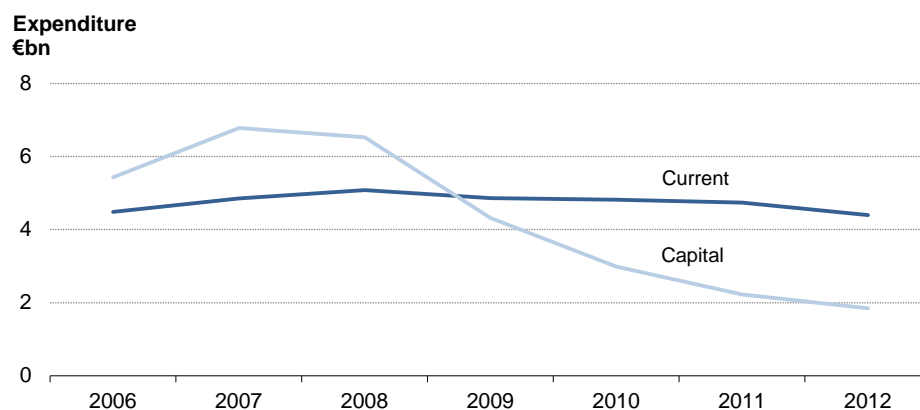


5 Central Government Funding of Local Authorities

- 5.1 Aggregate expenditure by local authorities in 2012 (the last year for which audited information is available) is estimated at €6.3 billion.¹ This comprised around €1.9 billion in capital expenditure, and around €4.4 billion in current expenditure (see Figure 5.1).²

Figure 5.1 Local authority expenditure by type, 2006 – 2012



Source: Department of the Environment, Community and Local Government

- 5.2 Local authority capital spending is spending that results in the creation or acquisition of assets that have a use beyond the year in which they are provided e.g. road construction, building or purchase of houses, creation of local amenities, etc. Local authority capital programmes are financed largely by State grants from a variety of sources, with some funding from borrowings, development levies, own internal resources and property sales.
- 5.3 Current expenditure (sometimes referred to as revenue expenditure) covers the day-to-day running of local authorities, including staff salaries, housing maintenance and pensions. Current expenditure is funded from a variety of sources, including Exchequer and Local Government Fund grants (about 34% of the total in 2012),³ local authority rates (about 33%) and charges for goods and services such as commercial water charges, housing rents and parking charges (about 25%).⁴ The contribution to current expenditure from the different income sources varies between authorities.
- 5.4 As shown in Figure 5.1, capital expenditure by local authorities has been declining year on year since reaching its peak level of €6.8 billion in 2007. Capital expenditure in 2012 was about 17% below the previous year. Local authority current expenditure showed a 7% reduction on the 2011 level.
- 5.5 The objective of this report is to provide an overview of the trends in funds flowing from and through central government sources to local authorities, and of the purposes for which funds have been provided.

1 Includes expenditure by the 29 county councils, five city councils, five borough councils and 75 town councils.

2 Collation of local authority expenditure outturns for 2013 had not been finalised by the Department of the Environment, Community and Local Government at the time of this report.

3 Pension-related deductions from staff salaries retained by the local authorities account for a further 2%, and replace an equivalent amount of grant funding.

4 The remaining funding (6%) derives from contributions and charges between local authorities.

Central Government Transfers

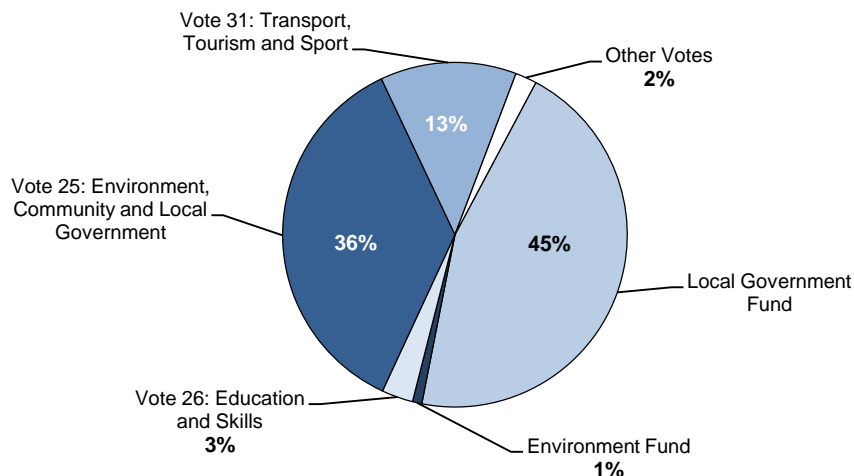
- 5.6** Transfers of funding from central government sources to local authorities in 2013 totalled around €2.4 billion, which represents a decrease of about 17% on 2012.¹ Around 54% of central government funding to local authorities in 2013 originated as Exchequer funding (see Figure 5.2). Some of the Exchequer funding was paid directly to local authorities from voted funds, with the remainder being routed through departmental agencies. The non-Exchequer sourced funding (46% of the total) was provided via the Local Government Fund and the Environment Fund.
- 5.7** The resources in the Local Government Fund are used mainly to provide local authorities with funding for their day-to-day activities and for the upkeep of regional and local roads. In the past, the Local Government Fund has been financed mainly by the proceeds of motor tax. An annual Exchequer contribution was also paid into the Fund from the Vote for the Office of the Minister for the Environment, Community and Local Government (Vote 25). The Exchequer contribution ceased in 2012 and was replaced by the proceeds of the household charge which became payable by owners of residential property from January 2012.² In 2013, just over €23 million (2012 – €114 million) collected in respect of household charge arrears was paid into the Fund.
- 5.8** The household charge was established as an interim measure pending the introduction of a property tax. The new local property tax (LPT) became payable from July 2013 and is administered by the Revenue Commissioners.³ Receipts of €318 million in respect of the LPT in 2013 were paid into the Central Fund of the Exchequer. From 2014, the Minister for Finance will pay into the Local Government Fund an amount equivalent to the LPT proceeds paid into the Central Fund each year.
- 5.9** 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 based on their capacity to protect or enhance the environment.

¹ Includes identified transfers of greater than €1 million. There may be some additional smaller transfers that have not been included.

² The Local Government (Household Charge) Act 2011. The household charge applied to the year 2012 only. The Local Government Management Agency was responsible for collecting the charge on behalf of the local authorities.

³ The Finance (Local Property Tax) Act 2012. A half-year charge applied in 2013, with the tax coming into full effect in 2014. Any arrears (including late payment penalties) in respect of the household charge for individual properties is included as part of the property tax liability. See Chapter 15 for further details of the Local Property Tax.

Figure 5.2 Sources of central government financing for local authorities, 2013

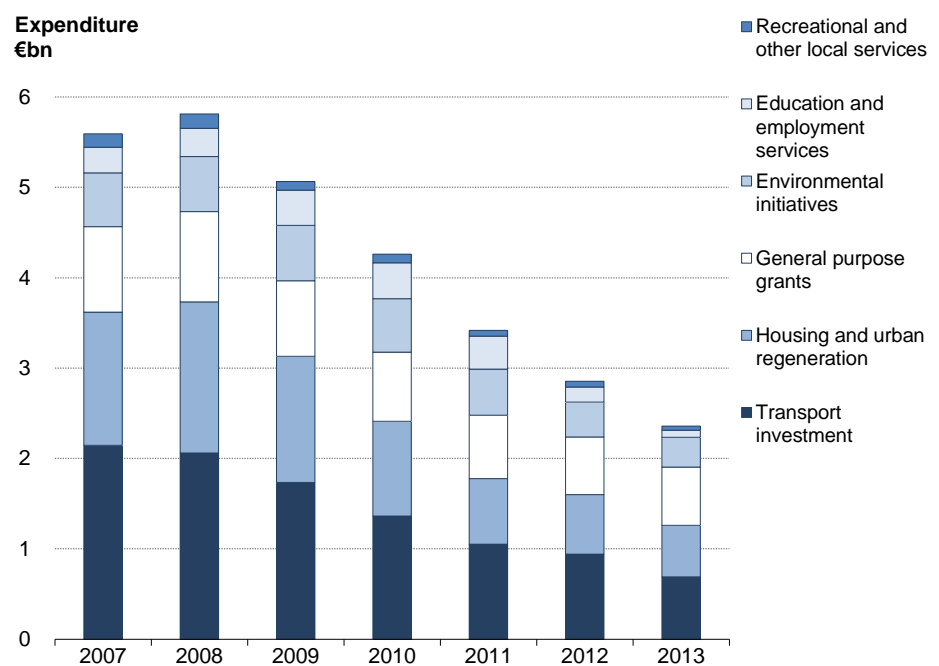


Source: Analysis by the Office of the Comptroller and Auditor General

Application of Funding

- 5.10** Most of the funding sourced from central government and provided to local authorities must be used for specific local authority services. These can be grouped into six broad programme categories. Figure 5.3 presents a breakdown of the transfers to local authorities for 2007 to 2013 showing the programmes being supported (a detailed breakdown is at Annex A).
- 5.11** In 2013, about 80% of the total provision from central government to local authorities was accounted for by three categories. Those were transport initiatives (29%), general purpose grants (27%) and housing and urban regeneration programmes (24%).

Figure 5.3 Central government transfers to local authorities, by expenditure programme, 2007 – 2013



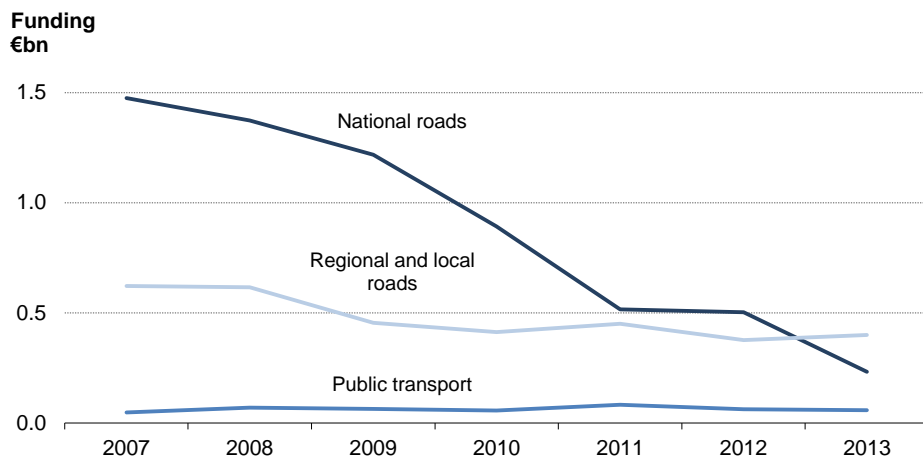
Source: See Annex A

Transport Investment

- 5.12** Improvement and maintenance of national roads is the responsibility of the National Roads Authority, operating under the aegis of the Department of Transport, Tourism and Sport. The National Roads Authority normally uses local authorities as its agents to deliver the projects, and channels expenditure through them.
- 5.13** The Department receives an allocation for the upkeep of regional and local roads from the Local Government Fund. It provides funding to the National Roads Authority which in turn allocates funding to the individual local authorities.
- 5.14** The National Transport Authority, also operating under the aegis of the Department, funds local authorities for improvements in the public transport system. Funding objectives include increased accessibility for older people, improved traffic flows, more routes for cyclists and pedestrians and better access for buses and taxis.

5.15 Figure 5.4 shows the trend in the level of funding from central government sources provided to local authorities in respect of the key transport areas in the period 2007 to 2013.

Figure 5.4 Funding to local authorities for transport infrastructure, 2007 – 2013



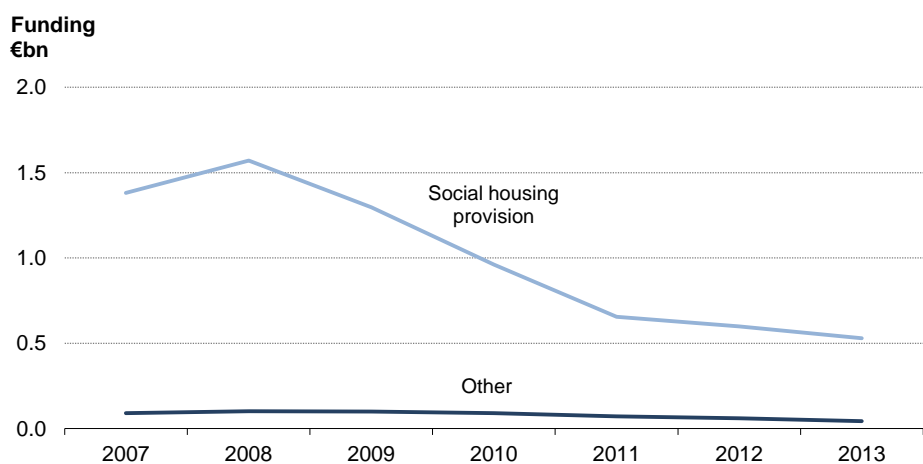
Source: See Annex A

Housing and Urban Regeneration

5.16 The bulk of funding for housing and urban regeneration is provided directly to local authorities by the Department of the Environment, Community and Local Government, from voted funds. The funding is used by local authorities for the provision of housing, regeneration and remedial work, traveller accommodation, voluntary and cooperative housing, the Rental Accommodation Scheme, housing adaptation grants, and accommodation for homeless people.

5.17 Figure 5.5 shows the trend in the level of funding from central government sources provided to local authorities in respect of housing and urban regeneration in the period 2007 to 2013.

Figure 5.5 Funding to local authorities for investment in housing and urban regeneration, 2007 – 2013

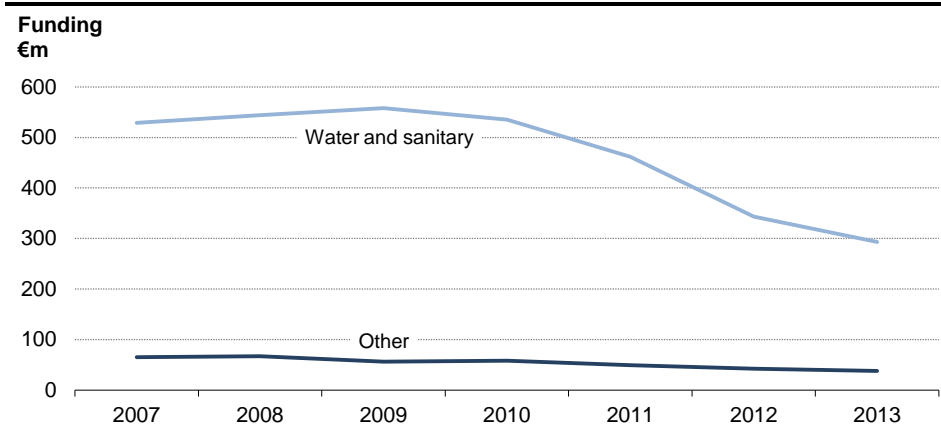


Source: See Annex A

Environmental Initiatives

- 5.18** Almost 90% of the central funding provided to local authorities in support of environmental services in 2013 was directed towards investment in water services, and was primarily funded by the Department of the Environment, Community and Local Government. The remaining funding for environmental initiatives comes from the Office of Public Works (flood relief works), the Local Government Fund and the Environment Fund.
- 5.19** Figure 5.6 shows the trend in the level of funding from central government sources provided to local authorities in respect of environmental initiatives in the period 2007 to 2013.

Figure 5.6 Funding to local authorities for environmental initiatives, 2007 – 2013

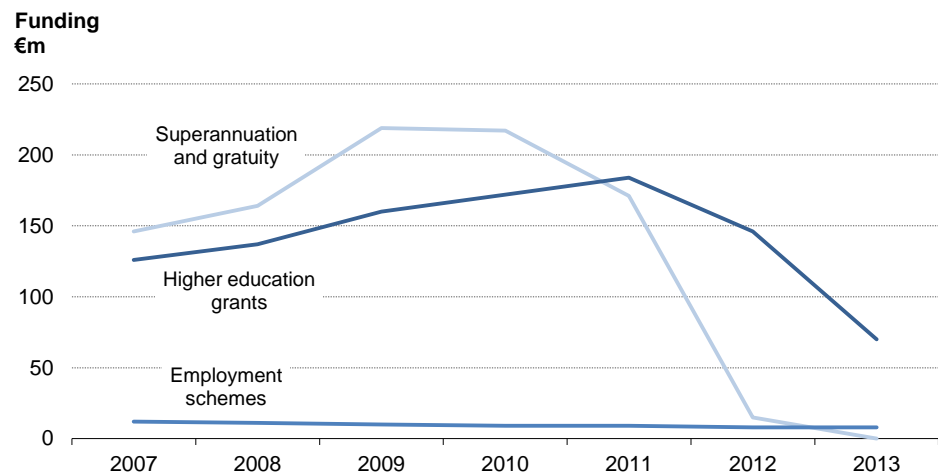


Source: See Annex A

Education and Employment Services

- 5.20** Prior to 2012, higher education grants were awarded by either the relevant vocational education committee (VEC) or local authority. The Department of Education and Skills reimbursed the cost of grants awarded by local authorities. With effect from the academic year 2012/2013, all new students must submit applications for support under the student grants scheme to a national grant awarding authority, called Student Universal Support Ireland. As a result, the amount of funding provided to local authorities for higher education grants has fallen significantly (see Figure 5.7 over). In time, this line of funding to local authorities will disappear.
- 5.21** The Department has also reimbursed local authorities in respect of superannuation benefits and gratuity costs for retired teaching and non-teaching staff of VECs and institutes of technology, who are members of the Vocational Teachers' Superannuation Scheme or the Education Sector Superannuation Scheme respectively. From the end of 2012, responsibility for these superannuation and gratuity payments has transferred from local authorities to the PMG Pensions Section in the Department of Finance.
- 5.22** The figures presented for employment services relate to the reimbursement of incurred expenditure paid by the Department of Social Protection to local authorities for the running of community employment and jobs initiative projects.

Figure 5.7 Funding to local authorities for education and employment services, 2007 – 2013

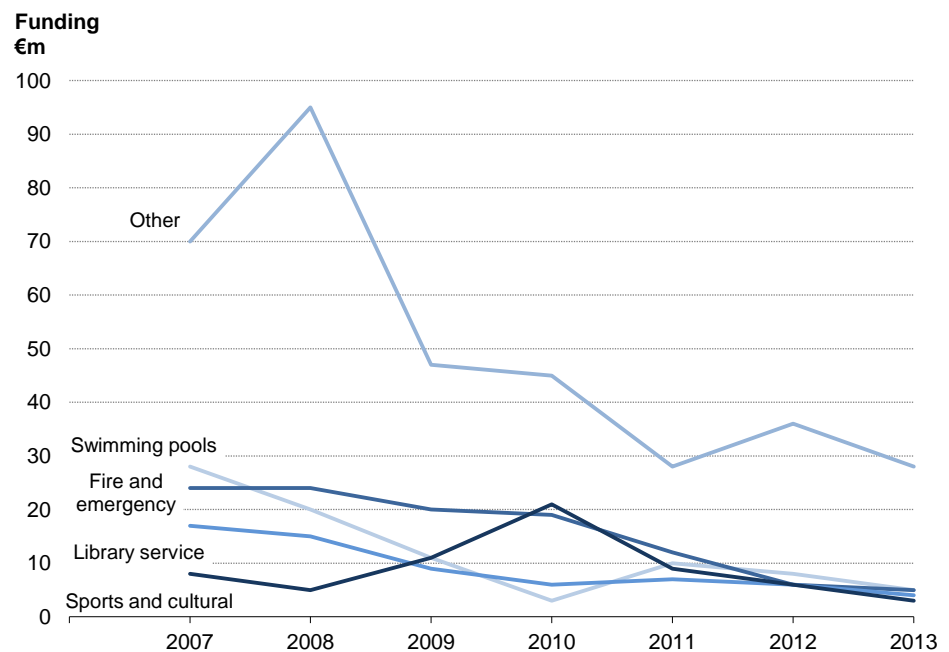


Source: See Annex A

Recreation and Other Local Services

- 5.23** This comprises central government funding for local authority services such as swimming pool construction and maintenance, fire and emergency services, library and archive services, as well as other public amenity and cultural projects.
- 5.24** Figure 5.8 shows the trend in the level of funding from central government sources provided to local authorities in respect of recreation and other local services in the period 2007 to 2013.

Figure 5.8 Funding to local authorities for recreation and other local services, 2007 – 2013

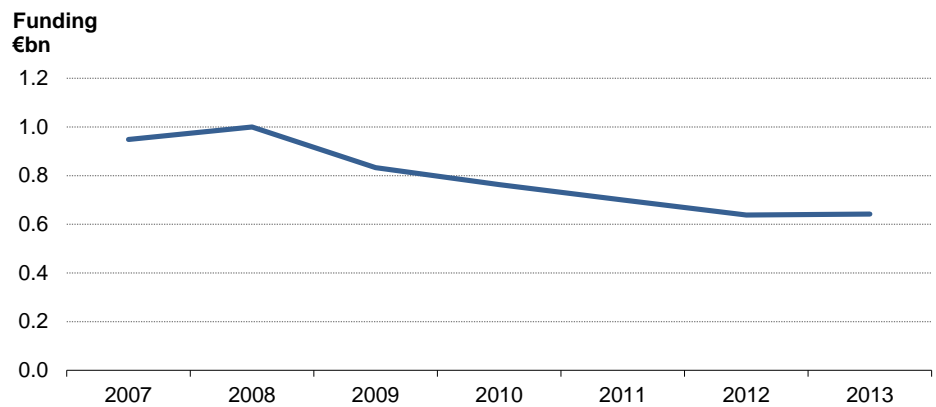


Source: See Annex A

General Purpose Grants

- 5.25** Through the Local Government Fund, the Department of the Environment, Community and Local Government provides funding to local authorities to assist them bridge the gap between their other income sources and the cost of the services they provide, including the local authorities' own administration costs.
- 5.26** Figure 5.9 shows the trend in the level of funding from central government sources provided to local authorities in respect of general purposes grants in the period 2007 to 2013.

Figure 5.9 Total general purpose grants to local authorities, 2007 – 2013



Source: See Annex A

Conclusions

- 5.27** Central government funding to local authorities presents a complicated picture, with transfers coming from a wide range of departments and offices for a variety of purposes. Some streams of funding are delivered directly from funding departments to local authorities, while others are routed through departmental agencies.
- 5.28** Transfers of funding from central government sources to local authorities in 2013 totalled around €2.4 billion. This compares with transfers to local authorities totalling €5.8 billion in 2008. In some cases, the fall in transfers has occurred as a result of the removal of responsibilities from local authorities.

Annex A Central government transfers to local authorities, by expenditure programme, 2007 – 2013

Expenditure Category	2007	2008	2009	2010	2011	2012	2013
	€m	€m	€m	€m	€m	€m	€m
Transport investment							
National roads improvement	1,476	1,374	1,218	893	516	503	232
Regional and local roads improvement	622	616	455	412	451	376	399
Public transport (capital payments)	48	70	63	56	83	62	57
	2,146	2,060	1,736	1,361	1,050	941	688
Housing and urban regeneration							
Social housing provision	1,382	1,571	1,297	961	655	598	529
Affordable housing, etc.	64	89	94	84	68	58	43
Other housing supports	6	7	4	6	4	3	1
Urban regeneration	20	5	1	–	–	–	–
	1,472	1,672	1,396	1,051	727	659	573
Environmental initiatives							
Water and sanitary services	529	544	558	535	462	343	293
Flood relief works	14	3	5	17	8	22	10
Waste management	28	27	8	11	11	5	9
Recycling	12	22	14	14	12	4	8
Other environmental measures	11	15	29	16	18	11	11
	594	611	614	593	511	385	331
Education and employment services							
Higher education grants	126	137	160	172	184	146	70
Superannuation and gratuity costs	146	164	219	217	171	15	-
Employment schemes	12	11	10	9	9	8	8
	284	312	389	398	364	169	78
Recreation and other local services							
Swimming pools	28	20	11	3	10	8	5
Fire and emergency services	24	24	20	19	12	6	5
Library service	17	15	9	6	7	6	4
Sports grants, playgrounds and cultural projects	8	5	11	21	9	6	3
Heritage services (architectural heritage)	7	8	6	5	1	1	1
Disability services	15	15	12	7	–	–	–
Miscellaneous capital services	24	40	14	18	11	16	11
Miscellaneous services	24	32	15	15	16	19	16
	147	159	98	94	66	62	45
General purpose grants	948	999	833	763	700	638	642
Total funding provided to local authorities	5,591	5,813	5,066	4,260	3,418	2,854	2,357

Source: The Office of Public Works; Department of the Environment, Community and Local Government; Department of Education and Skills; Department of Transport, Tourism and Sport; Department of Arts, Heritage and the Gaeltacht; Department of Health; Department of Children and Youth Affairs; Department of Justice and Equality; Department of Agriculture, Food and the Marine; Department of Social Protection; Department of Defence; Health Service Executive; Local Government Fund and Environment Fund financial statements (2013 unaudited).