



Oireachtas Committee on Public Accounts

AILG Paper to the Members of the Committee on Public Accounts on the Governance, Oversight and Accountability of Local Authorities

1. Introduction

The Association of Irish Local Government is the primary national body representing the 949 democratically elected local authority members across Ireland and our 31 local authority member councils. As a representative body we provide a networking, policy development and training and education resource for the Elected Members of local authorities. We represent the collective interest of our Elected Members as key stakeholders in our local government system and through regular engagement with central government, government departments and state agencies, we ensure that the voice, views and contribution of our members is heard and appreciated in all areas of local government throughout the full range of public agencies.

2. General Overview

Powers and responsibilities in local authorities councils are divided into two areas,

- a) reserved functions (for the elected council/members) and
- b) executive functions (for the chief executive).

The legal character of a local authority thus comprises of two elements, the elected council of the authority and the Chief Executive, with responsibility for performing local authority functions shared between them. However, legally all functions, whether performed by the elected council or by the Chief Executive, are exercised on behalf of the local authority.

The elected council is, in law, the policy-making arm of the local authority with councillors having the role of creating the overall policy framework within which the council's executive and staff work. Reserved functions relate primarily to issues of policy, e.g. the adoption of the County/City Development Plan and the adoption of the annual budget, essential in determining the overall financial activities of the Council over a broad range of services. The various reserved functions are set out in Schedule 10 of the Local Government Act 2001 (as amended by the Local Government Reform Act 2014).

The Chief Executive and his/her management team has a duty to advise and assist the elected council. The Chief Executive manages the local authority on a day-to-day basis by exercising executive functions. The Chief Executive is responsible for implementing policy areas, as set out by the Elected Members, in areas including planning, transport, social housing, economic development and local authority governance. Under Section 149 of the Local Government Act 2001, every function of a local authority which is not a reserved function is an executive function of the local authority.

As stated above it is the Elected Members who are the policy-making arm of the local authority by exercising their reserved powers/functions and then the Chief Executive working with that overall policy framework, when exercising their executive powers/functions. In relation to financial, budgeting and oversight areas of the local authority a practical example of this would include the elected council adopting their annual revenue budget by reserved function and then the chief executive operating the financial resources of the local authority on a day to day bases, by executive function, within the parameters of the adopted budget. This would also be the same for the local authority capital programme where the elected council would note the rolling 3 year capital programme with the Chief Executive then working within the parameters of this programme but often subject to central funds being available.

In addition to their reserved functions, our Elected Members have various powers that enable them to oversee and direct the activities of the local authority generally. The 2014 Act introduced a structured reporting relationship between the Chief Executive and the Elected Members. This is the Chief Executive's monthly progress report to the elected council. The purpose of the monthly Chief Executive's Report is to assist the Elected Members to carry out their governance responsibilities, oversee the executive in the delivery of policy that has been decided by the elected council and provide oversight of the Chief Executive's discharge of his/her executive duties.

3. Local Authority Funding – A General Overview

Operations and activities of local authorities are divided into two primary accounts, the revenue account and the capital account. Local authorities revenue account covers the day-to day activities of the Council i.e. the provision of local services, while their capital account covers the provision of infrastructure (assets).

The funding streams for revenue income for local authorities come from a variety of sources, including central government, Local Government Fund, local charges for goods and services, commercial rates and Local Property Tax (LPT). The local government funding model changed considerably in 2014 with the introduction of Irish Water and the LPT, with the LPT now replacing the previous general-purpose grant in its entirety since 2015.

At national level, the overall total adopted local authority budgeted revenue income for 2022 is €6.119 billion which is a 5.57% increase on 2021¹. This is made up as follows;

¹ [file:///C:/Users/user/Downloads/226775_2a77e6d0-d010-45be-8cdd-8c16022d2ea6%20\(1\).pdf](file:///C:/Users/user/Downloads/226775_2a77e6d0-d010-45be-8cdd-8c16022d2ea6%20(1).pdf)

<u>2022 Combined Adopted Local Authority Budgeted Income</u>	<u>€'m</u>	<u>% of Overall Income</u>
Government grants and subsidies	2,454	40%
Commercial Rates	1,713	28%
Income from Local Goods/Services	1,535	25%
LPT	415	7%

For 2022 the highest percentage of revenue income for local authorities will be from central government funding at 40%, with income from commercial rates at 28%. Income from local goods and services will amount to 25%, with LPT accounting for 7% of current income for local authorities.

As you can see, for 2022 approximately 60% of all local authority income is budgeted to be generated at local level from commercial rates, income from goods and services and the LPT, therefore helping to fulfil the vision set out in 'Putting People First' for local government to be the primary means of public service at local level and restored a degree of fiscal autonomy to Elected Members and local councils. This also reflects the constitutional and independent nature of our local government system.

The remaining 40% of all budgeted local authority income for 2022 is due to be received from central government including numerous government departments where services directly under their remit, will be delivered at local level via local authorities. Government grants and subsidies can be divided into two categories including general grants and specific grants.

General grants are grants given to local authorities without a requirement as to how they are to be spent, i.e. they constitute a general subvention which may be spent at the discretion of the local authority and should finance local policy decisions. Specific grants are grants for a specific service or capital nature with the purpose of financing national policy objectives. These grants are usually subject to specific criteria including, that they must be used for a specific purpose, may be subject to matching local funding, must be drawn down within certain timelines and works must be completed within a specified timeline.

4. Local Authority Governance, Accountability and Oversight and the Role of the Elected Member

Corporate governance has been defined as the system by which organisations are directed and controlled. Governance refers to the set of systems, principles and processes by which an organisation is governed. As you can see from the previous section, local government in Ireland is big business. Local authorities are often the largest employer in their area. They operate in a complex environment, one that is both political and executive. They are multifunctional and interact with a wide range of stakeholders. Therefore, it is essential that a set of systems, principles and processes exist within which local government can operate.

Good governance within local authorities encourages:

- Better informed decision-making.
- Accountability for the stewardship and control of resources.
- The efficient use of these resources to deliver quality public services and better outcomes for people.

Local authorities, Elected Members, management and staff, should act in the public interest at all times. This entails respect for the rule of law, ethical behaviour and adherence to the principles of public life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

In accordance with the principles of corporate governance, local authorities are accountable for their actions and decisions and are subject to scrutiny in a number of ways including;

- The 2014 Act 2014 makes provision for the establishment of the National Oversight and Audit Commission (NOAC) to scrutinise the performance of local government bodies.
- The Freedom of Information Acts (FOI), 1997 and 2003 are designed to allow public access to information which is not routinely available through other sources.
- Persons applying to local authorities for certain permissions/licences are required to give public notice of their application (e.g. planning permission, application for licence to discharge to waters).
- Local authorities are obliged to publish public notice of certain functions – intention to carry out development within their own area, compulsory purchase orders, motorway schemes, etc.
- Local authorities notify applicants of decisions on applications and their rights of appeal/review in areas such as planning.

- The accounts of local authorities are subject to audit by Local Government Audit Service
- Certain department/central controls continue to be exercised such as consent to overdraft accommodation, borrowing of money, power to impose cap on % increase in commercial rates, approval of staff complements, etc.
- In areas such as national roads and the environment, local authorities are answerable to the TII and the EPA respectively.
- Documents such as the City/County Development Plan, the Annual Budget, the Annual Financial Statement, FOI Manuals, etc. are available for purchase at a nominal fee and are publically available on local authority websites.
- Individual Acts set out the rights of the public in relation to rights of inspection, rights of appeal, etc.
- Complaints may be made to the Ombudsman in relation to the activities of a local authority.
- Certain decisions may be appealed through the courts and application may be made for judicial review.
- Many of the functions of local authorities are subject to scrutiny by the European Commission or the EU Court of Auditors.
- Statutory monthly council meetings are held where the CE is required to attend and is answerable to the Elected Members.
- At statutory council meetings the Chief Executive must produce their monthly executive report to the members on the activities of the local authority and is answerable to the Elected Members on his/her report.
- The media attend council meetings and many committee meetings such as SPCs, Municipal Districts, etc.
- The public can attend statutory council meetings.
- Audit Committees have been established by City & County Councils.
- Elected members are accountable to the electorate at election time every 5 years.

As can be seen from the above, local authorities and local government is the most accountable and transparent form of government in Ireland. In addition to this, Elected Members have various powers in relation to the functions of the Chief Executive. This enables the members to play a significant part in overseeing and directing the affairs of the local authority generally. Under the Local Government Act 2001 (as amended by the 2014 Act), the Elected Members have the power to;

- Require the submission of such financial statements by the Chief Executive setting out the financial position of the local authority as they may decide. (Section 105)

- Approval of the Local Authority Corporate Plan and Annual Service Delivery Plan (Section 134)
- Report to the Elected Members on the Capital Programme (Section 135)
- Furnishing of information (by the Chief Executive) to the elected council on any business or transaction of the authority (Section 136)
- Obtain a monthly report from the chief executive, a Management Report, on the performance of executive functions, including implementation of policy and the provision of services. (Section 136)
- Require the chief executive to submit plans, specifications and cost-estimates of particular works. (Section 137)
- Require the chief executive to inform the members before performing any specified executive function (other than in respect of staff), in a particular instance or generally. (Section 138)
- Prohibit the undertaking of new works. (Section 139)
- Direct that a second legal opinion be obtained. (Section 132)
- Request a report on actions taken or planned to be taken to carry out the directions of the elected members. Following consideration of the report, the elected members may adopt a statement that the actions are not sufficient, to which the chief executive must respond within 14 days. (Section 132)
- Require that a particular act, matter or thing be done by the chief executive (Section 140).
- Inspection of the Chief Executive's (Executive) Orders by the Elected Members. (Section 151)
- Require the chief executive to attend a meeting of a local authority or a committee of a local authority. (Section 152)
- Provision for Elected Members to bring questions and motions to statutory council meetings (Schedule 10)

All of the above provisions were introduced with the intention of strengthening the governance of the local authority under Putting People First and the Local Government Reform Act, 2014, the purpose of which is to address the perceived weakness of the elected side of the council vis-à-vis the executive side.

5. Local Government Audit Service and Annual Financial Statement (AFS)

Section 108 of the Local Government Act 2001 (as amended by the Local Government Reform Act 2014) deals with the production of and consideration of the Annual Financial Statement (AFS) and the Auditor's Report of a local authority. The audit of local authority accounts, both current and capital, is carried out by the Local Government Audit Service (LGAS), who are independent in the performance of their functions and

are under the general control of the Director of Audit of the LGAS. Local authority staff and elected members have a statutory duty to co-operate with them. An auditor may disallow illegal or unfounded payments, surcharge such payments on the persons responsible whether on Elected Members or the Chief Executive, and charge on the person the amount of any loss or deficiency incurred through misconduct or negligence.

While the annual local authority budget sets out the proposals for the forthcoming year, details of actual figures at year-end are contained in the AFS. The AFS, together with a report by the Chief Executive (including details of over budget expenditure), must each year be sent to the Elected Members and considered at a meeting of the authority. The AFS shows details of actual income and expenditure incurred for the previous year under the various programme groups, compared directly with the amounts provided for in the budget for that year. Subsequently, when the AFS has been audited, it must again be submitted to the elected council along with the local government auditor's report.

Apart from the annual budget and the AFS, there are other powers which allow for the financial overview of a local authority. Under Section 105 of the Act, the elected council or the CPG may, by resolution, require the submission of such financial statements by the Chief Executive setting out the financial position of the local authority as they may decide. Such statements must contain any details and be supplied at any intervals as are specified by the council.

6. Value for Money Reports

The Value for Money (VFM) Unit of the Local Government Audit Service (LGAS) carries out VFM studies and issues reports on local authority operations, with a view to identifying best practice and recommending ways of improving existing procedures, practices and systems and thereby promoting efficiency and cost effectiveness. The Unit also prepares and issues progress reports on the implementation, by local authorities, of the recommendations contained in the national reports. With an budgeted annual expenditure of over €6billion for 2022, it is important that local authorities deliver and are seen to deliver value for money. VFM requires the continuous monitoring of programmes to promote greater efficiency and effectiveness. It is important, to bear in mind, however, that there is a considerable social and community development component of a local authorities work that must be taken into account in VFM considerations.

7. Local Authority Audit Committees

The Local Authority Audit Committee has an independent role in advising the council on financial reporting processes, internal control, risk management and audit

matters, as part of the governance arrangements that operate within the local authority.

Section 122 of the 2001 Act provides for the establishment of audit committees and places an obligation for all local authorities to establish such a committee within 3 months of local elections. Section 122 also sets out the functions of the Audit Committee and they are as follows;

- To review the financial and budgetary reporting practices and procedures within the local authority
- To foster the development of best practice in the performance by the local authority of its internal audit function
- To review any audited financial statement, auditor's report or auditor's special report in relation to the local authority and to assess any actions taken within the Council by the Chief Executive in response to such a statement or report and to report to the Council on its findings.
- To assess and promote efficiency and value for money with respect of the local authority's performance of its functions
- To review systems that are operated by the local authority for the management of risks
- To review the findings and recommendations of the National Oversight and Audit Committee and the response of the Chief Executive to these and to take further action as appropriate

The audit committee, whose membership includes Elected Members, is required to have an external chairperson and it is the duty of the Chairperson to ensure that the training needs of the audit committee members are reviewed on an annual basis and reported to the Chief Executive and Council. Where training needs are identified the Chief Executive should facilitate the provision of such training where practicable.

Local authority audit committees adopt their own working procedures and may obtain external professional expertise and advice following consultation with the Chief Executive and the Cathaoirleach/Mayor and by resolution of the elected council. The draft annual work programme when prepared and approved by the audit committee may be adopted by the Council with or without amendment.

At the request of the Chairperson of the audit committee, the Chief Executive concerned shall attend a meeting of the committee and may arrange for the attendance of such other employees as he or she considers necessary. The audit committee on an annual basis, meet separately with the Local Government Auditor, the Chief Executive and the staff of the internal audit unit. Audit committees are also given access to documents or other data or information as it reasonably requires in order to discharge its functions. In accordance with Section 121 of the 2001 Act, audit committees review and consider the

audited financial statements and auditor's and formally report to the council on its findings.

Finally, within 3 months of the expiration of each calendar year of operation, the audit committee must prepare an annual report which includes the committee's considerations and findings for the year and also a review of its performance and any issues impairing its performance. The Chairperson must send a copy of the report to the Chief Executive and to the Council for consideration and the elected council may request the chairperson of the audit committee to attend the meeting and provide a summary of the report.

8. National Oversight and Audit Committee

Section 126 of the Local Government 2001 (as amended by the 2014 Act) provides the legislative basis for the National Oversight and Audit Commission which was established in July 2014 and is the statutory independent body to oversee the local government sector.

The NOAC's statutory functions are wide, and specifically the Commission is required to:

- Scrutinise performance of any local government body against relevant indicators as selected by NOAC (to include customer service) or as prescribed in Ministerial regulations;
- Scrutinise financial performance, including Value for Money, of any local government body in respect of its financial resources;
- Support best practice (development and enhancement) in the performance of their functions by local government bodies;
- Monitor and evaluate adherence to Service Level Agreements entered into by any local government body;
- Oversee how national local government policy is implemented by local government bodies;
- Monitor and evaluate public service reform implementation by any local government body or generally;
- Monitor adequacy of corporate plans prepared by Regional Assemblies and Councils and evaluate implementation of the plans by any local government body or generally;
- Take steps under its other functions for the purpose of producing any report requested under the Act as well as produce reports under its own initiative; and
- Carry out any additional functions conferred by Ministerial order.

NOAC has produced numerous performance related reports on local authorities over the last 7 years including performance indicator reports, public spending code reports, local

authority satisfaction survey reports, audit reports, financial performance reports and scrutiny reports.

While NOAC works closely with all stakeholders in the local government sector, AILG would recommend that NOAC would engage with Elected Members as part of their interaction and engagement with local authorities, especially as part of their local authority scrutiny reports.

9. AILG Training and Education Programme

Under Circular LG05-2021, local authorities are required to adopt a Training and Development Programme for their members, the objective of which is;

- a) to adopt a more structured approach to supporting the development needs of councillors so that they can discharge their duties as effectively as possible; and
- b) to inform decisions by the elected council on the training events for which councillors should be supported.

One of the key functions of the AILG is to ensure that Elected Members receive appropriate and relevant training, education and development as they govern our local authorities currently and into the future. The AILG's "Elected Members Training Programme" delivers appropriate training across a wide range of local authority functions and related activities. The purpose of our training and education programme is to give our Elected Members the required knowledge of all local authority functions, from the best people available, to enable them to be effective local public representatives. Our training programme is delivered in conjunction with the Department of Housing, Local Government and Heritage and other stakeholders with speakers being made available from across various government departments, agencies and local authorities.

Since 2014 we have delivered thousands of hours of training to our members in areas of planning, housing, community and economic development, finance and budgeting, governance and oversight, roads and transportation, climate action, environment, personal development, GDPR, media, communications and mental health and well-being. We have partnered with state bodies such as the Office of the Planning Regulator, Irish Water, Irish Public Administration, EPA, Regional Assemblies, the Housing Agency, TII along with numerous government departments to provide detailed training modules to our members.

In terms of providing training to our elected members in the areas of their financial, budgeting and oversight role, AILG have provided training in areas such as

- Local Authority Governance and Oversight, in conjunction with the IPA

- Local Authority Audit Committees
- Local Authority Financing and Funding
- Local Authority Budgetary Process
- Reserved Functions of
- Commercial Rates, Rating Law, Valuations and Revaluations

Full details of our training delivery can be found on our website www.ailg.ie

Following the publication of the Moorhead Report on the Role and Remuneration of Local Authority Elected Members in June 2020, it was identified that while no element of the role should be more important than another, there may be a perception that Councillors place a greater emphasis on their individual representation role rather than their oversight, governance and compliance role. In order to address this AILG are working with the Department of Housing, Local Government and Heritage in relation to rolling out a further comprehensive training programme for our members on their statutory obligations to carry out their oversight and governance roles. This training programme will also include specialised training and capacity building for members of audit committees and the establishment of a “Heads of Audit Committee” Network and associated training requirements. The purpose of this network will be for chairs of the various local authority audit committees to meet and share experience, best practice knowledge and identify gaps in training and capacity building for Elected Members who sit on audit committees.

10. Addressing Some Specific Questions Posed by the PAC in relation to Elected Members

In preparation for their discussion on the oversight and transparency of central government funds to local authorities, the PAC members have asked for a number of questions to be addressed. AILG would like to respond to these questions as follows;

1. Do all newly elected Councillors receive adequate training well in advance of them inputting into the LA annual budget?

As stated in the previous section, one of the key functions of the AILG is to ensure that Elected Members receive appropriate and relevant training and development especially in the area of the local authority budget process. Following the 2014 local government reforms, the budget process for a local authority changed significantly to included additional areas of responsibility for Elected Members. These include;

- Introduction of local property tax (LPT) and the reserved decision on the variation of LPT of +/-15%.
- Introduction of a budget strategy.

- Introduction of a General Municipal Allocation (GMA) and draft Municipal District budgetary plans.
- Decisions on commercial rates including rates on vacant properties
- Reduced period for adjournment of budget meeting to 14 days and budgets being adopted before 31 December and
- Introduction of the schedule of municipal district works following adoption of the annual revenue budget.

AILG have delivered detailed training to all Elected Members (both newly elected and returning members) on the budget process. This training would include areas such as local authority income & expenditure, LA budget process, key decisions for Elected Members in the budget process and identifying issues and challenges with the budget process. AILG have also produced our “AILG Elected Members Guidance Manual”² which, in addition to being publically available on our website, has been distributed in hard copy to all newly elected and returning members, as a resource tool for them in carrying out their work. Our guidance manual includes guidance on the LA finance and budget process and our members governance and oversight role.

However, it must also be noted that in addition to the above, the 2014 reforms have also introduced additional provisions that the annual LA budget is developed in a phased process involving input from the Chief Executive, the Elected Members and the Corporate Policy Group (CPG). There are a number of key stages for preparing and adopting the annual budget including;

- Agreeing the overall budget strategy including reserved decisions on LPT variation, commercial rates etc.
- Developing draft budgetary plans for each Municipal District (in local authorities who have MD’s)
- Preparing the full draft local authority budget including adoption of the budget.
- Adoption of the schedule of municipal district works following adoption of the annual budget, again in local authorities who have MD’s.

This has resulted in the budget process time period commencing in July of each year and running until the budget is finally adopted the following November, with Elected Member input at various stages throughout the process including exercising various reserved functions throughout the process.

² [AILG-Elected-Members-Guidance-Manual-June-2019.pdf](#)

2. Do councillors receive sufficient and timely information from local authority executives to assist in decision making in relation to the reserved functions? Have councillors access to sufficient, independent supports and expertise to allow them to exercise adequate oversight?

As stated previous, local authorities are multifunctional organisations with responsibility for the delivery of a multitude of services at a local level. As the elected council is the policy making arm of the local authority, Elected Members are now required to have extensive knowledge across a range of disciplines including, housing, roads, transportation, economic and community development, climate change, environment, finance, governance etc.

A key issue identified by Elected Members during the Moorhead review was the volume of technical documents and information that our members must be familiar with on an ongoing basis. Our Elected Members engage in extensive preparation work on briefings, policy and other documentation in advance of council meetings and workshops. This preparation work is detailed and consuming but also necessary to ensure that members are well informed to make the best decisions possible. Elected Members have seen a significant increase in briefing documentation as a direct result of the increased powers and functions that they now have responsibility for. It should also be noted that, as local authorities have to comply with regulatory functions arising from other government departments and agencies, this may also add to the statutory workload of our elected members.

Elected members have indicated to AILG that preparation for meetings is key but have indicated that it takes a substantial amount of time. Reasons for this included the volume of documentation to be read and the short timescale to get through it due to the circulation of same before meetings. Moorhead has recommended that documentation should be circulated in sufficient time to allow attendees to adequately prepare in advance, preferably in electronic format. Summaries of large documentation should be provided to reduce time taken to read all material that may not necessarily be fully relevant.

Oversight and governance in relation to finance, budgets etc. also requires a good level of specialist knowledge. AILG and the Department have identified the potential for further capacity building which needs to be undertaken to build understanding of the critical governance and oversight role of our members, including capacity building around the full suite of reserved powers and statutory functions at the disposal of our Elected Members. AILG will continue to assist in programmes for further capacity building of Elected Members in their oversight, governance and compliance role.

Finally a further recommendation in Moorhead was consideration to be given to exploring the provision to the Council of independent legal advice, based on a resolution

of the Council and in the context of reserved functions of elected members. It is AILG's view that this recommendation needs to be delivered upon for the benefit of our members.

3. Are elected representatives appropriately equipped and resourced to scrutinise their executives' expenditure of central government funding?

As stated in section 4 above, Elected Members have various powers in relation to the functions of the Chief Executive including the expenditure of central government funding. These include scrutiny of the monthly CE's executive report, and various powers under section 136, 137 and 138 of the Act to furnish information to the elected council. Elected Members have significant powers under section 105 of the Act, where the elected council or the CPG may, by resolution, require the submission of such financial statements by the chief executive setting out the financial position of the local authority as they may decide, including central government funding.

Audit committee members also have powers to review the financial and budgetary reporting practices and procedures within the local authority and review any audited financial statement, auditor's report or auditor's special report in relation to the local authority and to assess any actions taken within the Council by the Chief Executive in response to such a statement or report and to report to the Council on its findings.

AILG needs to ensure that our members have the required training, education, knowledge, capacity and confidence to exercise these reserved functions in order for them to effectively discharge their oversight and statutory functions.

11. Conclusion

The Association of Irish Local Government endeavours to bring to the fore the voices of elected members who are rooted in their own communities and work for their communities on a daily basis.

As can be evidenced from our paper, local authorities and local government is the most accountable and transparent form of government in Ireland particularly in relation to the financial scrutiny of local authorities. This is only right and proper that this is the case and we must continue to ensure that local government has a set of systems, principles and processes within which local authorities can operate, effectively, efficiently and

transparently. At all times local authorities, Elected Members, Chief Executives, council management and staff, should always act in the public interest.

AILG will continue to advocate for the need for ongoing investment in professional development for Councillors as legal and other requirements change and become more onerous. AILG is committed in this regard to the continued professional development and training of our Elected members in this regard, as evidenced by their extensive training, education and development programmes.

We hope that our paper will assist the members of the PAC in their deliberations and examination of this important piece of work.

Kind Regards

Nicholas Crossan



Cllr. Nicholas Crossan
AILG President 2021/2022
Association of Irish Local Government