

# AILG

Association of Irish Local Government

Aontas Rialtas Áitiúil na hÉireann

## Association of Irish Local Government Pre-Budget Submission Budget 2021

## Introduction

The Association of Irish Local Government (AILG) is the primary representative body, representing the democratically elected local authority members. The association supports the elected members in their role as board members of the local government units in the State.

In March of this year the country and the world began to grapple with the onslaught of Covid-19. In the last six months the pandemic has had a devastating impact on our families, our communities, our economy and on our society and country as a whole. However, as a country we have collectively risen to the challenge and in particular the local government sector has played an enormous part in leading and coordinating the local response to the crisis. This has ensured that vital local help and assistance is given to our most venerable citizens, to help them through this most difficult period.

However, the Covid-19 crisis has also had a devastating effect on local business and to local economies right around the country. This has had a knock-on effect on the various incomes streams of our member local authorities which in turn could result in diminished service delivery at local level. It is imperative that Budget 2021 guarantees the adequate funding for local authorities in the short to medium term to ensure that the local government sector can continue to lead the vital local responses to the crisis on behalf of our citizens.

The wide-ranging role of Local Authorities in the areas of housing, economic development, community development, the arts, provision of green spaces, public realm, climate change, makes them central to achieving strong and speedy recovery in all areas of public life.

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***Budget 2021 must protect and commit to full funding of all local authorities in order for them to continue to lead the local response to the Covid-19 crisis***

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## Focus of our Submission

Our Pre-Budget submission focuses around the immediate and short-term financial impact that the Covid-19 crisis is having on the income streams of our member local authorities and the measures that need to be committed to in Budget 2021 to ensure that

they are adequately financed for the rest of 2020 and 2021 to continue to lead the local response to the pandemic.

## Overview

On March 27th last, the then government announced strict public health measures in response to the increased outbreak of Covid-19 in Ireland. This resulted in a lockdown of our country with only essential business remaining open, the public urged to work and remain at home, restrictions on people and family gatherings and the public requested to limit their contacts to immediate family members. A particular emphasis was placed on the elderly and those most vulnerable to Covid-19 and they were asked to restrict their movements, limit their contacts and “cocoon” within their family home to avoid face-to-face contact.

In late March the Minister for Housing, Planning and Local Government, published his Framework for Local Authority Community Support and he wrote to all local authorities requesting them to put in place support structures for the community, particularly for those most vulnerable who had been asked to cocoon. Local authority community response forums and “Community Call” helplines were established in all local authorities and the forums led the co-ordination of COVID-19 community supports and resilience in each area.

The services that were provided by the community call included;

- Collection & Delivery – Food, essential household items, fuel, medication
- Transport to community testing centres, clinical assessment hubs, GP and hospital appointments
- Social isolation supports and engagement
- Meals and their delivery
- Other medical/health needs

The community support helplines/call centres operated from early morning to late evening, 7 days per week, in every local authority and they were assisted by the Alone National Helpline.

Our members and their local authorities took the lead in the local response to the crisis and were to the fore in the roll-out and operation of the local community response to co-ordinate the provision of vital local services to the venerable and those most effected during the crisis. This response again showcased the great work that local government does on the ground in all of our communities.

However, as our local authorities continue to respond to the ongoing needs of the public as the pandemic continues, our member authorities must also now begin to look to the future. It will be essential for the local government sector to lead the local development of a national economic plan to respond to Covid-19. Local Enterprise Offices have played a key role in supporting SMEs and independent businesses over the last number of years as we emerged from the recent recession and their response to the Covid-19 pandemic will continue to be crucial for this sector. They have strong local knowledge of where support is needed e.g. areas hit by a drop in tourism, or where town centres have been seriously impacted.

Local Authorities are best placed to strategically influence how the country recovers from this current and enormous crisis but in order to deliver this quickly and positively they must be placed in a strong position financially to ensure they can deliver recovery plans, to help businesses survive the crisis, so that they too can contribute to the recovery through restoring employment and by contributing to local government funding through commercial rates.

## **Current Breakdown of Local Authority Income and Expenditure 2020**

The local government sector receives funding from a number of different sources, including central Government (from a number of different Departments) and the Local Government Fund. The combined total budgeted local authority income for 2020 is €5,552,712,069. <sup>1</sup>

The make-up of this €5.5 billion budgeted income includes income from commercial rates, income from provision of local goods and services, LPT and income from central government from grants and subsidies. As you can see from the details in the table below, nearly 65% of budgeted income for 2020 is coming from local sources i.e. commercial rates, LPT and income from local goods and services. Income from commercial rates and local goods and services amount to over €3.1 billion (57% of 2020 budgeted income). These two main income sources have been most impacted by the Covid-19 crisis over the last number of months and will continue to be throughout 2020 and 2021.

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<sup>1</sup>

## 2020 Budgeted Local Authority Income

	€'m	% of Total Income
Government Grants & Subsidies	€1,999	36%
Goods / Services	€1,482	27%
Commercial Rates	€1,661	30%
Local Property Tax	€410	7%
<b>Total</b>	<b>€5,552</b>	<b>100%</b>

In relation to Local Authority budgeted expenditure for 2020 a breakdown of expenditure by programme group is shown below<sup>2</sup>

## LOCAL AUTHORITY ADOPTED BUDGETS 2020

Division	Description	€'m	% of Budgeted Expenditure
A	Housing and Building	€1,927	35%
B	Road Transportation and Safety	€1,092	20%
C	Water Services	€389	7%
D	Development Management	€477	9%
E	Environmental Services	€673	12%
F	Recreation & Amenity	€503	9%
G	Agriculture, Education, Health & Welfare	€46	1%
H	Miscellaneous Services	€445	8%
	<b>Total Budgeted Expenditure</b>	<b>€5,552</b>	<b>100%</b>

<sup>2</sup>

However, budgeted local authority expenditure for 2020 can also be viewed in terms of the makeup of discretionary vs non-discretionary expenditure. Of the total budgeted expenditure of over €5.52 billion a further breakdown can be detailed as follows;

	€'m	%
Total Budgeted Expenditure 2020	€5,552	100%
Non-Discretionary Spend		
• Grant related expenditure	€1,999	36%
• Other Fixed Costs - Pay (non-grant related) Pensions, Loans, Insurance, SLA's etc.	<u>€2,942</u>	53%
Total Non-Discretionary Spend	€4,941	89%
Net Budgeted Discretionary Spend	€611	11%

As can be seen from the above, it is estimated that the level of discretionary local government spend for 2020 is budgeted at €611m (11%) out of an overall expenditure of €5.5 billion. Therefore, any further impact on local authority income due to the Covid-19 crisis will have a severe impact on the small discretionary spend within the sector which predominately is spent on vital local discretionary services.

## Government Supports to date

Over the last number of months, the government have introduced a number of financial supports to help individual citizens, SME's and businesses affected by the crisis. These include various income supports, business loans, grants, vouchers, schemes, skills and training support and sector-specific supports and initiatives.

In regards to the local government sector the government introduced a commercial rates waiver scheme for all businesses for a six-month period to the end of September 2020. The cost of this commercial rates waiver scheme is estimated at €600m with a commitment to local authorities to make up the rates shortfall, so that local authorities can continue to provide full services to the public.

## Impact of Covid-19 on Local Authority Income 2020-2023

The Covid-19 crisis has had a catastrophic financial impact on a vast majority of businesses in this state and this will equally impact directly on Local Government funding for 2020 and into the short to medium term to 2023. AILG have been working with the County and City Management Association in highlighting the financial impact on the sector and we all agree that it is simply not possible for the local government sector to sustain the financial shock that has and continues to emerge as a direct result of the pandemic crisis particularly in relation to commercial rate income and income from local goods and services.

As most local authorities commence their budgetary process estimated out-turns for 2020 are showing a potential overall financial impact of over €318m for 2020 even after taking the rates waiver scheme into account. This potential financial impact is made up as follows;

### 2020 Potential Local Authority Financial Impact<sup>3</sup>

Potential un-collectable rates (after rates waiver scheme and including bad debt provision)	€150m
Loss of income from goods/services (parking charges, planning fees etc)	€ 78m
Covid-19 related additional spend (PPE etc)	€ 90m
Total potential 2020 financial impact	<u>€318m</u>

It is imperative, that in addition to specific measures to ensure that local authorities are not at a loss for government initiatives that may be further introduced to help the business and SME sector, national government must include additional funding for local government to negate the potential financial impact as detailed above in order to ensure that local authorities can continue to provide vital local services and to ensure that local authorities are also in a much stronger position to deliver a real and tangible contribution to the speed of the local and national economic recovery.

The CCMA have also supplied additional financial estimates on the potential financial impact of the Covid-19 crisis for the period 2021 to 2023 as follows;

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<sup>3</sup> Report from Acute Financial Matters Sub Group of CCMA Finance Committee

## Potential Local Authority Financial Impact 2021 - 2023<sup>4</sup>

	Uncollectable Rates/Bad Debts	Loss of Income for Local Goods and Services	Covid-19 Additional Expenditure	Total Financial Impact
2021	€198m	€139m	€30m	€367m
2022	€100m	€120m	€20m	€240m
2023	€50m	€60m	€10m	€120m
<b>Total</b>	<b>€348m</b>	<b>€319m</b>	<b>€60m</b>	<b>€727m**</b>

\*\* Recovery may be impacted by other factors i.e. buoyancy (limited) in LPT (decision on exempted new constructs since 2013 from LPT)

## Impact of loss of income on delivery of services 2020-2023

As can be seen from the analysis above, the potential impact on the delivery of services by our members authorities, due to estimated shortfalls in income over the next 3-year period will have a devastating impact on our communities throughout the state. This will be particularly catastrophic to the delivery of discretionary services as any shortfall in income will automatically be offset against the available budgeted discretionary spend in any one year, which for 2020 was budgeted at €611m. This has the potential of seeing over 60% cuts to discretionary local services for 2021 if the projected financial impact of €367m is not made available to the sector. This will result in devastating cuts to services such as;

- ▶ Local Roads Maintenance
- ▶ Public Lighting
- ▶ Housing Maintenance & Supports
- ▶ Environmental Initiatives
- ▶ Arts and Festivals
- ▶ Library services - book purchases
- ▶ Economic & Community supports
- ▶ No matching funding for Capital Programme
- ▶ No discretion to spend in Town/City Centres
- ▶ Non-replacement of staff

<sup>4</sup> Report from Acute Financial Matters Sub Group of CCMA Finance Committee



## Recommendations and Conclusions

ALLG's pre-budget submission for Budget 2021 calls on the government to;

- ▶ Protect and commit to full funding of all local authorities in order for them to continue to lead the local response to the Covid-19 crisis
- ▶ Provide adequate funding so that Local Authorities can lead the local development and delivery of a National Economic Recovery Plan to respond to Covid-19
- ▶ Continued commitment to make up any income shortfall as a result of initiatives introduced at national level to help individuals and businesses so that local authorities can continue provide full services to the public
- ▶ Provide additional funding to offset shortfall in local authority income/additional Covid-19 related expenditure for 2020 of €367m
- ▶ Make provision for additional funding of €727m for the period 2021-2023 to offset potential shortfall in local authority income/additional Covid-19 related expenditure
- ▶ Consideration be given to bring all new constructs since 2013 into the LPT net
- ▶ The full 80% LPT local retention element be made available to local authorities for full discretionary spend. The self-funding LPT element to be set aside for the short to medium term period. The portion directed towards the self-funding element of LPT should continue to be made available to local authorities from central exchequer funds.

The Association of Irish Local Government endeavors to bring to the fore the voices of elected members who are rooted in their own communities. Our pre-budget submission will ensure that our member authorities continue to deliver vital services to the public during these difficult times and they are to the forefront in leading the post Covid -19 recovery at a local level.

Kind Regards,

*Mick*

**Cllr. Mick Cahill**

**AILG President 2019/2020**

Association of Irish Local Government



*The AILG is a national representative body that represents and supports the role of our elected members. We are a strong voice for local communities through effective local government.*