

Local Authority Finance

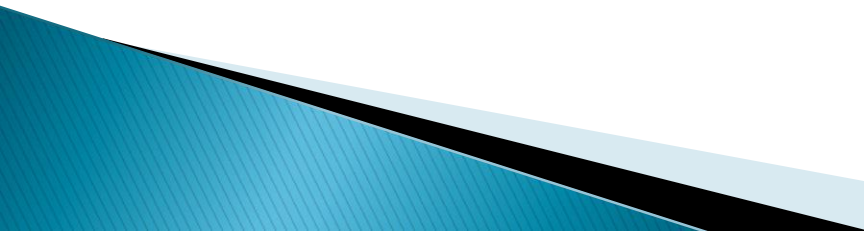
Association of Irish Local Government (AILG)
June 9th 2015.

John Hallahan, Cork City Council

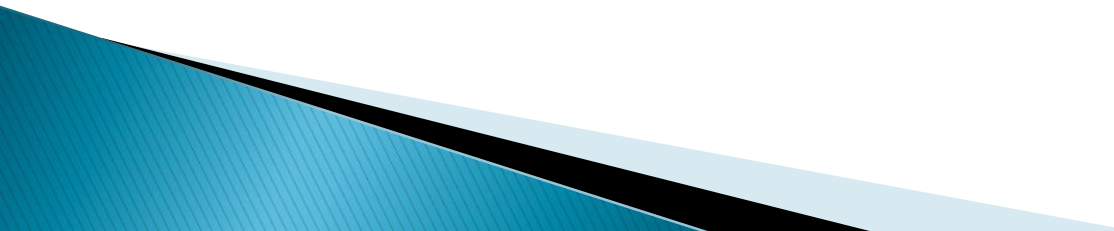
Budgetary Process

- Local Government Reform Act 2014.
- Main Parameters of National Budget to be published by 15th Oct 2015.
- Setting of LAF for Local Property Tax to be completed by Sept 30th 2015. Reserve Function.
- Public Consultation Process LAF – July 2015.
- Members must have regard to the following when varying the LAF
 - Feedback from consultation Process
 - Financial effect of the varied rate
 - Financial Position of the Local Authority
 - Estimate of Income and Expenditure for following year


Budgetary Process – continued

- Government & Revenue Commissioners to be advised of change to LAF.
 - Rates – ARV. Last year a BYA can be applied is 2024.
 - Vacancy refunds. Decision to alter the rate of refund must be taken at annual budget meeting .
 - Statutory Budget Meeting 1st – 24th Nov.
 - Period of adjournment of budget meeting reduced to 14 days.
 - All budgets must be adopted by 31 December.
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Problems with Current Process

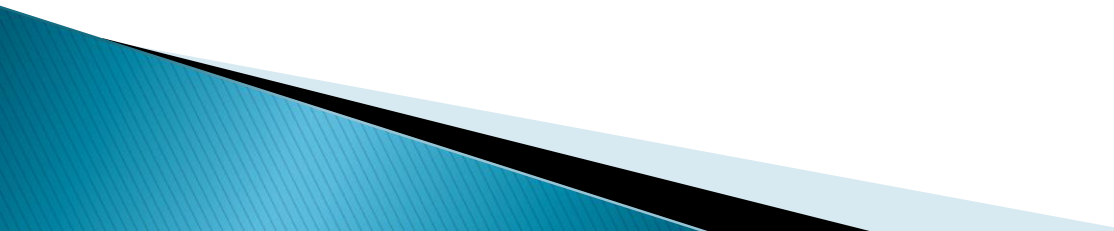
- Spreading and segregating critical decisions across an extended period fundamentally undermines the integrity of the annual budget process of Local Authorities.
 - Budget = Income and Expenditure.
 - Requirement to decide on $\pm 15\%$ LAF by 30th Sept without information on other sources of funding is contrary to good budget preparation.
 - Making LPT decision two months before consideration of detailed budgetary requirements.
 - Vacancy refunds – impact on Rates collection levels.
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Problems with Current Process

- Deciding on LAF so early in isolation puts pressure on potential increases/ decreases on other incomes eg Rates.
 - Financial Implications of the Revised Budget Timelines.
 - Timing of Valuation Certificates for Rating Properties
 - Entry Property Levy
 - Rates income not being maximised
 - Reduction in Rates – Rate payer will not benefit– possible conflict
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Problems with Current Process

➤ LPT Allocation and Self Funding

- Surplus of 20% to be used as discretionary income by LA's for whatever purpose they wish as part of the normal budgetary process.
 - Remainder of Surplus to be used for vital services in social housing and roads thereby replacing Central Government funding for some of these services.
 - LA's prevented from using these fund for key areas of homeless spend and affordable loans.
 - Elected members determination of resource allocation removed.
 - Decisions made in short time frame.
 - Transparent and equitable means of allocation of LPT.
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Problems with Current Process

- Capital in Preliminary Budget table
 - – unreasonable and unrepresentative
- Early decision on LPT
 - Is LPT payer more important than Rate payer
- Significant Administrative burden added to Local Authority
 - Limited value to overall budget process

2014 Experience – CCC (i)

▶ Cork City 100% LPT =	€11.45m
▶ 80% to stay in City	<u>€ 9.16m</u>
▶ Equalisation Fund (20%)	€ 2.29m
▶ Increase on 2014 LGF	€0.61m
▶ Value of Full (15%) reduction	€1.72m
▶ 10% LAF adjustment	€1.147m
▶ LPT Cork City Council	€ 8.013

2014 Experience – CCC (ii)

▶ Public Consultation

- 21 Respondents
- All requested reduction in rate
- No suggestions on what service to be reduced.
- 56% of properties in Cork City valued at < €150k.
- €10/year (< €100k) and €24/year (< €150k).

▶ LAF – Reserve Function

▶ Accounting Professional

- Need to advise of the implications of LAF
- LPT – Local funding for local services
- Returned to exchequer

2014 Experience – CCC (iii)

- Addition Services – €610k / €1.147m
 - Discretionary Spend – approx €27m.
 - 1% of Rates (€650k) – Economic Development.
 - Revolving Voids fund – €1m (2014).
 - Tourism Promotion – €693k (2015).
 - Street Cleaning – €7.18m (2015).
 - Arts programme – €1.8m (2015).
- Additional Administrative Burden
 - Improve overall budget process?

▶ Thank You

▶ Questions