

## **Chapter 22**

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**Department of Environment, Heritage and Local  
Government**

**Central Government Funding of Local Authorities**



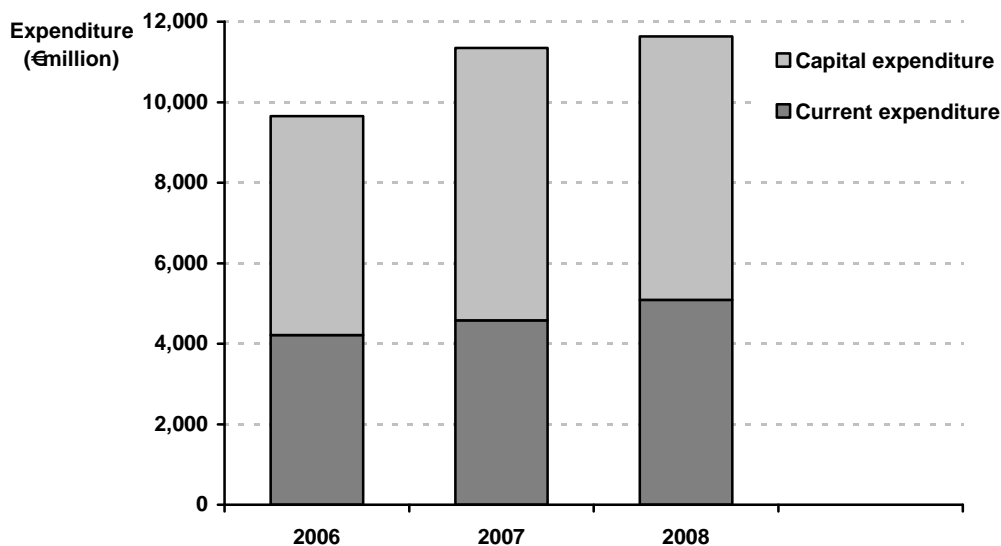
## Central Government Funding of Local Authorities

22.1 Aggregate expenditure by local authorities in 2008 is estimated at €1.6 billion. This comprised around €6.5 billion in capital expenditure, and around €5.1 billion in current expenditure.

- Capital expenditure results in the creation or acquisition by a local authority of an asset that has a use beyond the year in which that asset is provided e.g. road construction, building or purchase of houses, swimming pool, library, etc. Local authority capital programmes are financed largely by State grants from a variety of sources, with some funding from development levies, borrowings, own internal resources and property sales. Some projects (e.g. construction or acquisition of local authority offices) may be funded entirely by local authority own resources and borrowing.
- 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 treatment plants, etc. Current expenditure is funded from a variety of sources, including Exchequer and Local Government Fund grants (about 45% of the total in 2008), local authority rates (about 28%) and charges for goods and services such as commercial water charges, housing rents, parking charges, etc (about 27%). The Non Principal Private Residence charge (€200 per dwelling) was introduced in 2009 to broaden the revenue base of local authorities.<sup>169</sup>

22.2 Figure 115 shows how expenditure by local authorities changed over the period 2006 to 2008.

**Figure 115 Expenditure by local authorities by type, 2006 to 2008**



Source: Department of the Environment, Heritage and Local Government

<sup>169</sup> The specific contribution to current expenditure from the different income sources varies between authorities.

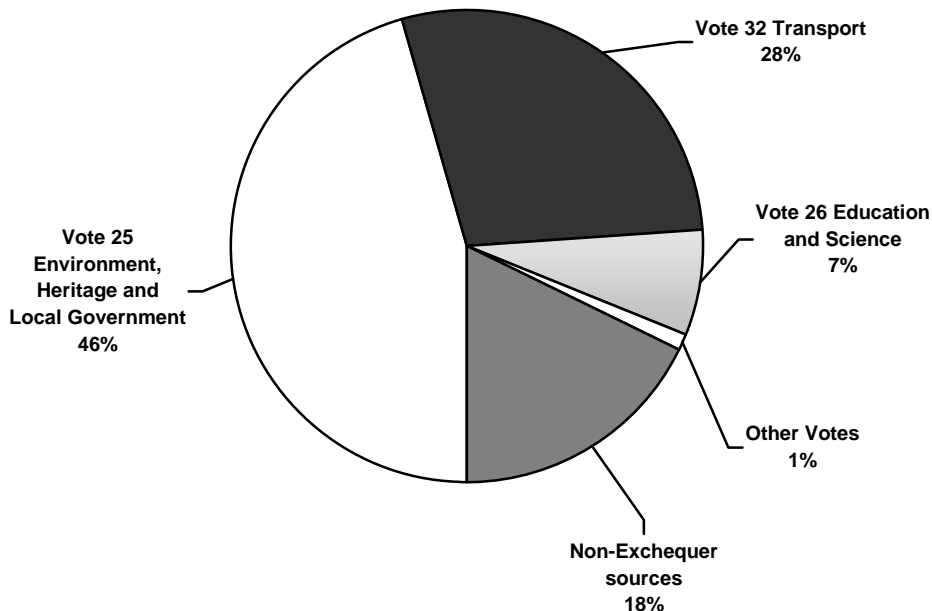
## Chapter Focus

The objective of this chapter is to provide an overview of the funds flowing from and through central Government sources to local authorities, and of the purposes for which the funds have been provided.

## Sources of Central Government Transfers

22.3 Transfers of funding from central government sources to local authorities in 2009 totalled almost €5.3 billion. Around 82% of this originated as Exchequer funding provided through the Votes for Government departments. The non-Exchequer sourced funding (18% of the total) was provided from the Local Government Fund and the Environment Fund. See Figure 116.

**Figure 116 Sources of central government financing for local authorities, 2009**



22.4 The Local Government Fund was established in 1999 under the Local Government Act 1998. It is financed by the proceeds of motor tax and an annual Exchequer contribution paid into the Fund from Vote 25. The resources in the Fund are used mainly to provide local authorities with funding for their day-to-day activities and for the up-keep of non-national roads.<sup>170</sup> A small amount of the Fund is used to support certain other local government initiatives.

22.5 The Environment Fund is used primarily to support environmentally-oriented initiatives, campaigns and programmes organised at local or regional level under the auspices of local

<sup>170</sup>

Motor tax revenues are initially collected by local authorities and through the Motor Tax Online website, and are paid into the Local Government Fund. Since 2007, part of the Fund allocation has been paid each year to the Minister for Transport in the form of appropriations-in-aid under Vote 32. This is related to grants paid by the Minister to local authorities to assist them with the upkeep of regional and local roads.

authorities. The proceeds of the plastic bag levy collected from retailers by the Revenue Commissioners are paid into the Fund. Landfill levies paid by landfill operators to local authorities 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.

22.6 Figure 117 sets out the sources of funding for expenditures from central Government sources to local authorities each year from 2007 to 2009.

**Figure 117 Sources of central government financing for local authorities, 2007 - 2009**

Source of Funds	2007	2008	2009
	€m	€m	€m
<b>Exchequer Funds</b>			
Vote 25 — Environment, Heritage and Local Government	2,584	2,804	2,401
Vote 26 — Education and Science	272	301	379
Vote 27 — Community, Rural and Gaeltacht Affairs	49	64	36
Vote 32 — Transport	1,476	1,374	1,488
Vote 35 — Arts, Sport and Tourism	32	26	17
Vote 41 — Children and Youth Affairs	—	—	5
	<b>4,413</b>	<b>4,569</b>	<b>4,326</b>
<b>Other Funding Sources</b>			
Local Government Fund (non Exchequer element) <sup>a</sup>	1,049	1,102	905
Environment Fund <sup>b</sup>	40	39	30
	<b>1,089</b>	<b>1,141</b>	<b>935</b>
<b>Funding from all central Government sources</b>	<b>5,502</b>	<b>5,710</b>	<b>5,261</b>

Notes:

- a Comprises mainly motor tax receipts and interest earned. The Exchequer contribution to the Fund is included in the Vote 25 expenditure reported above.
- b Includes plastic bag levy and landfill levy receipts and interest earned.

## Application of Funding

22.7 Most of the central government-sourced funding provided to local authorities must be used by them for specific local authority services. These can be grouped into six broad programme categories.

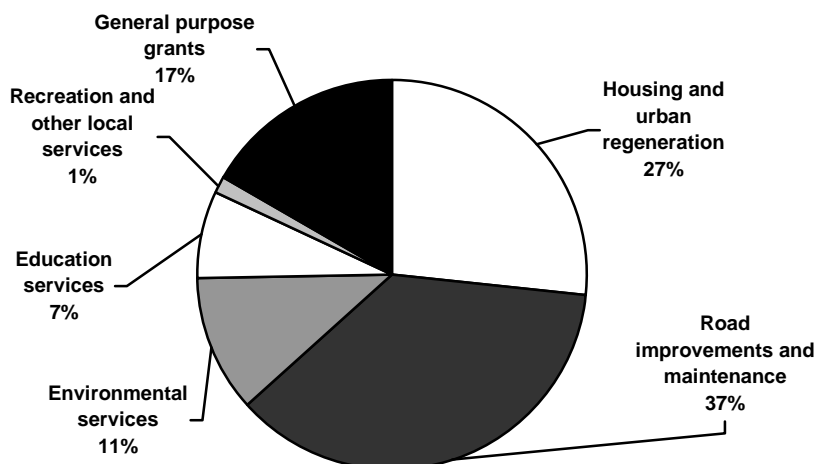
- **Housing and Urban Regeneration** – The bulk of funding for housing and urban regeneration is provided directly to local authorities by the Department of the Environment, Heritage and Local Government. The funding is used by local authorities for the provision of local authority housing, regeneration and remedial work, Traveller accommodation, voluntary and cooperative housing, the Rental Accommodation Scheme, housing adaptation grants, and accommodation for homeless people.
- **Road Improvement and Maintenance** – Improvement and maintenance of the national roads is the responsibility of the National Roads Authority, which operates under the aegis

of the Department of Transport. In carrying out its projects, the Authority normally uses local authorities as its agents, and channels its expenditure through them. Central funding in the form of grants for the upkeep of regional and local roads are paid directly to local authorities by the Department.

- **Environmental Services** – Around 91% of the central funding provided to local authorities in support of environmental services is directed towards investment in water services, funded primarily by the Department of the Environment, Heritage and Local Government. The remaining funding for environmental services comes from the Department of Community, Equality and Gaeltacht Affairs and the Environment Fund.
- **Education Related Payments** – The Department of Education and Skills reimburses the cost of higher education grants awarded by local authorities. The Department also reimburses local authorities the costs of providing superannuation benefits for retired staff of Vocational Education Committees and of Institutes of Technology who are members of the Vocational Teachers' Superannuation Scheme or the Education Sector Superannuation Scheme respectively.
- **Recreation and Other Local Services** – This comprises central government funding for local authority services such as library and archive services, swimming pool construction and maintenance and 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, Heritage 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.

22.8 Figure 118 presents a breakdown of the central government transfers to local authorities in 2009 by programme area. This indicates that just over one third of the total provision was in respect of road improvements and maintenance work. Just under one third was provided for housing and urban regeneration programmes. General purposes funding accounted for 17% of the total amount provided.

**Figure 118 Application of central government financing for local authorities, 2009**



22.9 Figure 119 presents a more detailed breakdown of the fund transfers to local authorities for 2007, 2008 and 2009, showing the programme and the schemes being supported.

**Figure 119 Central government transfers to local authorities, by expenditure programme, 2007 – 2009**

Expenditure Category	2007	2008	2009
	€m	€m	€m
<b>Housing and Urban Regeneration</b>			
Social housing provision	1,382	1,571	1,297
Affordable housing etc	64	89	94
Other housing supports	6	7	4
Urban regeneration	20	5	1
	<b>1,472</b>	<b>1,672</b>	<b>1,396</b>
<b>Environmental Services</b>			
Water and sanitary services	529	544	538
Waste management	28	27	8
Recycling	12	22	14
Other environmental measures	11	15	29
	<b>580</b>	<b>608</b>	<b>589</b>
<b>Road Improvement and Maintenance</b>			
National roads	1,476	1,374	1,488
Non-national roads	623	616	455
	<b>2,099</b>	<b>1,990</b>	<b>1,943</b>
<b>Education Services</b>			
Higher education grants	126	137	160
Superannuation of retired teaching staff	146	164	219
	<b>272</b>	<b>301</b>	<b>379</b>
<b>Recreation and other local services</b>			
Swimming pools	25	20	11
Library service	17	15	9
Sports Grants, playgrounds and cultural projects	9	7	10
Fire and emergency services	24	24	20
Heritage services (architectural heritage)	7	8	6
Disability services	15	15	12
Miscellaneous capital services	19	31	2
Miscellaneous services	15	20	6
	<b>131</b>	<b>140</b>	<b>76</b>
<b>General purpose grants</b>	<b>948</b>	<b>999</b>	<b>878</b>
<b>Total funding provided to local authorities</b>	<b>5,502</b>	<b>5,710</b>	<b>5,261</b>

## Service Indicators

22.10 Since 2005, annual reports have been published on the performance of local authorities across a range of service indicators<sup>171</sup>. Following a review in 2008, the number of indicators was increased from 42 to 46. The service indicator data include a range of statistical information but do not cover all aspects of local authority performance.

22.11 The Local Government Efficiency Review Group<sup>172</sup> believes that the service indicators would be improved through the substitution of a number of the existing indicators with additional key financial indicators that would be reported on and monitored each year and that

- service indicators should be more firmly embedded and used as part of an efficiency agenda to drive change
- the potential exists for service indicators to be used to guide the allocation of central government resources at local level in future
- local authorities should make greater use of the data and analysis in terms of local decision-making, including in relation to the allocation of resources.

## Conclusion

A significant level of annual expenditure from the Exchequer and from other centrally managed funds is administered at the point of delivery by local authorities. In effect, the money is being spent on national programmes, such as social housing provision, construction and upkeep of the road network and sanitary services infrastructure. It is important to ensure that there is effective accountability at national level for that spending, independent of the role of local government as a layer of government with its own audit service and local accountability.

Formal service level agreements between the central government departments and agencies providing the funding and the respective local authorities could potentially give a clear focus to the spending and help in setting relevant objectives and targets.

Development of a set of relevant and timely performance measures and indicators for each national programme, as recommended by the Local Government Efficiency Group, would help in making allocation decisions and in supporting efficient and effective service delivery and accountability.

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<sup>171</sup> Service Indicators in Local Authorities, annual reports to the Minister for the Environment, Heritage and Local Government by the Local Government Management Services Board.

<sup>172</sup> The Local Government Efficiency Review Group was established to review the cost base, expenditure of and numbers employed in local authorities. Its report was published in July 2010.