

The Finances of Local Government in Ireland

By Graeme O'Meara, Intern Researcher at publicpolicy.ie

This note sets out the income and expenditure of the local government sector in Ireland.

Size of Local Government

Current spending of Local Authorities was €4.4 billion in 2012. Capital spending in 2011 was € 2.1 million. Total spending by local authorities is about 4.9 per cent of GNP.

The evolution of spending since 2008 is shown in Table 1:

Table 1: Local Authority Expenditure 2008 – 2012, €bn

	Current	Capital	Total
2008	4.7	6.1	10.8
2009	4.5	4.1	8.6
2010	4.4	2.9	7.3
2011	4.3	2.1	6.4
2012	4.4	n.a.	n.a.

Source: Activity Report, Local Government Audit Service for data to 2011 and IPA Yearbook for 2012.

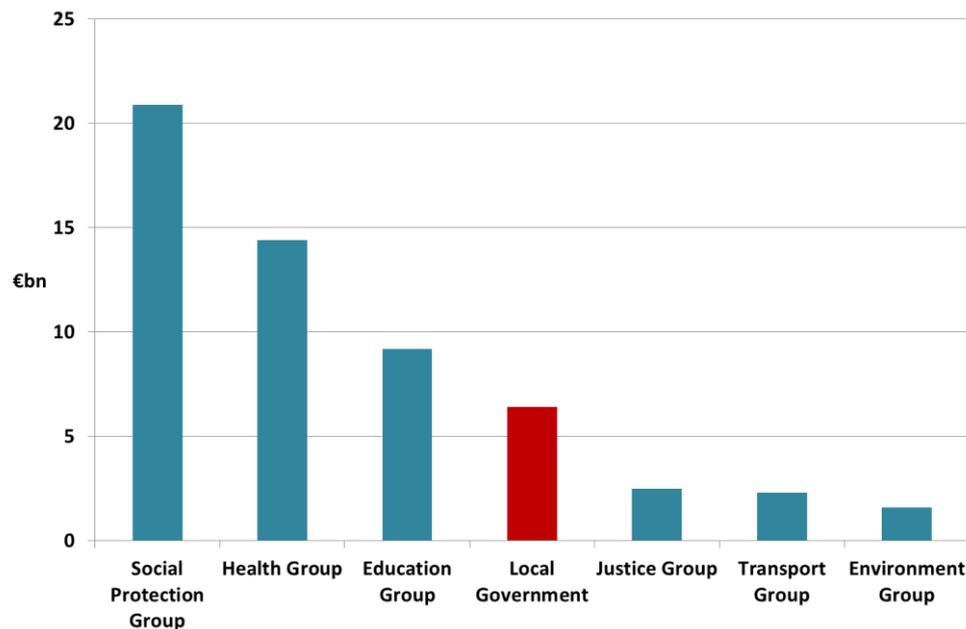
Comparing these figures to Departmental spending by central government, spending by Local Authorities is surpassed only by spending in the Education, Health and Social Protection Groups.

Table 2: Expenditure by Vote Group and by Local Authorities 2011, €bn

Social Protection Group	20.9
Health Group	14.4
Education Group	9.2
Local Government	6.4
Justice Group	2.5
Transport Group	2.3
Environment Group	1.6
Other Central Government	7.8

Source: Department of Public Expenditure and Reform, Local Government Audit Service

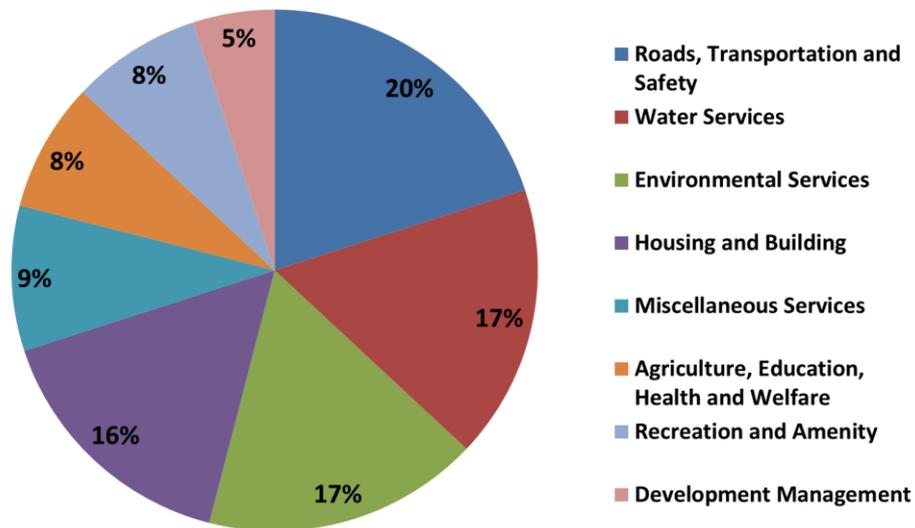
Figure 1: Comparison between Local Authority and Central Government Expenditure, 2011



Source: Department of Public Expenditure and Reform, Local Government Audit Service

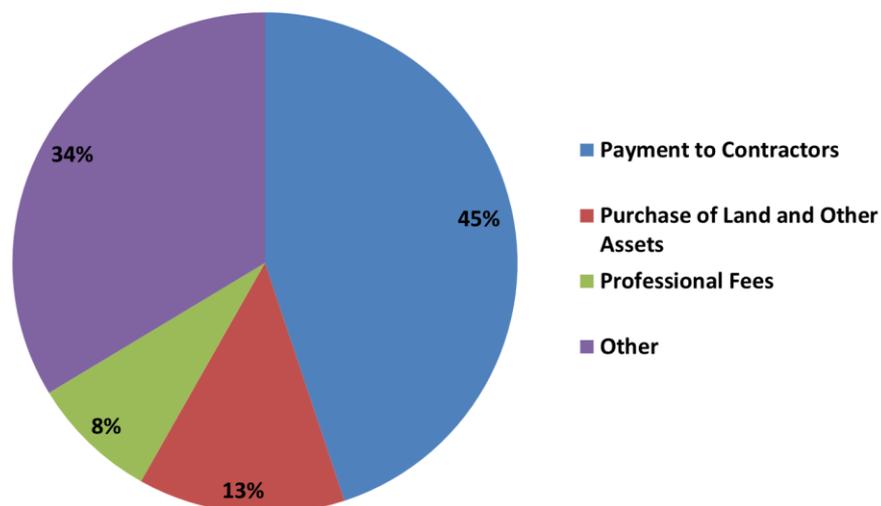
Current expenditure by Local Authorities in 2011 amounted to €4.3bn. The breakdown of current expenditure was as follows:

Figure 2: Division of Current Spending by Local Authorities, 2011



Capital expenditure in 2011 was €2.1bn, down significantly from €6.1bn in 2008. The breakdown of capital spending in 2011 was as follows:

Figure 3: Division of Capital Spending by Local Authorities, 2011



Local Government Income Sources

The following are the main sources of current income available to local authorities;

Goods and services - Local authorities have powers to charge for services which they provide, for example, commercial water charges, housing rents, waste charges, parking charges, planning application fees. In most cases the charge or fee is set locally although certain charges or fees are fixed at national level.

Rates - Rates are levied annually by county, city, borough and certain town councils. Each of these authorities has exclusive rating jurisdiction within its own area. As a general rule, rates are levied on the occupiers of commercial property. Rates are assessed on the valuation of immovable property such as buildings, factories, shops, railways, canals, mines, woods, rights of fishery and rights of easement over land. The valuation of such property for rating purposes is carried out by a central government agency, the Valuation Office, with a right of appeal to a Valuation Tribunal. Each year the level of the rate (known as the Annual Rate on Valuation or ARV) is determined by the elected council as part of the budgetary process. The annual rates bill for a commercial premise is calculated by applying this ARV to the valuation of the property concerned.

Specific state grants - Specific State grants are paid to local authorities in respect of specific services/schemes, for example higher education grants, road maintenance grants, etc. by a number of government departments.

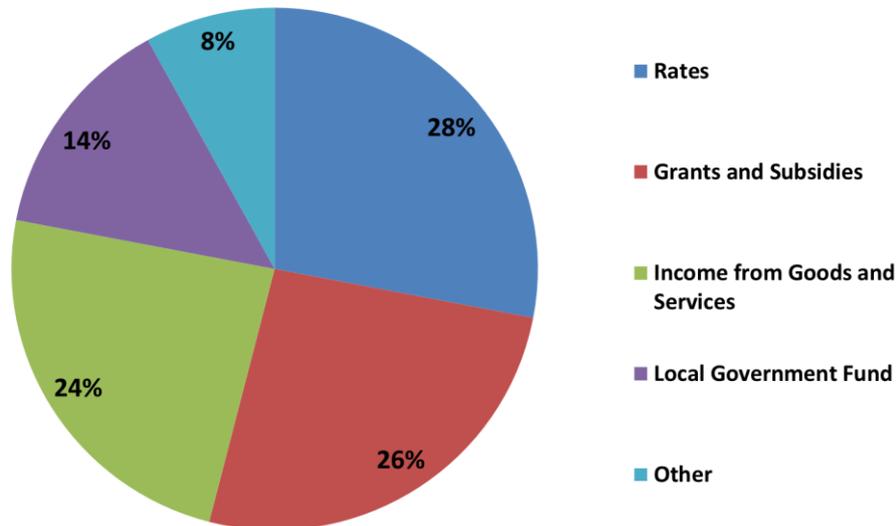
The Local Government Fund (LGF) is a special central fund which was established in 1999 under the Local Government Act 1998. It is financed by the full proceeds of motor tax and an Exchequer contribution. The Fund provides local authorities with the finance for general discretionary funding of their day-to-day activities and for non-national roads, and funding for certain local government initiatives. From 2014, the Minister for Finance will pay into the Local Government Fund an amount equivalent to the property tax paid during the year.

Community fund - An elected council may, by resolution, establish a separate 'community fund' to support specific community initiatives such as amenity, recreational, environmental or community development projects of benefit to the area concerned. Contributions to the community fund may be made by local voluntary, business or community groups, and may be raised by the local authority by way of a community initiative scheme.

The Environment Fund is used primarily to support environmental initiatives, campaigns and programmes, many of which are organised at local or regional level under the auspices of local authorities. The proceeds of the plastic bag levy, which is paid by consumers and collected from retailers by the Revenue Commissioners, are paid into the Fund. Receipts from the landfill levy are also paid into the Fund. Disbursements from the Fund are used to assist projects on the basis of their capacity to protect or enhance the environment.

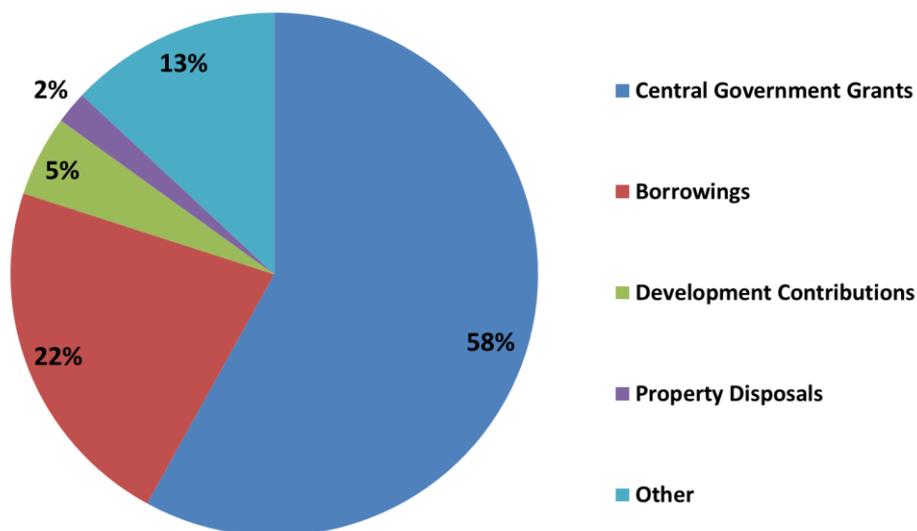
The breakdown of current income for 2011 is as follows:

Figure 4: Division of Local Authority Current Income, 2011



The proportion of capital spending funded from the various sources in 2011 was as follows:

Figure 5: Division of Local Authority Current Income, 2011



The income from development contributions and property disposals has fallen as the construction industry and property prices have collapsed. Income from these sources fell from €759 million in 2008 to €187 million in 2011.

Revenue Collection Performance of Local Authorities

The Revenue collection performance by local authorities has been highlighted in local government audit reports. The percentage of potential taxation and charges collected by city and county councils in 2011 was as follows:

Table 3: Local Authority Collection Rates

Commercial Rates	78%
Housing Rents	84%
Housing Loans	75%
Water Charges	55%

Source: Activity Report, Local Government Audit Service February, 2013