

AILG

Association of Irish Local Government
Aontas Rialtas Áitiúil na hÉireann

Local Authority Finance & Budgeting, Budget Preparation and key decisions for the Elected Members in the Budget Process October 2018

Local Authority Finance & Budgeting, Budget Preparation and key decisions for the Elected Members in the Budget Process

1. Local Authority Income & Expenditure
2. Local Authority Budget Process
3. Key Decisions for Elected Members in the Budget Process
4. Issues with the Budget Process

Local Authority Income & Expenditure

Operations and activities of Local Authorities can be divided into two primary accounts

1. Revenue Account

Covers the day-to day activities of the Council
i.e. the provision of Local Services

2. Capital Account

Covers the Construction/provision of
Infrastructure (Assets) within the County

- Obligation to keep both accounts “in Balance”

Local Authority Income & Expenditure

➤ Local Government Income – How are local authorities funded?

- Current Revenue 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 (20% Equalisation Fund)
 - +/- 15% Variation of LPT by elected members
2. Commercial Rates
3. Central Government Grants
 - General purpose grants - LPT
 - 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

Local Authority Income & Expenditure

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

Local Authority Income & Expenditure

Types of Current Revenue Expenditure

- Maintenance/Repair of local authority housing
- Housing Improvement Grants
- Housing Programmes
- 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
- Insurance
- Other overheads

Local Authority Income & Expenditure



Capital Expenditure

vs



Revenue Expenditure

Revenue Account – Funding/Income

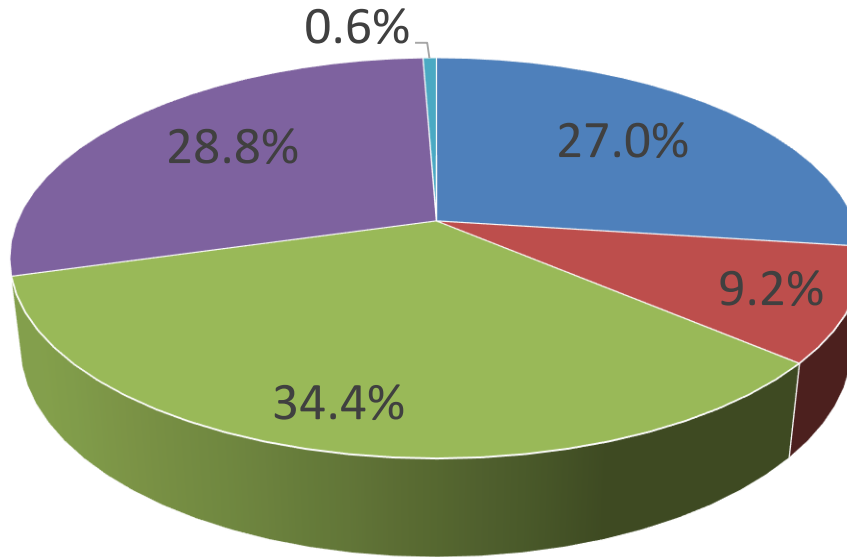
LOCAL AUTHORITY BUDGETS 2017

<u><i>Income:</i></u>	<u>€</u>	<u>%</u>
Government Grants/Subsidies	1,158,995,196	27.00%
LPT Allocations	393,430,328	9.2%
Commercial Rates	1,474,629,552	34.4%
Goods/Services	1,233,437,375	28.8%
Pension Related Deductions/Other	26,008,475	0.60%
TOTAL	4,286,500,926	100.0%

Revenue Account – Funding/Income

LOCAL AUTHORITY BUDGETS 2017

Income:



■ Government Grants/Subsidies

■ LPT Allocations

■ Commercial Rates

■ Goods/Services

■ Pension Related Deductions/Other

Revenue Account - Expenditure

- Divided into eight Divisions (A-H):
 - A. Housing & Building
 - B. Road Transportation & Safety
 - C. Water Services
 - D. Development Management
 - E. Environmental Services
 - F. Recreation & Amenity
 - G. Agriculture, Education, Health & Welfare
 - H. Miscellaneous Services

Revenue Account – Expenditure

LOCAL AUTHORITY BUDGETS 2017

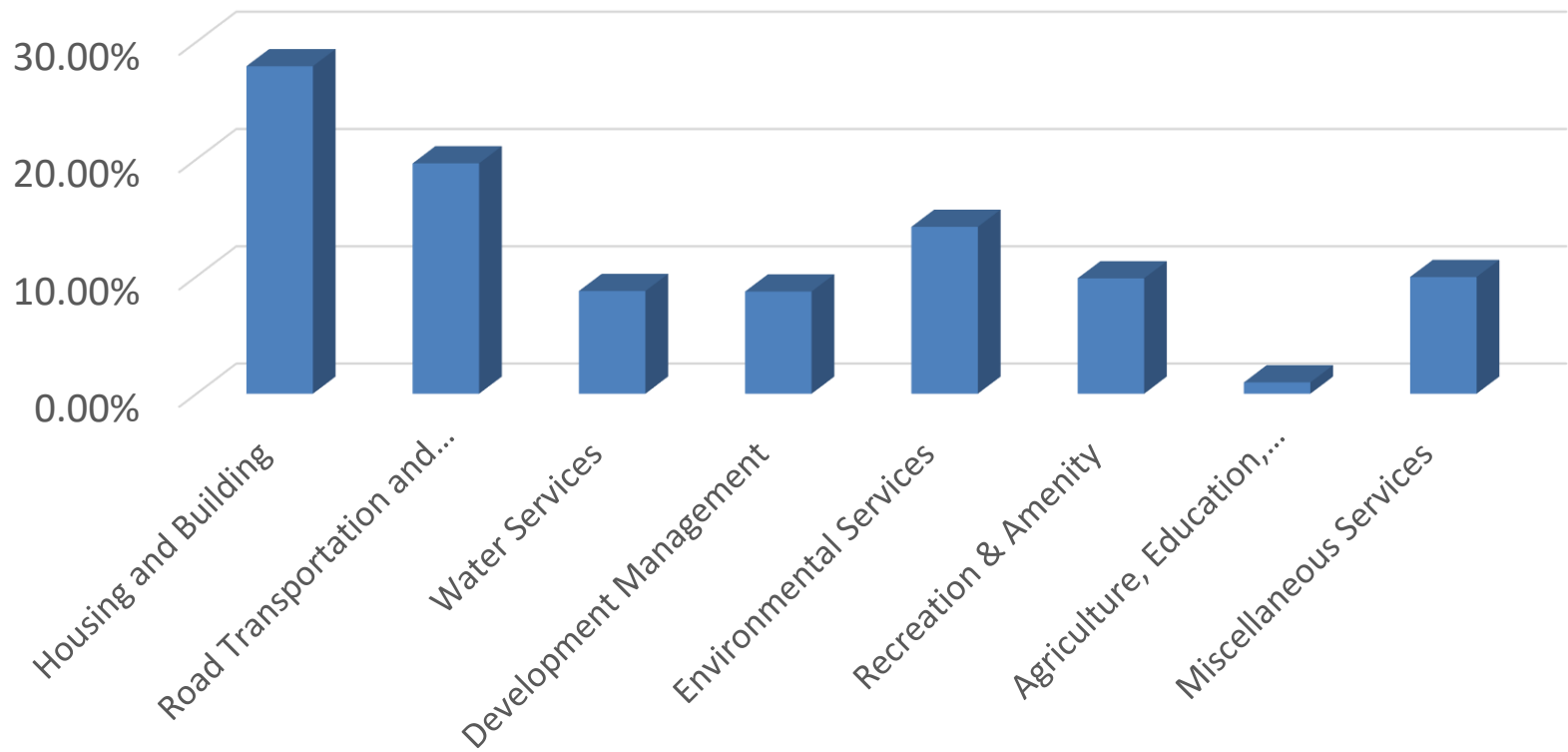
Expenditure

Division	Description	€	%
A	Housing and Building	1,197,153,090	27.92%
B	Road Transportation and Safety	842,117,275	19.64%
C	Water Services	375,290,179	8.75%
D	Development Management	373,662,319	8.71%
E	Environmental Services	609,934,019	14.22%
F	Recreation & Amenity	421,681,434	9.83%
G	Agriculture, Education, Health & welfare	41,313,434	0.96%
H	Miscellaneous Services	426,617,554	9.95%
	TOTAL EXPENDITURE	4,287,769,304	100%

Revenue Account – Expenditure

LOCAL AUTHORITY BUDGETS 2017

Expenditure



2. Local Authority Budget Process

- Budget process changed in 2015
- New elements
 - Decision on variation of LPT of +/-15%
 - Budget Strategy
 - General Municipal Allocation
 - Draft MD budgetary plans
 - Rates decisions
 - Reduced period for adjournment of November budget meeting (14 days) and budgets adopted before 31st 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:*

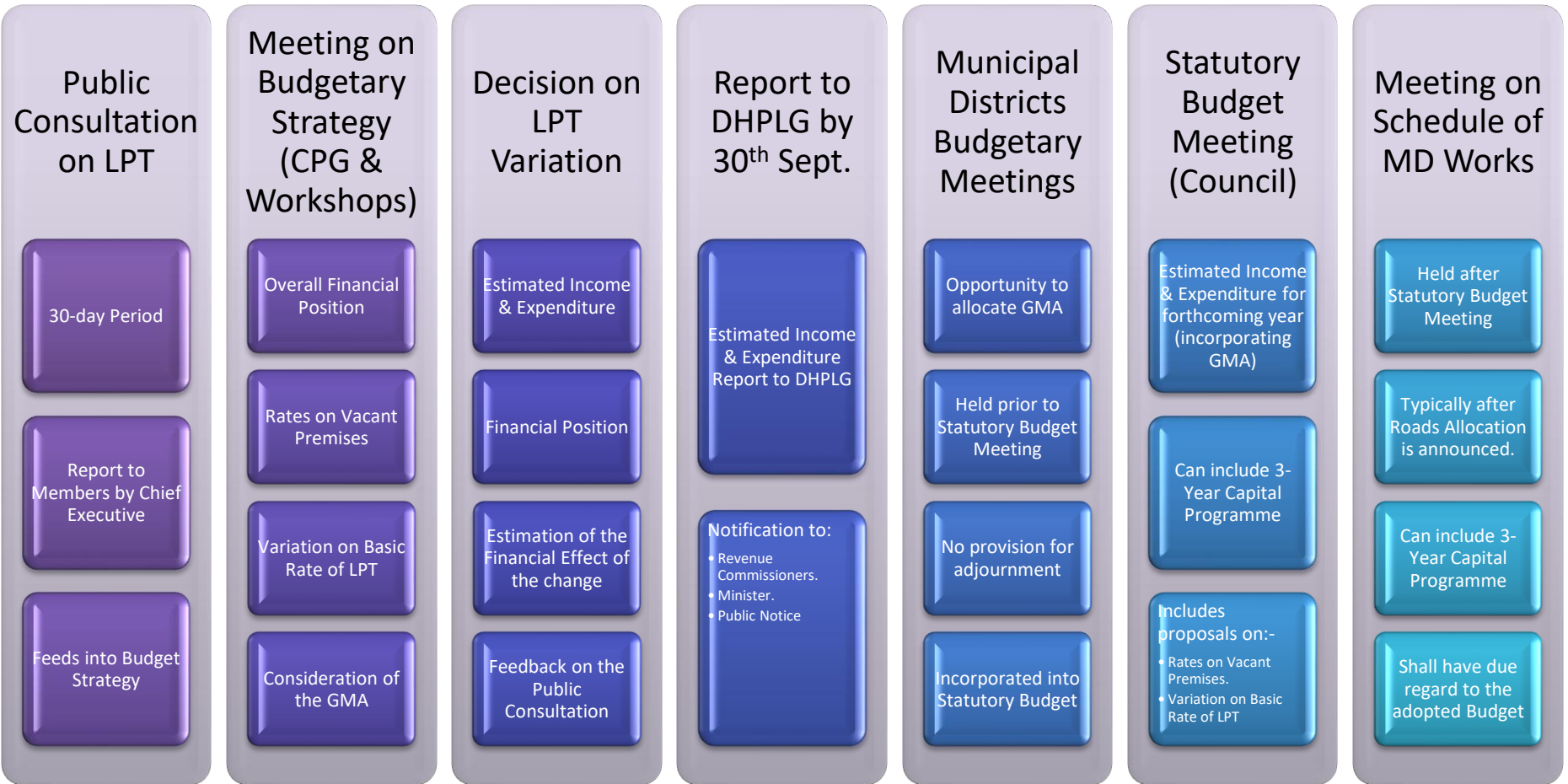
‘In each Local Financial year, each local authority shall prepare a draft local authority budget setting out for the next financial year

(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’.

BUDGETARY PROCESS – LG REFORM ACT 2014 (7 STAGES)



2. Local Authority Budget Process

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 position of the local authority
- Consider other financial matters – variation on LPT, Rates Harmonisation, Rates on Vacant Buildings
- Report on Estimated Income & Expenditure to DHPLG by 30th September – EU Rules

2. Local Authority Budget Process

Variation on LPT

- Public Consultation on LPT – 30 days
- Reports to Members by CE
- Consider overall financial impact of LPT variation (+/- 15%)
- Consider impact on public & other stakeholders
- Confirm decision on LPT – Reserved function by 30th September of each year
- Notification of decision to Revenue Commissioners

2. Local Authority Budget Process

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

2. Local Authority Budget Process

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.

2. Local Authority Budget Process

Develop draft budgetary plans

- 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

Draft Local Authority Budget including adoption of budget

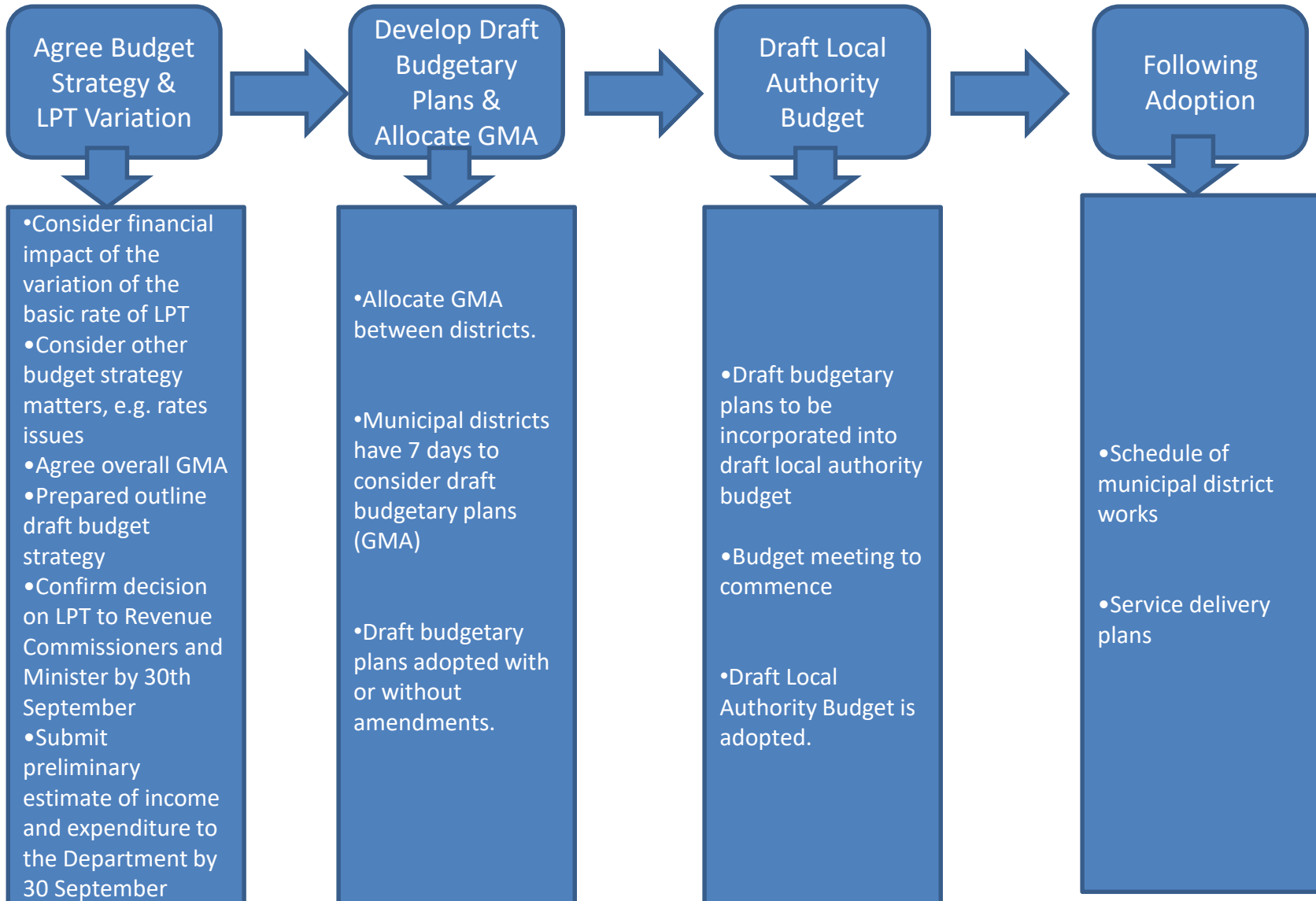
- Adopted draft municipal district budgetary plans to be incorporated into overall draft local authority budget.
- Statutory Budget meeting convened during a period set out by the Minister. (In November of each year in order to finalise all budgets by 31st December)
- Members have 14 days from date of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

2. Local Authority Budget Process

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. Key Decisions for Elected Members in the Budget Process

1. Budget Strategy

- ❖ Executive, CPG & Elected Members working in tandem
- ❖ Set Budgetary Parameters

2. LPT Variations

- ❖ Effect on overall financial position of your LA
- ❖ Impact of variation on the public & other stakeholders
- ❖ Public Consultation
- ❖ Decision by 30th Sept – Reserved Function of Plenary Council

3. Key Decisions for Elected Members in the Budget Process

3. Decision on Commercial Rates

- ❖ Rates Harmonisation
- ❖ Rates on Vacant Premises
- ❖ Reserved function of Plenary Council when adopting overall budget

4. GMA & MD Budgetary Plans

- ❖ Agree GMA
- ❖ Adopt MD Budgetary Plans – Reserved function at MD level

3. Key Decisions for Elected Members in the Budget Process

5. Adopt Annual Budget

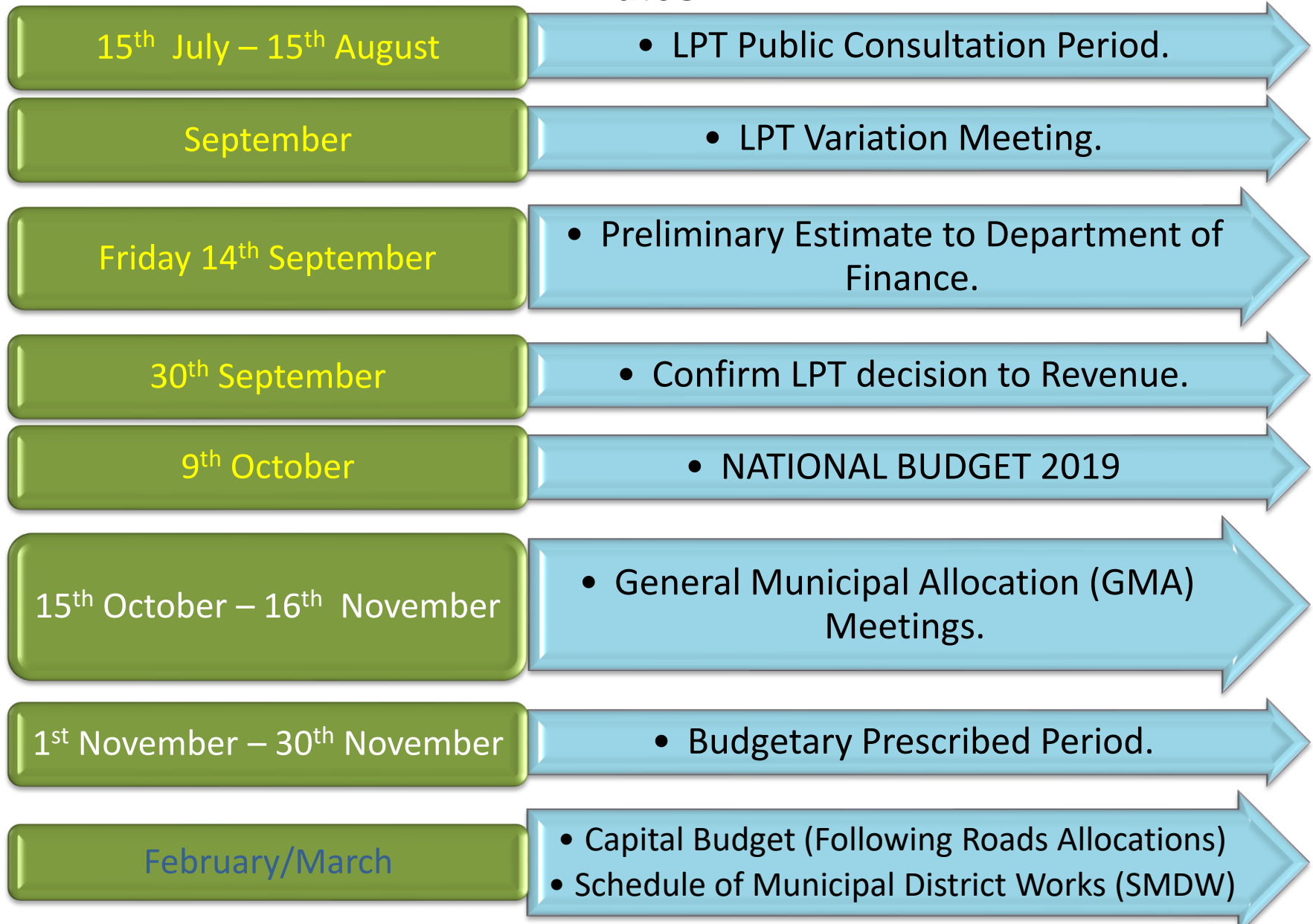
❖ Reserved function of Plenary Council

6. Schedule of Municipal District Works

❖ Reserved function at MD level

PRESCRIBED PERIODS (BUDGETARY TIMELINES) – 2018

Dates



4. Issues with the Budget Process

- ❑ Spreading and segregating critical decisions across an extended period fundamentally undermines the integrity of the annual budget process of Local Authorities.
- ❑ Requirement to decide on +/- 15% LAF by 30th Sept without information on other sources of funding is contrary to good budget preparation.
- ❑ Making LPT decision two months before consideration of detailed budgetary requirements.
- ❑ Deciding on LPT so early in isolation puts pressure on potential increases/ decreases on other incomes eg Rates.
- ❑ LPT Allocation and Self Funding

Local Authority Finance & Budgeting, Budget Preparation and key decisions for the Elected Members in the Budget Process

Questions????

