the rates of Local Property Tax (LPT) in their areas by up to 15%. As part of that decision process, authorities must undertake public consultation in their local areas, which, by its very nature encourages engagement with citizens. The power to vary LPT rates has been given to local authorities to further increase their autonomy. This reinforces local democratic decision-making and encourages greater efficiency by local authorities on behalf of their electorates. If South Dublin County Council had decided to vary the LPT basic rate upwards in 2017, it would have retained 100% of the resultant additional income collected in the local authority area. The value of every 1% of variation implemented was €313,871.

The issue of LPT allocations, both from local retention rates and from any subsequent income provided to local authorities to equalise distribution across the State, are matters for the Minister's Department.

The Minister is aware of the funding pressures on Local Authorities and this department is working closely with the sector through the County and City Management Association (CCMA) in the preparation of a consistent and evidence based approach to identify the various funding pressures on a sector wide basis and has found this to be a very helpful and constructive arrangement. This work will help inform the decision making process to ensure that a coherent, sector wide view of the particular funding challenges are presented. Of course, all such issues have to be considered within the parameters of the national fiscal and budgetary situation and the competing priorities presenting themselves at the wider Governmental level.

As well as LPT, Local Authorities also raise much of their necessary funding through local income sources including commercial rates and charges for the goods and services that they provide. Local authority income from all sources remains under pressure, both nationally and that which is collected locally. Commercial rates makes a significant contribution to the funding of local government, providing between 16% and 54% of total funding for local services at individual local authority level, averaging over 36% nationally. Rates income is a very important contribution to the cost of services provided by local authorities such as roads, public lighting, development control, parks and open spaces; all essential elements to create the environment in which businesses can prosper.

Given that local authorities vary significantly from one another in terms of size, population, public service demands, infrastructure and income sources, the Government decided that in 2015, 2016 and again in 2017 local authorities would keep 80% of LPT collected in their areas, with the remaining 20% being re-distributed to provide equalisation funding to certain local authorities that have lower LPT bases due to the variance in property values and density across the State. This equalisation recognises that certain local authorities, whose property bases may not provide a sufficient level of LPT, require extra financial support. By contrast, some local authorities receive higher levels of funding from the Local Government Fund as a result of local retention of 80% of LPT when compared to the level of funding they previously

received from General Purpose Grants. These local authorities may use this additional income, up to a maximum of 20% of overall LPT receipts for their local authority, for their own discretionary purposes, as part of their normal budgetary process. Any remaining funds must then be used to self-fund certain housing and roads functions, thereby replacing some Central Government funding.

The LPT allocations to individual local authorities for 2015 - 2017 are published on the Department's website at the following link:

<http://www.housing.gov.ie/housing/chargestaxes/local-property-tax/local-property-tax>

The Minister has a wide and diverse business agenda, including providing necessary housing and planning supports and fostering community development in partnership with local government and other local development bodies. In order to deliver on this broad business agenda, the Department allocates significant resources to a wide range of organisations, including local authorities, dedicated agencies and non-statutory bodies. Across all schemes and funding sources this Department provided a total of €43.9m to South Dublin County Council in 2015 and €50.9m by the end of October in 2016.

The elected members of a local authority have direct responsibility in law for all reserved functions of the authority, which include adopting the annual budget and authorising borrowing, and are democratically accountable for all expenditure by the local authority. It is a matter for each local authority, including South Dublin County Council, to determine its own spending priorities in the context of the annual budgetary process having regard to both locally identified needs and available resources.

I hope this information has been helpful.

Yours sincerely,


 **Niamh Redmond,
Private Secretary**

