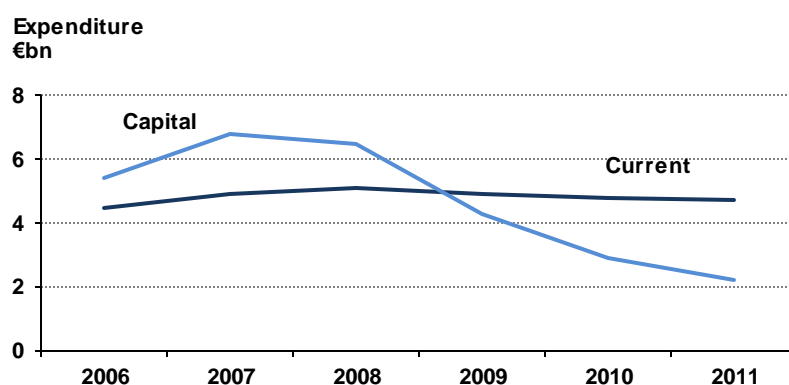


10 Central Government Funding of Local Authorities

- 10.1** Aggregate expenditure by local authorities in 2011 (the last year for which information is available) is estimated at €6.9 billion.¹ This comprised around €2.2 billion in capital expenditure, and around €4.7 billion in current expenditure (see Figure 10.1).²

Figure 10.1 Local authority expenditure by type, 2006 to 2011



Source: Department of the Environment, Community and Local Government

- 10.2** Local authority capital spending 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, 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.
- 10.3** Current expenditure (sometimes referred to as revenue expenditure) covers the day-to-day running of local authorities, including staff salaries, housing maintenance, pensions, operational costs of water treatment plants, etc. Current expenditure is funded from a variety of sources, including Exchequer and Local Government Fund grants (about 38% of the total in 2011), local authority rates (about 29%) and charges for goods and services such as commercial water charges, housing rents, parking charges, etc. (about 25%).³ The contribution to current expenditure from the different income sources varies between authorities.
- 10.4** As shown in Figure 10.1, annual capital expenditure by local authorities has declined by 68% since peaking at €6.8 billion in 2007. Local authority current expenditure has reduced by 8% from the peak figure of €5.1 billion in 2008.
- 10.5** The 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.

¹ Includes expenditure by the 29 county councils, 5 city councils, 5 borough councils and 75 town councils.

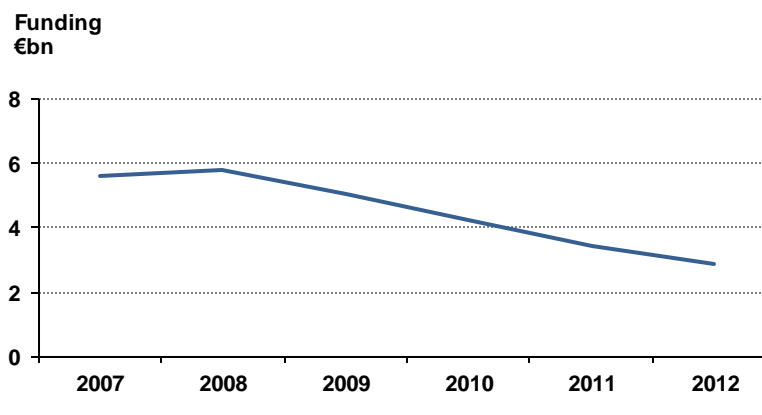
² Collation of local authority expenditure outturns for 2012 had not been finalised by the Department of the Environment, Community and Local Government at the time of this report.

³ The remaining funding sources are contributions from other local authorities (4%), the county charge (2%) and the pension related deduction (2%).

Central Government Transfers

- 10.6** Transfers of funding from central government sources to local authorities in 2012 totalled around €2.9 billion. This is just under half the equivalent figure for 2008.¹ Figure 10.2 shows the trend over the period 2007 to 2012.

Figure 10.2 Central government financing for local authorities, 2007 to 2012



Source: Annex A

- 10.7** Around 62% of central government funding to local authorities in 2012 originated as Exchequer funding (see Figure 10.3). 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 (38% of the total) was provided via the Local Government Fund and the Environment Fund.

- 10.8** 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.² The Fund is financed mainly by the proceeds of motor tax. Prior to 2012, an annual Exchequer contribution was paid into the Fund from the Vote for the Office of the Minister for the Environment, Community and Local Government (Vote 25). The level of Exchequer contribution averaged around €500 million annually between 2007 and 2009, before falling back to €241 million in 2010 and €175 million in 2011.

- 10.9** The Exchequer contribution to the Local Government Fund ceased in 2012 and was replaced by the proceeds of the household charge which became payable by owners of residential property from January 2012.³ In 2012, almost €114 million collected in respect of the household charge was paid into the Fund. By the end of June 2013, just over €137 million had been collected in respect of the household charge. The household charge was established as an interim measure pending the introduction of a property tax. The new property tax became payable from July 2013 and is administered by the Revenue Commissioners.⁴ Receipts from the property tax collected in 2013 are paid directly to the Exchequer. From 2014, the Minister for Finance will pay into the Local Government Fund an amount equivalent to the property tax paid into the Central Fund during the year.

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

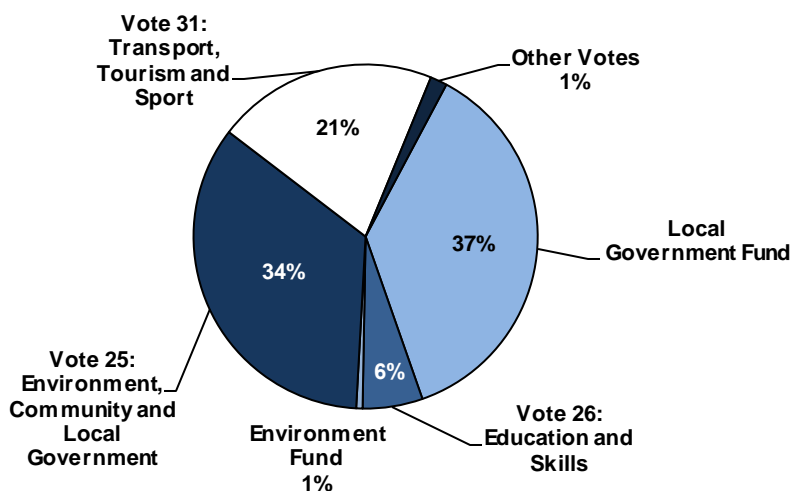
² A small amount of the fund is used to support certain other local government-related initiatives.

³ The Local Government (Household Charge) Act 2011. The Local Government Management Agency is responsible for collecting the charge on behalf of the sector.

⁴ The Finance (Local Property Tax) Act 2012. The property tax is an annual self-assessed tax which is charged on the market value of all residential properties in the State. A half-year charge applies in 2013, with the tax coming into full effect in 2014.

- 10.10** 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.
- 10.11** Figure 10.3 sets out the principal sources of funding from central government to local authorities in 2012.

Figure 10.3 Sources of central government financing for local authorities, 2012



Source: See Annex A

Application of Funding

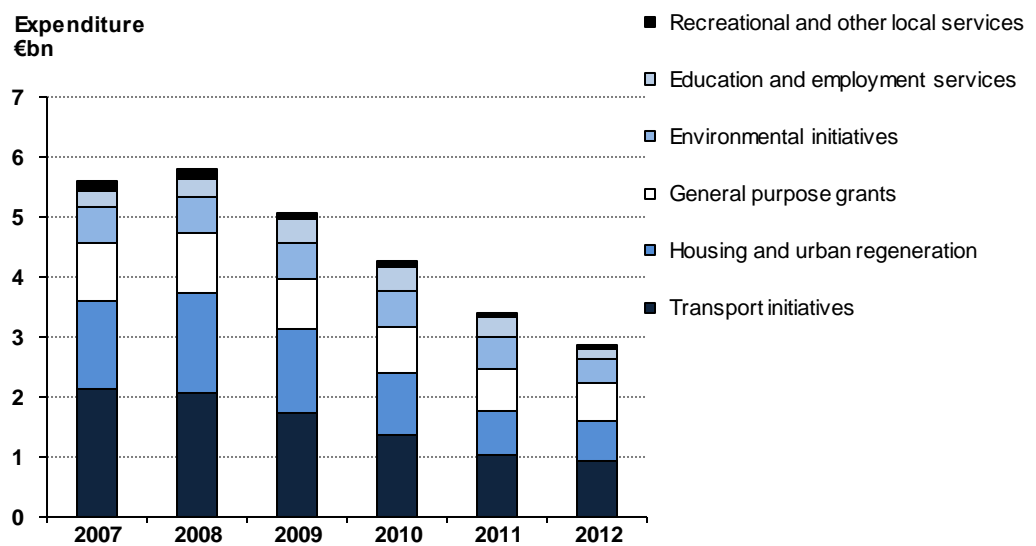
- 10.12** Most of the funding sourced from central government and provided to local authorities must be used for specific local authority services. These can be grouped into six broad programme categories.
- **Transport Initiatives** – Improvement and maintenance of national roads is the responsibility of the National Roads Authority, operating under the aegis of the Department of Transport, Tourism and Sport. For these projects, the Authority normally uses local authorities as its agents and channels expenditure through them. The Department receives an allocation for the upkeep of regional and local roads from the Local Government Fund. It then channels payments through the National Roads Authority to the local authorities. The National Transport Authority, also operating under the aegis of the Department, funds various 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.
 - **Housing and Urban Regeneration** – 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. 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.

- **Environmental Initiatives** – Almost all (89% in 2012) of the central funding provided to local authorities in support of environmental services is directed towards investment in water services, and is 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.
- **Education and Employment Services** – 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 newly established national grant awarding authority – Student Universal Support Ireland. The Department also reimburses 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.¹ The figures presented for employment services relate to the reimbursement of incurred expenditure paid by the Department of Social Protection to local authorities who act as sponsors in the running of the community employment and jobs initiative schemes.
- **Recreation and Other Local Services** – This comprises central government funding for local authority services such as swimming pool construction and maintenance, library and archive services, other public amenity and cultural projects, as well as fire and emergency services, and services for the disabled.
- **General Purposes Grants** – Through the Local Government Fund, the Department of the Environment, Community and Local Government provides top-up 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.

10.13 Figure 10.4 presents a breakdown of the transfers to local authorities for 2007 to 2012 showing the programmes being supported (a detailed breakdown is at Annex A). In 2012, one third of the total provision was in respect of transport initiatives, while housing and urban regeneration programmes and funding for general purposes accounted for just under one quarter each.

¹ The process of transferring responsibility for payments in respect of the cost of pensions and retirement gratuities commenced in November 2010 and was completed in the third quarter of 2012.

Figure 10.4 Central government transfers to local authorities, by expenditure programme, 2007 to 2012



Source: See Annex A

Conclusions

Central Government Transfers

- 10.14** 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 to local authorities, while others are routed through departmental agencies.
- 10.15** Transfers of funding from central government sources to local authorities in 2012 totalled around €2.9 billion. About 62% of the funding came from Exchequer sources, with the remainder coming from the Local Government Fund and the Environment Fund.

Annex A Central government transfers to local authorities, by expenditure programme, 2007 to 2012

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

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; Health Service Executive; Civil Defence Board (2012 unaudited); Local Government Fund (2012 unaudited); Environment Fund (2012 unaudited).

Note: Adjustments have been made to some previously reported pre-2012 amounts to reflect all identified transfers of greater than €1 million.