

Local Government Finance Training Module

AILG Training Seminar for Elected Members

Module 3 – Local Government Finance, Budgets & Audit

AILG - Local Government Finance Training Module

Module 3 – Local Government Finance, Budgets & Audit

1. Local Authority Income & Expenditure
2. Local Authority Budget Process
3. Budget Documents
4. Municipal District Budgets/Schedule of Works
5. Audit Committee

Note:

- It should be noted that the umbrella term “municipal district” includes all other variations of this type of formation as set out in Part 3A section 22A of the Local Government Act 2001 (as inserted by the Local Government Reform Act 2014) e.g. metropolitan or borough districts.
- In the case where a local authority does not have municipal districts, the requirements relating to municipal districts will therefore not apply, e.g. Galway City Council.

1. Local Authority Income & Expenditure

➤ Local Government Income – How are local authorities funded?

- Current Revenue Income/Receipts
- Capital Income/Receipts

Note: Only Current Revenue Income/Receipts are included as part of the Revenue Budget

Current Revenue Income/Receipts

- Revenue/Cash income of a recurring nature
 - funds the day to day operation of the local authority
 - includes grants and subsidies as well as charges for the provision of goods and services, including commercial rates
 - Funds the staff, operations, and administration required to provide local authority services
 - Is agreed by the local authority budget process
- Of a non capital nature

1. Local Authority Income & Expenditure

Sources of Current Revenue Income/Receipts

1. Local Property Tax
 - 80% Local Retention of LPT – to be agreed
 - +/- 15% Variation of LPT by elected members
2. Commercial Rates
3. Central Government Grants
 - General purpose grants (allocation of 20% LPT retention for equalisation purposes)
 - Road grants (Maintenance & Improvements)
 - Other Specific grants
4. Housing Rents
5. Parking Fees
6. Planning fees – planning applications
7. Library charges, Sports/Leisure Facilities charges
8. Casual Trading/Taxi licenses
9. Recoupable Grants

1. Local Authority Income & Expenditure

Capital Income/Receipts

- Income/Receipts for Capital projects
- Assets lasting 1 yr +

Types of Capital Income/Receipts

1. Capital Grants – Grants for provision of:

- I. New Housing
- II. New Roads
- III. Libraries etc...

2. Development Levies

3. Borrowing for Capital Projects

4. Sale of Surplus Assets

- Capital Income/Receipts are not included in local authority annual revenue budget
- Capital receipts are accounted for separately and are reported to the members by the manager 3 months after the year end.
- Proposed 3 year capital programme must be submitted by the manager to the council each year with a progress report. Councillors consider/question this programme

1. Local Authority Income & Expenditure

- **Local Government Expenditure – how is their money spent on local authority services?**
 - Current Revenue Expenditure
 - Capital Expenditure

Note: Only Current Revenue Expenditure is included as part of the Revenue Budget

Current Revenue Expenditure

- Expenditure of a recurring nature
 - Expenditure in relation to the day to day operation of the local authority
 - Funds the staff, operations, and administration required to provide local authority services
 - Is agreed by the local authority budget process
- A non capital expenditure

1. Local Authority Income & Expenditure

Types of Current Revenue Expenditure

- Maintenance/Repair of local authority housing
- Housing Improvement Grants
- Housing RAS Programme
- Regional & Local road maintenance/improvement
- Footpath improvements
- Traffic management
- Public lighting
- Planning control
- Tourism Promotion
- Burial grounds
- Maintenance of open spaces, recreation centres, playgrounds, libraries etc.
- Salaries & Staff costs (Service Costs)
- Insurance
- Other overheads

1. Local Authority Income & Expenditure

Capital Expenditure

- Expenditure on Capital projects
- Assets lasting 1 yr +

Types of Capital Expenditure

1. Capital Expenditure – Expenditure for provision of:

- I. New Housing
- II. New Roads
- III. Libraries etc...

- Capital Expenditure is not included in local authority annual revenue budgets
- Capital Expenditure is accounted for separately and are reported to the members by the manager 3 months after the year end.
- Proposed 3 year capital programme must be submitted by the manager to the council each year with a progress report. Councillors consider/question this programme

1. Local Authority Income & Expenditure



Capital Expenditure

vs



Revenue Expenditure

2. Local Authority Budget Process

- Budget process is changing for 2015
- New elements
 - Decision on variation of LPT of +/-15%
 - Budget strategy
 - General Municipal Allocation
 - Draft budgetary plans
 - Rates decisions
 - Reduced period for adjournment of budget meeting (14 days) and budgets adopted before 31 December
 - Schedule of municipal district works

2. Local Authority Budget Process

- *Section 102 (4) Local Government Act 2001 (Amended by Local Government Reform Act 2014) states:*

‘In each Local Financial year, each local authority shall prepare a draft local authority budget setting out for the next financial year

(i) The expenditure estimated to be necessary to carry out its functions and,

(ii) The income estimated to accrue to it.’

- Section 102 (4A) provides that the budget is developed in a phased process involving input from the Chief Executive, the municipal district members and the Corporate Policy Group (CPG).
- It is a reserved function of the elected members **(at plenary body)** to adopt a Local Authority Budget and to ‘strike a rate’.

2. Local Authority Budget Process

Process for preparing and adopting the annual budget

- i. Agree budget strategy
- ii. Develop draft budgetary plans for each Municipal District
- iii. Draft local authority budget including adoption of budget.
- iv. Schedule of municipal district works

2. Local Authority Budget Process

i. Agree budget strategy

- Departments Heads submit their budgets to Director of Finance
- Director of Finance and Chief Executive will prepare overall draft outline budget
- Chief Executive will commence consultation with CPG
- Consider overall financial impact of LPT variation (+/- 15%)
- Confirm decision on LPT – Reserved function by 30th September of each year
- Agree overall General Municipal Allocation (GMA)
 - GMA is the discretionary funding which is made available to municipal district members for allocation in the draft budgetary plan
 - The amount an authority can provide by way of a GMA is dependent on the total level of income available to it, and the non-discretionary costs that must be met as a first call on that income, including at municipal district level. **It could be expected that it would be a relatively modest amount given the significant non-discretionary and strategic costs that the local authority will have to meet.**
 - The total GMA available is allocated by the chief executive to the municipal districts in a fair and equitable manner
- Consider other budget strategy matters e.g. Rates Harmonisation (Base Year Adjustment) and Rates on Vacant Premises
- Preliminary budget to be submitted to Dept by 30th September (EU Rules)

2. Local Authority Budget Process

ii. Develop draft budgetary plans

- Allocate GMA between municipal district
 - The amount an authority can provide by way of a GMA is dependent on the total level of income available to it, and the non-discretionary costs that must be met as a first call on that income, including at municipal district level.
- Municipal districts consideration of draft budgetary plans
 - Draft Municipal District budgetary plans only set out what the GMA will be spent on. They are not a full budget for the Municipal District as the MD is not a separate legal entity.
 - A full budget will only be prepared for the local authority and no separate budgets, apart from setting out what the GMA will be spent on, will be prepared for the Municipal Districts.
- Municipal districts to adopt draft budgetary plans no later than 21 days prior to the local authority budget meeting. (Reserved function of members at Municipal District Level)
- There is no provision for the adjournment of this meeting.
- If municipal district members do not adopt their draft budgetary plan the chief executive may take account of the draft budgetary plan as presented without amendment.

2. Local Authority Budget Process

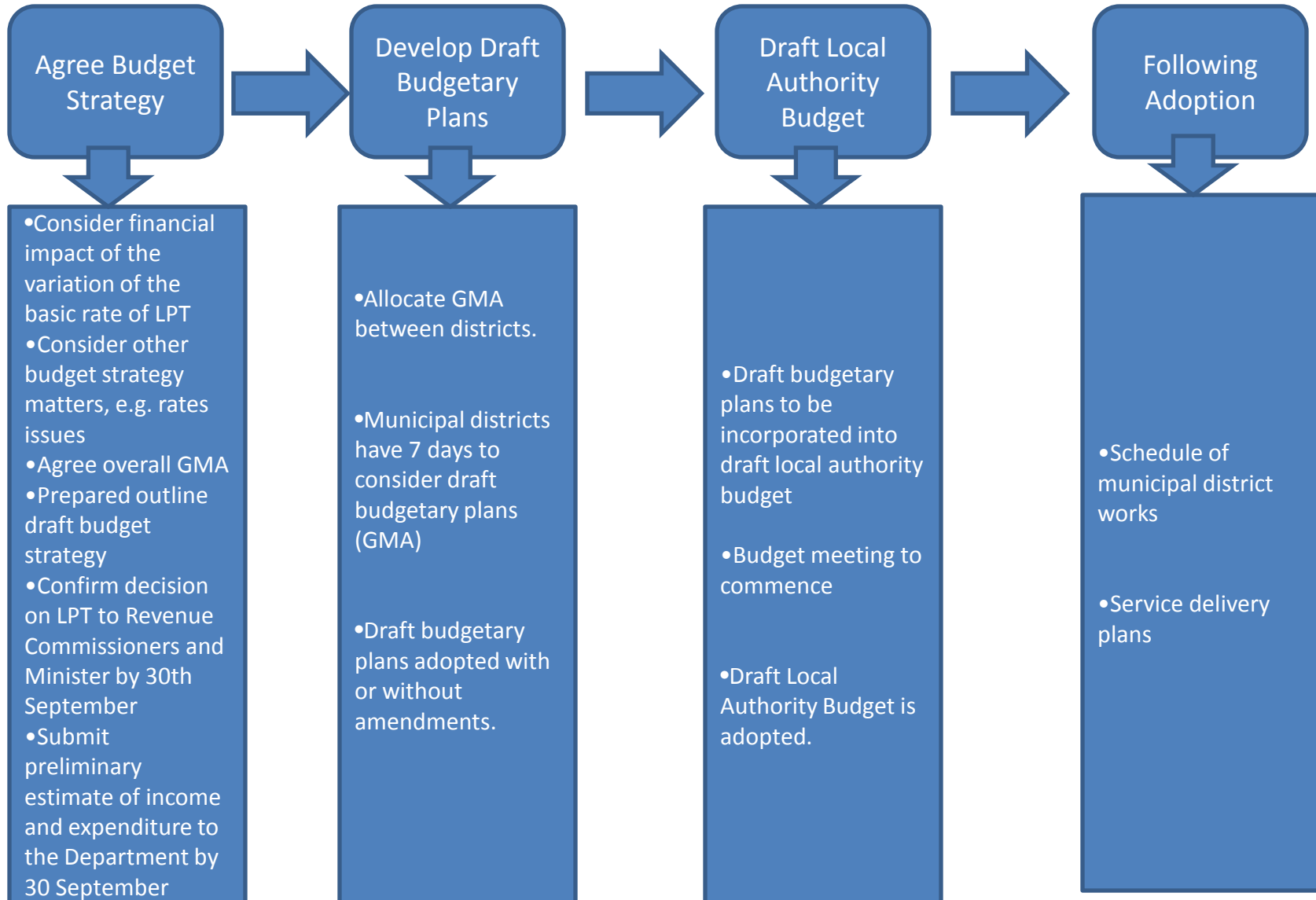
iii. Draft Local Authority Budget including adoption of budget

- Adopted draft municipal district budgetary plans to be incorporated into overall draft local authority budget.
- Statutory Budget meeting convened during a period set out by the Minister. (In November of each year in order to finalise all budgets by 31st December)
- Members have 14 days from date of first statutory budget meeting to adopt their budget.
- Budget is adopted/Rate is 'struck'

iv. Schedule of Municipal District Works

- Following the adoption of the budget, a schedule of proposed works in each municipal district shall be prepared under the direction of the Chief Executive.
- The schedule of municipal district works shall be considered by the municipal district members concerned and be adopted by resolution, with or without amendment .

2. Local Authority Budget Process



3. Budget Documents

- New Structure to Budget Format/Documents was introduced in 2009 with a move to a service costing based structure (Service Support Costs – Full cost disclosure for delivery of each service)
- Services and Sub Services are rolled up into 8 Division Groups
- There are six statutory tables included in the budget documents (Tables A-F).

1) Table A – Calculation of Annual Rate on Valuation Including BYA

2) Table B – Detailed Expenditure & Income

3) Table C - Rates information including BYA (updated format for 2015)

4) Table D – Analysis of Budget Income from Goods & Services

5) Table E – Analysis of Budget Income from Grants & Subsidies

6) Table F - Detailed Expenditure and Income by Division

3. Budget Documents

Table B & F – Detailed Expenditure & Income

- 8 No. Divisions (A-H) & Central Management Charge Division

- 1. Division A – Housing & Building
- 2. Division B – Road Transport and Safety
- 3. Division C – Water Services
- 4. Division D – Development Management
- 5. Division E – Environmental Services
- 6. Division F – Recreation and Amenity
- 7. Division G – Agriculture, Education, Health & Welfare
- 8. Division H – Miscellaneous
- 9. Division J – Central Management Charges

3. Budget Documents

Division	Description	Current Expenditure	Current Income
A	Housing & Building	LA Housing Repairs & Maintenance Costs Traveller Accommodation Estate Management Assistance to persons housing themselves (Housing Loans & Grants) RAS Programme Loan Charges Service Support Costs - Direct Salaries & Staff Costs - Direct O/Heads - Central Management Charge - Indirect O/Heads	Housing Rents Recoupable Salaries Recoupable Grants RAS Payments Recoupable Payments
B	Road Transport & Safety	Road Upkeep & Maintenance Costs Road/Footpath Improvements Public Lighting Road Safety & Traffic Management & Control Loan Charges Service Support Costs Central Management Charge	Road Grants – DOE Fund Parking Fees Road Opening Fees Hackney Licences Recoupable Salaries /Grants
C	Water Services	Public water & sewerage supply – Service Level agreement with Irish Water Public Conveniences Group Water Schemes Service Support Costs Central Management Charge	Irish Water Income – Service level agreement Grants – DOE Fund Recoupable Grants/Salaries

3. Budget Documents

Division	Description	Current Expenditure	Current Income
D	Development Management	Planning Control & Enforcement Taking in Charge of Estates Urban/Village Renewal Tidy Towns Community & Enterprise Tourism Development Local Enterprise Offices Local Community Development Committee Service Support Costs Central Management Charge	Planning App. Fees Licence Fees Urban Renewals Grants Recoupable Grants/Salaries
F	Recreation & Amenity	Op. Costs – Recreational Centres , Libraries , Public Amenities Community, Sport & Recreation Development Maintenance of Parks / Open Spaces Arts/Cultural Centres Arts Programme Heritage Service Service Support Costs Central Management Charge	Charges – Recreation Centres Libraries & Public Amenities Recoupable Grants/Salaries
G	Agriculture, Education, Health & Welfare	Land Drainage River Cleaning Veterinary Service Service Support Costs Central Management Charge	Recoupable Salaries /Grants

3. Budget Documents

Division	Description	Current Expenditure	Current Income
H	Miscellaneous	Financial Management Costs for Collection of Rates Legal, Printing & Stationery Irrecoverable Rates Elections & Audit fees Admin of Justice/Consumer - Coroners Fees Food Safety Councillors & SPC Costs Motor Tax Operation Service Support Costs Central Management Charge	Sale of Election Registers Licences (Dog Licences) Recoupable Grants/Salaries – Motor Tax
J	Central Management Charge	Corporate Building Costs Corporate Services Information Technology Print/Post Room Human Resources & Finance Function Pensions District Offices	

TABLE A - CALCULATION OF ANNUAL RATE ON VALUATION - ABC COUNTY/CITY COUNCIL

	Summary per Table A			
Summary by Service Division	Total Budgeted Expenditure	Total Budgeted Income	Total Budgeted Net Expenditure	
	2015	2015	2015	
	€	€	€	%
Gross Revenue Expenditure & Income				
Housing and Building	22,772,682	22,630,312	142,370	0%
Road Transport & Safety	37,397,956	26,852,742	10,545,214	17%
Water Services	24,661,790	9,986,556	14,675,234	24%
Development Management	8,943,284	1,690,640	7,252,644	12%
Environmental Services	16,692,870	2,505,022	14,187,848	23%
Recreation and Amenity	11,878,986	5,210,546	6,668,440	11%
Agriculture, Education, Health & Welfare	5,495,244	4,314,826	1,180,418	2%
Miscellaneous Services	12,484,562	5,739,422	6,745,140	11%
	140,327,374	78,930,066	61,397,308	100%

➤ **Table A Cont'd**

Adjusted Gross Expenditure & Income (A)	140,327,374	78,930,066	61,397,308	
Financed by Other Income/Credit Balances				
Provision for Credit Balance	-	-	-	
LPT - 80%	-	26,873,672	26,873,672	
Local Government Fund /General Purpose Grant	-	5,684,511	5,684,511	
Pension Related Deduction	-	2,216,452	2,216,452	
Base Year Adjustment - From 2016	-	-	-	
Sub - Total	B		34,774,635	
Amount of Rates to be Levied	C = (A-B)		26,622,673	
Net Effective Valuation	D		447,772	
General Annual Rate on Valuation - 2015	C/D		59.456	
General Annual Rate on Valuation – 2014			59.456	
% Increase in ARV			0%	

3. Budget Documents

- Annual Financial Statements (AFS) - End of Year Accounts
- AFS – Actual Income & Expenditure & Balance Sheet (Details of all Fixed Assets owned by the Local Authority)
- Annual AFS are audited by Local Government Auditor
- Local Government Auditor deals with:
 - Verification of accounts as shown in AFS
 - Prevention/Detection of fraud/error
 - Value for money
- AFS & Auditors Reports are submitted to Council Members for approval who have authority to seek a meeting with Local Government Auditor

4. Municipal District Budgets/Schedule of Works

- Reserved function by members at Municipal District Level to adopt a draft budgetary plans as part of the overall Local Authority Budget.
- Draft Municipal District Budgetary Plan will detail proposed expenditure of the GMA only. This can be spent in any way the MD sees fit and could be used to prioritise additional discretionary expenditure in one of the 8 budget divisions detailed above if the members wish to do so.
- Following the adoption of the budget, a schedule of proposed works in each municipal district shall be prepared under the direction of the Chief Executive in line with the adopted Municipal District Budgetary Plan.
- The schedule of municipal district works shall be considered by the municipal district members concerned and be adopted by resolution, with or without amendment.

Appendix 3 – Draft budgetary plan

MUNICIPAL DISTRICT DRAFT BUDGETARY PLAN			Current year information	
			€	€
			Municipal district	
General Municipal Allocation				
Increase/decrease in other charges				
Total (A)			0	0
To finance Gross Revenue Expenditure			Municipal district	Local authority total
Details by Service Division			proposed expenditure	expenditure
<i>Housing and Building</i>			0	0
	A0101	Maintenance of LA Housing Units		
	A0102	Maintenance of Traveller Accommodation Units		
	A0104	Estate Management		
	A0401	Housing Estate Management		
	A0402	Tenancy Management		
	A0403	Social and Community Housing Service		
	A0901	Housing Adaptation Grant Scheme		
	A0902	Loan charges DPG/ERG		
	A0903	Essential Repair Grants		
	A0904	Other Housing Grant Payments		
	A0905	Mobility Aids Housing Grants		
<i>Road Transport & Safety</i>			0	0
	B0301	Regional Roads Surface Dressing		
	B0302	Reg rd surface rest/road recon/overlay		
	B0303	Regional Road Winter Maintenance		
	B0304	Regional Road Bridge Maintenance		
	B0305	Regional Road General Maintenance Works		
	B0306	Regional Road General Improvement Works		
	B0401	Local Road Surface Dressing (RM)		
	B0402	Local rd surface rest/road recon/overlay		
	B0403	Local Road Winter Maintenance		
	B0404	Local Road Bridge Maintenance		
	B0405	Local Road General Maintenance Works		
	B0406	Local Road General Improvement Works		
	B0601	Traffic Management		
	B0602	Traffic Maintenance		
	B0603	Traffic Improvement Measures		
	B0701	Low cost remedial measures		
	B0702	Other engineering improvements		
	B0801	School wardens		
	B0802	Publicity and promotion road safety		
	B0901	Maintenance and management of car parks		
	B0902	Operation of street parking		
<i>Water Services</i>			0	0
	C0401	Operation and maintenance of public conveniences		

Cont'd

<i>Development Management</i>				0
	D0401	Industrial sites operation		
	D0402	Provision of industrial sites		
	D0403	Management of & contribs to other commercial facs		
	D0404	General development promotion work		
	D0501	Tourism promotion		
	D0502	Tourist facilities operations		
	D0601	General community & enterprise expenses		
	D0603	Social inclusion		
	D0701	Unfinished housing estates		
	D0901	Urban and village renewal		
	D0902	EU projects		
	D0903	Town twinning		
	D0904	European Office		
	D0905	Economic development & promotion		
	D1101	Heritage Services		
	D1102	Conservation services		
	D1103	Conservation grants		
<i>Environmental services</i>				0
	E0501	Litter warden services		
	E0502	Litter control initiatives		
	E0503	Environmental awareness services		
	E0601	Operation of street cleaning services		
	E0602	Provision and improvement of litter bins		
	E0901	Maintenance of burial grounds		
	E0902	Provision of burial grounds		
<i>Recreation and Amenity</i>				0
	F0101	Leisure facilities operations		
	F0102	Provision/improvement of leisure facilities		
	F0103	Contribution to external bodies leisure facilities		
	F0301	Parks, pitches and open spaces		
	F0302	Playgrounds		
	F0303	Beaches		
	F0401	Community grants - sports & recreational		
	F0402	Operation of sports hall/stadium		
	F0403	Community facilities		
	F0404	Recreational development		
	F0502	Contributions to other bodies arts programmes		
	F0503	Museums operations		
	F0504	Heritage /imterpretative facilities operations		
	F0505	Festivals and concerts		
<i>Agriculture, Education, Health and Welfare</i>				0
	G0507	School meals		
<i>Miscellaneous Services</i>				0
	H0701	Operation of markets		
	H0702	Casual trading areas		
Relevant Gross Expenditure (B = A)				0

5. Audit Committee

- Good corporate governance in local government involves better-informed decision-making; accountability for the stewardship and control of resources; and the efficient use of these resources to deliver quality public services and better outcomes for citizens.
- It is recognised that audit committees play a crucial role in the governance framework of local authorities, particularly in the context of increased public sector accountability.
- They have an independent role in advising the Council on financial reporting processes, internal control, risk management and audit matters as part of the systematic review of the control environment and governance procedures of the local authority.
- The requirement for each local authority to establish an audit committee followed the introduction of the Local Government (Business Improvement Districts) Act 2006. Section 122 of the Local Government Act 2001 (*Amended by Local Government Reform Act 2014*) provides a legal basis for the existence of audit committees.

Membership

- Membership of the audit committee is made up of both internal and external members.
- Members should be carefully selected to have an appropriate mix of knowledge and experience and should work constructively and collaboratively to a common end.

5. Audit Committee

- The statutory functions of audit committees are set out in the Act as:
 - I. to review financial and budgetary reporting practices and procedures within the local authority that has established it;
 - II. to foster the development of best practice in the performance by the local authority of its internal audit function;
 - III. to review any audited financial statement, auditor's report or auditor's special report in relation to the local authority and assess any actions taken within that authority by its chief executive in response to such a statement or report and to report to that authority on its findings;
 - IV. to assess and promote efficiency and value for money with respect to the local authority's performance of its functions; and
 - V. to review systems that are operated by the local authority for the management of risks.

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Questions????

