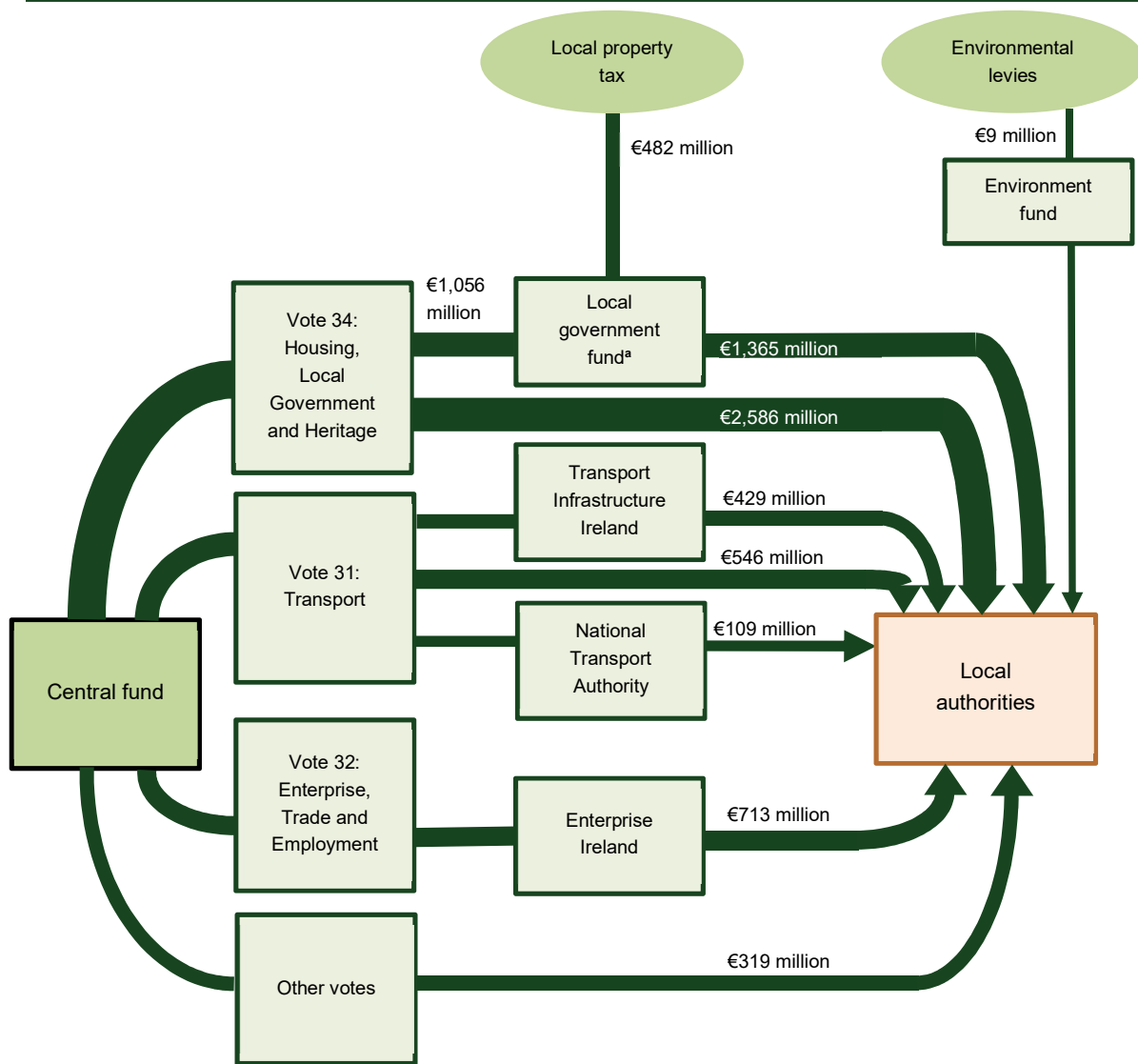


### 3 Central government funding of local authorities

3.1 Local authorities receive a substantial part of their annual funding from a range of central government departments and agencies (see Figure 3.1). The primary objective of this report is to provide an overview of the funds flowing from and through central government sources to local authorities, and of the purposes for which funds have been provided.

Figure 3.1 Flow of central government funding to local authorities in 2020



Source: Office of the Comptroller and Auditor General

Note: a The flow of funding to and from the Local Government Fund may not be equal in a given year, resulting in changes in Local Government Fund balances at year-end.

### Central government transfers

**3.2** In 2020, funding from central government to local authorities totalled €6.08 billion — an increase of 46% on the €4.17 billion in 2019.<sup>1</sup> The increase of €1.91 billion was primarily due to funding for Covid-19 related costs (€1.42 billion), with other significant increases relating to housing and regeneration (€0.21 billion) and roads (€0.23 billion).

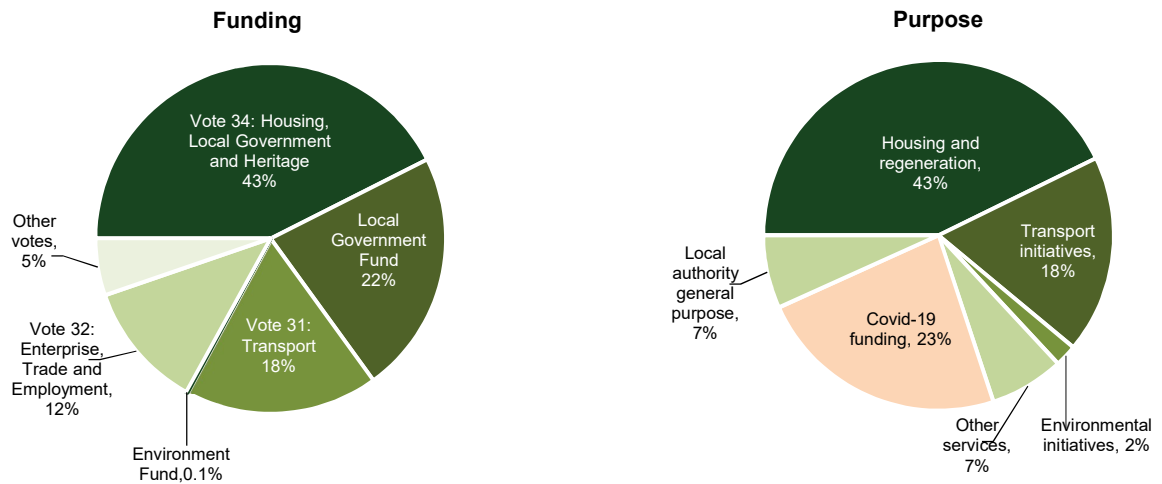
**3.3** Local property tax (LPT) is collected by the Revenue Commissioners who pay the receipts directly to the Local Government Fund. The Department of Housing, Local Government and Heritage (the Department) manages the Fund, and allocates LPT funding to individual local authorities using a complex funding formula. Annex 3A summarises the allocation of LPT funding issued in 2020.

### Application of central government funding

**3.4** Funding sourced from central government and provided to local authorities can be grouped into six broad programme categories (see Figure 3.2) — a detailed breakdown of funding provided is set out in Annex 3B.

<sup>1</sup> Includes all identified transfers of greater than €1 million. There may be some additional small transfers that have not been identified.

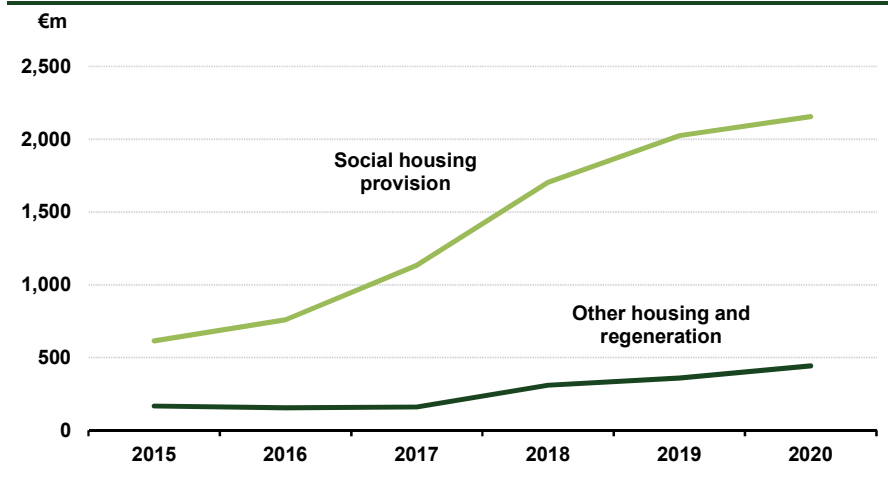
**Figure 3.2 Central government funding for local authorities, by source and purpose, 2020**



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

## Housing and regeneration

**Figure 3.3 Central government funding to local authorities for investment in housing and regeneration, 2015 to 2020**



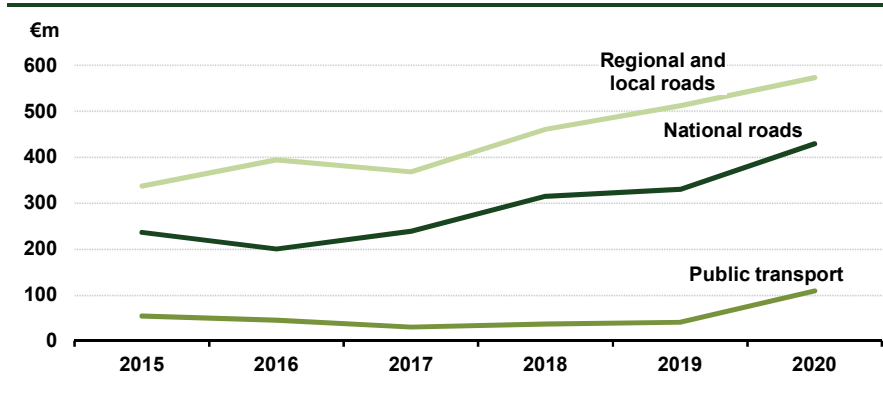
Source: Annex 3B

**3.5** The Department provides the bulk of the funding for local authority expenditure on housing and regeneration — an estimated 97% in 2020. The funding is used by the local authorities for

- the provision of social housing stock (managed by local authorities or approved housing bodies) and a range of other housing supports including the housing assistance payment (HAP), rental accommodation scheme (RAS) and accommodation for homeless people
- improvement of existing local authority housing units and adaptation grants for older people and people with a disability.

## Transport investment

**Figure 3.4 Central government funding to local authorities for transport infrastructure, 2015 to 2020**



Source: Annex 3B

**Figure 3.5 Transport investment, by organisation and role**

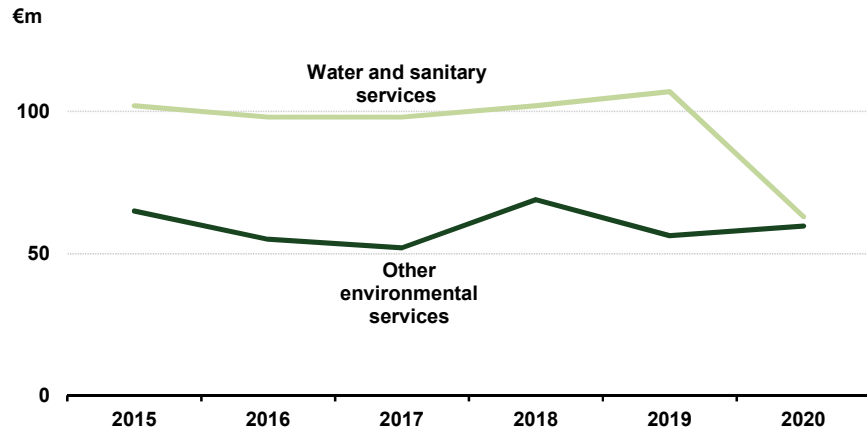
Organisation	Amount of funding €million	Role
<b>Department of Transport</b>	546	<ul style="list-style-type: none"> <li>directly funding local authorities for the upkeep of regional and local roads</li> </ul>
<b>Transport Infrastructure Ireland<sup>a</sup></b>	429	<ul style="list-style-type: none"> <li>improvement and maintenance of national roads</li> <li>uses local authorities as its agents to deliver national roads projects, and channels expenditure through them</li> </ul>
<b>National Transport Authority<sup>a</sup></b>	109	<ul style="list-style-type: none"> <li>funds local authorities for improvements in the public transport system</li> <li>objectives include increased accessibility to public transport for older people, improved traffic flows, more routes for cyclists and pedestrians and better access for buses and taxis</li> </ul>
<b>Department of Rural and Community Development</b>	11	<ul style="list-style-type: none"> <li>provides funding to carry out improvement works on non-public roads in rural areas and roads on offshore islands</li> </ul>

Source: Department of Transport and Department of Rural and Community Development.

Note: a Transport Infrastructure Ireland and the National Transport Authority operate under the aegis of the Department of Transport and Department of Rural and Community Development.

## Environmental initiatives

**Figure 3.6 Central government funding to local authorities for environmental initiatives, 2015 to 2020**



Source: Annex 3B

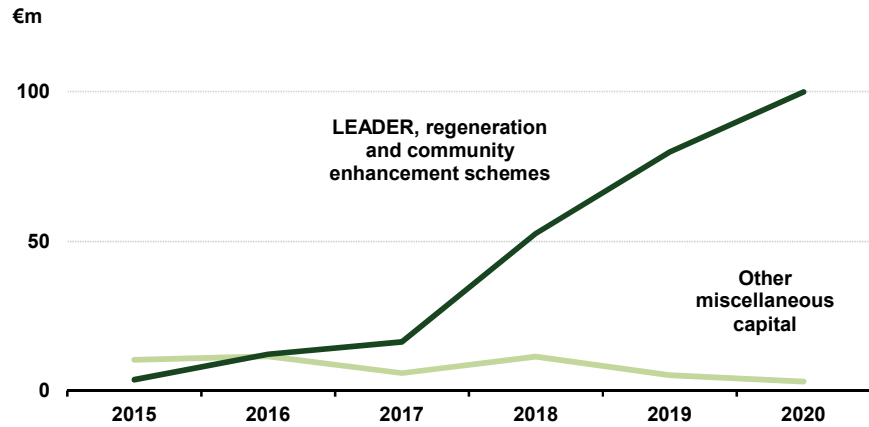
### 3.6 Funding for environmental initiatives in 2020 includes

- funding of €31 million for flood relief works provided by the Office of Public Works to 29 local authorities
- funding of €26 million for waste management programmes including €12 million provided in relation to landfill remediation.

**3.7** The significant drop in water and sanitary services funding in 2020 relates to funding from the Local Government Fund, which was €47 million in 2019 but nil in 2020. This line of funding was provided from 2014 to 2019 in lieu of commercial rates imposed by local authorities in respect of Irish Water facilities located in their areas. The compensation payments from the Local Government Fund ceased from January 2020 when Irish Water become rateable.

## Miscellaneous capital programmes

**Figure 3.7 Central government funding to local authorities for miscellaneous capital programmes, 2015 to 2020**



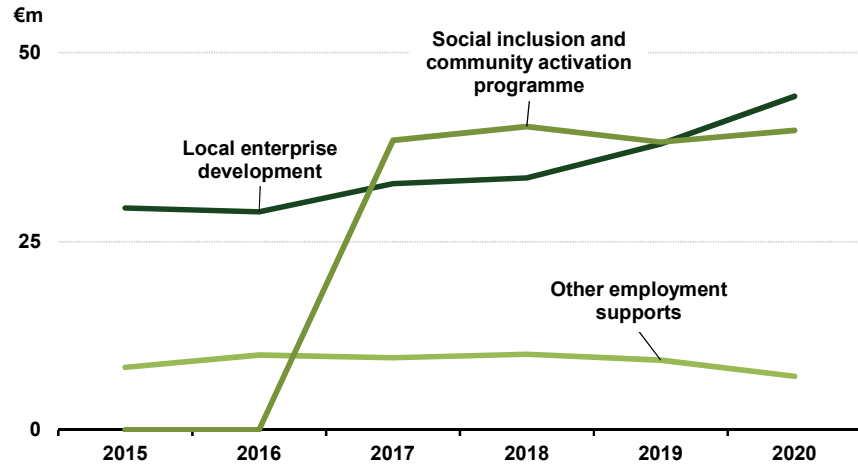
Source: Annex 3B

**3.8** Funding for miscellaneous capital programmes undertaken by local authorities is provided by central government — funding increased from €14 million in 2015 to €103 million in 2020. Funding in 2020 was all provided by the Department of Rural and Community Development and included

- €38 million for the LEADER programme
- €30 million for rural regeneration
- €20 million for town and village regeneration.

## Employment schemes

**Figure 3.8 Central government funding to local authorities for employment schemes, 2015 to 2020**



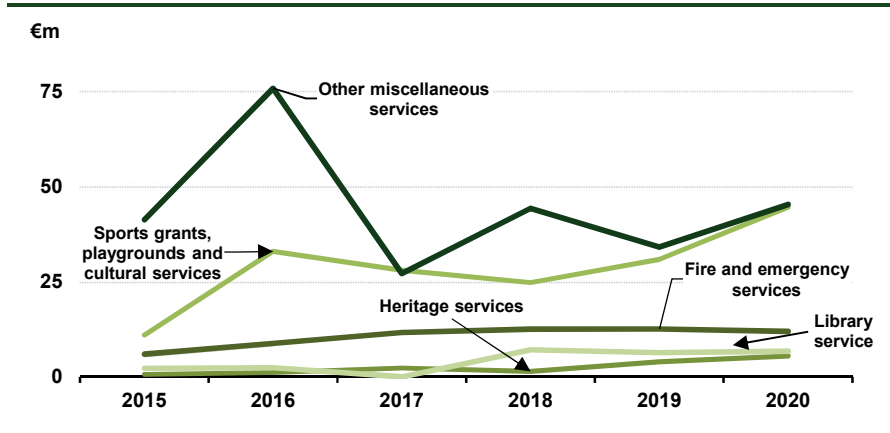
Source: Annex 3B

### 3.9 Funding for employment schemes in 2020 includes

- funding of €44 million (€38 million in 2019) provided by the Department of Enterprise, Trade and Employment, through Enterprise Ireland, for the local enterprise development programme delivered through local enterprise offices (LEOs) — €11 million was provided for staff and administration costs of the LEOs and €33 million was provided for grant aid, training and mentoring, and Brexit-related supports
- funding of €40 million (€38 million in 2019) provided by the Department of Rural and Community Development for the Social Inclusion and Community Activation Programme (SICAP), which is managed by Pobal and co-funded by the European Social Fund — this aims to support disadvantaged individuals with lifelong learning and labour market supports, and to address social equality and exclusion issues.

## Other services

**Figure 3.9 Central government funding to local authorities for other services, 2015 to 2020**



Source: Annex 3B

**3.10** Central government bodies also fund local authorities to assist in providing a range of services. Figure 3.9 shows the trend in the level of funding in respect of such services, including funding in 2020 of

- €45 million for sports grants, playgrounds and cultural services which included €29 million from the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media and €14 million from the Department of Rural and Community Development
- €12 million from the Department of Housing, Local Government and Heritage for fire and emergency services
- €7 million from the Department of Rural and Community Development for library services
- €5 million from the Department of Housing, Local Government and Heritage for heritage services
- €48 million from various central government departments for a range of other services, including €7 million from the Department of Health for local authority veterinary services and €5 million from the Department of Defence for civil defence activities.



## Special funding to mitigate the impact of Covid-19

- 3.11** In 2020, central government provided additional funding of €1.42 billion to local authorities to mitigate the impact of Covid-19. This included
- €730 million related to a waiver of commercial rates by local authorities
  - €687 million in funding for micro and small businesses for schemes administered by local authorities — €633 million related to the restart scheme for micro and small businesses and the balance (€53 million) related to the Covid-19 trading online voucher scheme and business continuity voucher scheme.

### *Commercial rates waiver*

- 3.12** For 2020, local authorities had budgeted aggregate income of €1.67 billion from rates of commercial businesses. An initial three-month waiver of rates for businesses impacted by Covid-19 was announced in May 2020. This recognised that many ratepayers were forced to close their businesses due to the public health requirements and that many that remained open had suffered significant reductions in turnover. The rates waiver was extended a number of times, ultimately covering a nine month period from 27 March 2020. A more targeted commercial rates waiver is in place for 2021 which, at the time of reporting, is expected to end in September 2021.
- 3.13** There was automatic eligibility to the waiver for businesses in specified sectors such as non-essential retail, hospitality, leisure and entertainment, personal services such as hairdressers and barbers, health services and a number of other categories. Businesses in the banking sector, commercial and industrial property sector (where the annual rates bill exceeded €100,000 in 2020), utilities, and large supermarkets were excluded from the scope of the waiver.
- 3.14** The Department requested each local authority to submit an analysis of the number of ratepayers and the value of rates on around 300 property categories. This information was used by the Department to calculate the estimated overall cost of the rates waiver and to profile the expected rates waiver in respect of each local authority. Funding of €730 million was provided to local authorities in 2020 — a breakdown by local authority is included at Annex 3C.<sup>1</sup> The rules and conditions applying to the rates waiver were set out in Departmental circulars and both the head of finance and chief executive of each local authority certified a return to the Department, setting out the total amount of rates waived.

### *Restart grant scheme — €633 million*

- 3.15** A restart grant scheme was also administered by local authorities with funding coming from Enterprise Ireland, funded from the Vote for Enterprise, Trade and Employment.<sup>2</sup>

### *Covid-19 trading online and business continuity voucher schemes and client stimulus fund — €53 million*

- 3.16** The Covid-19 trading online voucher scheme was administered through local enterprise offices in the local authorities. The Department of the Environment, Climate and Communications provided €18.2 million and the Department of Enterprise, Trade and Employment provided €4.8 million via Enterprise Ireland. The financial assistance to small businesses was up to €2,500 each, with co-funding of at least 10% from the business.<sup>3</sup>

<sup>1</sup> A further €1.9 million was paid to local authorities in February and March 2021, in relation to rates waived in 2020. Local authorities refunded €2.8 million to the Local Government Fund in 2021, in relation to properties where the 2020 rates waivers should not have been applied.

<sup>2</sup> Chapter 6 reports on the operation of controls for the restart grant scheme.

<sup>3</sup> Co-funding of 10% was required for claims arising in the period April to December 2020. The co-funding requirement for online vouchers from January 2021 is 50%.

- 3.17** Businesses were eligible for the trading voucher scheme if they had limited or no online presence, ten or fewer employees, turnover of less than €2 million, and were trading for at least six months. Eligible expenditure included IT consultation, implementing online payment systems and the purchase of relevant software.
- 3.18** The Department of Enterprise, Trade and Employment funded the business continuity voucher scheme (€21.9 million in 2020). The scheme offered businesses with up to 50 employees, across all sectors, a voucher of up to €2,500 towards third party consultancy costs to assist in developing short-term and long-term strategies to respond to the impact of Covid-19 related restrictions and to prepare their businesses for the eventual reopening of the economy.
- 3.19** An additional €8.4 million was provided by the Department of Enterprise, Trade and Employment for a client stimulus fund for the purpose of sustaining existing clients of local enterprise offices involved in the manufacturing and internationally traded services sectors, through the provision of a cash stimulus, to help support operational costs, with up to €20,000 available to eligible businesses.

*Additional supports from the Department — €131 million*

- 3.20** Apart from losses of income due to rates waivers, the Department recognised that local authorities would incur losses of other income streams and would incur additional costs due to Covid-19 impacts.
- 3.21** Analysis by the local government sector projected that
- the ‘goods and services’ income of local authorities would fall by approximately €71 million in 2020 due to the loss of income related to parking fines and charges, casual trading licences, and leisure and tourism activities
  - additional general administration costs of €65 million would arise for local authorities due to Covid-19 including redeployment costs, the cost of adapting to remote working, personal protection equipment, and additional cleaning costs.<sup>1</sup>
- 3.22** Local authorities reported the income lost and additional costs they estimated they had or would incur to the Department by extracts from their financial systems — the data reported was certified by the head of finance of each local authority. The Department conducted a verification of estimated income losses reported by ten randomly selected local authorities and a verification of additional costs reported for all local authorities. No material changes were made on foot of the verification processes.
- 3.23** Funding of €131 million in respect of the 2020 Covid-19 impacts was paid from the Local Government Fund to local authorities in March 2021 — a breakdown is provided at Annex 3D.

<sup>1</sup> The projection was based on actual costs incurred for the period January to October 2020 and estimated costs for November and December 2020.

### Annex 3A Allocation of Local Property Tax receipts

LPT allocations, and the purpose that such receipts can be applied to, are calculated by reference to the base funding requirement of each local authority. In 2020, the base funding requirement for all local authorities was €353 million.<sup>1</sup>

The starting point is that 80% of the projected LPT yield is locally retained in the authority where the tax is raised and 20% is made available for redistribution as equalisation funding.<sup>2</sup> The 80% retained allocation is compared to the base funding requirement for each local authority and, where lower than the base funding requirement, additional equalisation funding is allocated to that authority. Where the 80% allocation is higher than the base funding requirement, no additional funding is allocated.

A final adjustment to the allocation is made in relation to any changes to the tax rate applied by individual local authorities. In 2020, four local authorities reduced their LPT rates and as a result, their LPT allocations were reduced by €28 million. Nineteen authorities (five in 2019) decided to increase their 2020 LPT rates above the basic rate and as a result received additional allocations of €20 million (up from €3 million in 2019).

In 2020, for the eleven authorities in a surplus funding position (relative to the base), €135 million was available for the local authorities' own use. This takes account of a net reduction of €22 million due to a combination of local variation decreases implemented by four local authorities and increases by four authorities. A further €107 million was allocated to self-fund housing and road services.<sup>3</sup>

For the 20 local authorities requiring equalisation, €275 million was available for the local authorities' own use, which included an additional €13 million arising from local variation decisions implemented by fifteen of those local authorities.

1 The base funding requirement is linked, for the most part, to the level of funding previously allocated in 2014 to each local authority from the Local Government Fund as general purpose grants (€282 million in 2014) and to the level of pension related deductions retained by local authorities (€74 million in 2014). Effectively, the LPT allocation now replaces both of these previous sources of funding.

2 The estimated LPT yield for each local authority is calculated using the Revenue Commissioners' data on net declared liabilities in the prior year.

3 Where an authority is in a surplus position, the surplus is distributed between discretionary 'own use' purposes, and directed contributions towards the authority's spending on housing and roads. In 2020, the proportion of the overall allocation to fund housing was €90.5 million (85%) and to fund roads was €16.2 million (15%). The Department notifies each local authority of the allocation of the surplus.

**Figure 3A.1 Allocation of LPT to local authorities for 2020<sup>a</sup>**

			2020	2019
	80% retention > base	80% retention < base	All	All
<b>Number of local authorities</b>	<b>11</b>	<b>20</b>	<b>31</b>	<b>31</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>
Total LPT receipts	329	159	488	486
Local retention (80%)	263	127	390	389
Equalisation funding				
- LPT redistribution (20%)	—	98	98	97
- Exchequer contribution	—	37	37	41
<b>Pre-variation LPT allocations</b>	<b>263</b>	<b>262</b>	<b>526</b>	<b>528</b>
Adjustment for local variations in tax rate	(22)	13	(9)	(25)
<b>Post-variation LPT allocations</b>	<b>241</b>	<b>275</b>	<b>517</b>	<b>503</b>
<b>Of which</b>				
- for authority's own general use	135	275	410	394
- self-funding of housing/roads services	107	—	107	109

Source: Department of Housing, Local Government and Heritage

Note: a Some figures may not tot due to rounding.

## **Annex 3B**

The trends in funding to local authorities in the period 2015 to 2020 is shown in Figure 3B.1. Adjustments have been made to some previously reported amounts to reflect amounts not previously included and reclassifications. Some figures may not tot due to rounding.

### ***Sources of funding***

The source of funding reported in Figure 3B.1 below is

- The Office of Public Works
- Department of Housing, Local Government and Heritage
- Department of Transport
- Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media
- Department of Health
- Department of Justice
- Department of Agriculture, Food and the Marine
- Department of Social Protection
- Department of Children, Equality, Disability, Integration and Youth
- Department of the Environment, Climate and Communications
- Department of Defence
- Department of Enterprise, Trade and Employment
- Department of Rural and Community Development
- Local Government Fund (2020 unaudited)
- Environment Fund financial statements (2020 unaudited).

**Figure 3B.1 Central government transfers to local authorities, by expenditure programme, 2015 to 2020**

<b>Expenditure category</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>
<b>Housing and regeneration</b>						
Social housing provision	614	759	1,133	1,704	2,024	2,156
Affordable housing, etc.	3	2	3	—	—	—
Infrastructure funding	—	—	—	7	22	32
Other housing supports	114	92	79	215	258	340
Regeneration	50	60	78	86	79	67
	<b>781</b>	<b>913</b>	<b>1,293</b>	<b>2,012</b>	<b>2,383</b>	<b>2,595</b>
<b>Transport investment</b>						
National roads improvement	236	200	239	315	330	429
Regional and local roads improvement	337	394	368	461	512	573
Public transport (capital payments)	54	45	30	36	40	109
	<b>627</b>	<b>639</b>	<b>637</b>	<b>812</b>	<b>882</b>	<b>1,111</b>
<b>Environmental initiatives</b>						
Water and sanitary services	102	98	98	102	107	63
Flood relief works	44	34	28	31	28	31
Waste management	3	18	17	25	23	26
Other environmental measures	18	3	7	13	6	3
	<b>167</b>	<b>153</b>	<b>150</b>	<b>171</b>	<b>164</b>	<b>123</b>
<b>Miscellaneous capital programmes</b>	<b>14</b>	<b>24</b>	<b>22</b>	<b>64</b>	<b>85</b>	<b>103</b>
<b>Employment schemes</b>	<b>37</b>	<b>38</b>	<b>81</b>	<b>84</b>	<b>86</b>	<b>91</b>
<b>Other services</b>						
Swimming pools	1	4	6	1	—	—
Fire and emergency services	6	9	12	13	13	12
Library service	2	2	7	7	6	7
Sports grants, playgrounds and cultural projects	9	28	13	22	30	45
Heritage services (architectural heritage)	1	1	2	1	4	5
Miscellaneous services	41	76	27	44	34	48
	<b>60</b>	<b>120</b>	<b>67</b>	<b>88</b>	<b>87</b>	<b>117</b>
<b>Covid-19 supports</b>						
Covid-19 related funding for waived rates	—	—	—	—	—	730
Covid-19 related funding for businesses	—	—	—	—	—	687
	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,417</b>
LPT allocations — general purpose/discretionary	306	310	393	395	394	410
Remuneration-related payments paid from the Local Government Fund	—	25	20	60	86	109
<b>Total funding provided to local authorities</b>	<b>1,993</b>	<b>2,223</b>	<b>2,662</b>	<b>3,686</b>	<b>4,167</b>	<b>6,076</b>

Source: Annex 3B

### Annex 3C Funding of the commercial rates waiver, by local authority, 2020

Local authority	Payments	Number of rate accounts waived	Average value of rates waived
	€		€
Carlow County Council	7,666,442	1,945	3,942
Cavan County Council	5,923,215	1,661	3,566
Clare County Council	13,569,087	3,321	4,086
Cork City Council	54,255,518	8,166	6,644
Cork County Council	34,661,632	9,094	3,811
Donegal County Council	14,987,401	4,155	3,607
Dublin City Council	160,435,140	18,775	8,545
Dun Laoire/Rathdown County Council	44,490,505	4,914	9,054
Fingal County Council	80,951,299	5,894	13,735
Galway City Council	20,722,672	3,478	5,958
Galway County Council	10,491,034	3,508	2,991
Kerry County Council	18,469,939	4,231	4,365
Kildare County Council	22,159,259	4,001	5,538
Kilkenny County Council	8,633,724	2,268	3,807
Laois County Council	5,987,788	1,394	4,295
Leitrim County Council	2,176,750	591	3,683
Limerick City and County Council	25,016,190	4,518	5,537
Longford County Council	3,996,936	945	4,230
Louth County Council	19,385,802	3,237	5,989
Mayo County Council	13,090,158	3,330	3,931
Meath County Council	18,629,990	3,562	5,230
Monaghan County Council	6,061,545	1,934	3,134
Offaly County Council	4,426,109	1,674	2,644
Roscommon County Council	4,014,759	1,421	2,825
Sligo County Council	5,469,375	1,503	3,639
South Dublin County Council	59,115,862	6,740	8,771
Tipperary County Council	12,746,687	2,547	5,005
Waterford City and County Council	14,837,558	3,563	4,164
Westmeath County Council	8,221,948	2,007	4,097
Wexford County Council	15,994,934	3,434	4,658
Wicklow County Council	13,326,036	3,520	3,786
<b>Total</b>	<b>729,915,293</b>	<b>121,331</b>	

Source: Department of Housing, Local Government and Heritage

### Annex 3D Funding to local authorities for income lost and additional costs incurred in 2020 due to Covid-19, by local authority, paid in March 2021

Local authority	Loss of income €	Additional costs €	Total €
Carlow County Council	225,000	1,100,027	1,325,027
Cavan County Council	626,855	519,415	1,146,270
Clare County Council	4,454,328	1,923,809	6,378,137
Cork City Council	5,428,750	2,460,397	7,889,147
Cork County Council	2,249,646	4,507,437	6,757,083
Donegal County Council	1,070,596	2,478,940	3,549,536
Dublin City Council	23,611,216	10,466,751	34,077,967
Dun Laoghaire/Rathdown County Council	4,407,077	2,149,100	6,556,177
Fingal County Council	952,850	3,715,031	4,667,881
Galway City Council	3,921,080	368,575	4,289,655
Galway County Council	1,013,526	1,464,153	2,477,679
Kerry County Council	2,019,391	3,332,950	5,352,341
Kildare County Council	1,128,486	2,118,679	3,247,165
Kilkenny County Council	1,105,648	1,184,699	2,290,347
Laois County Council	493,654	517,754	1,011,408
Leitrim County Council	191,892	739,227	931,119
Limerick City and County Council	1,549,447	2,103,102	3,652,549
Longford County Council	1,088,035	629,570	1,717,605
Louth County Council	1,392,527	1,239,881	2,632,408
Mayo County Council	2,368,648	1,752,543	4,121,191
Meath County Council	622,949	1,142,256	1,765,205
Monaghan County Council	333,232	825,566	1,158,798
Offaly County Council	626,673	673,839	1,300,512
Roscommon County Council	80,924	725,177	806,101
Sligo County Council	1,117,660	1,287,909	2,405,569
South Dublin County Council	437,637	1,571,188	2,008,825
Tipperary County Council	2,320,354	2,425,503	4,745,857
Waterford City and County Council	1,516,957	1,684,874	3,201,831
Westmeath County Council	1,636,699	1,233,568	2,870,267
Wexford County Council	1,660,585	2,523,326	4,183,911
Wicklow County Council	1,443,769	1,347,967	2,791,736
<b>Total</b>	<b>71,096,091</b>	<b>60,213,213</b>	<b>131,309,304</b>

Source: Department of Housing, Local Government and Heritage

