

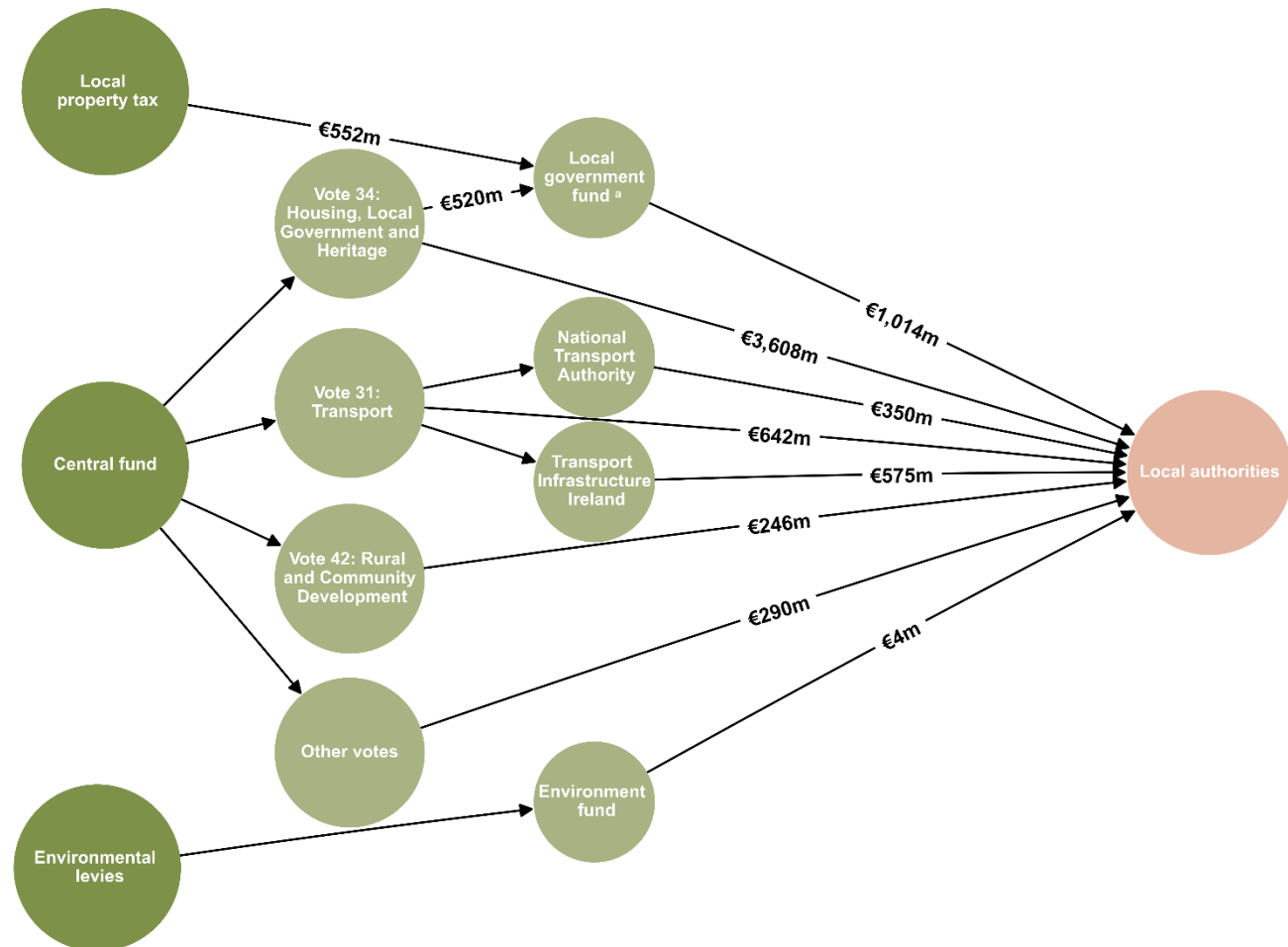
## 2 Central government funding of local authorities

Local authorities receive a considerable amount of their annual funding from various central government departments and agencies (see Figure 2.1).

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 those funds have been provided.

The primary sources of central government funding are the Department of Housing, Local Government and Heritage — through Vote 34 and the Local Government Fund — and the Department of Transport.

**Figure 2.1 Flow of central government funding to local authorities in 2023**



Source: Office of the Comptroller and Auditor General

Note: <sup>a</sup> The flow of funding to and from the Local Government Fund may not be equal in a given year.

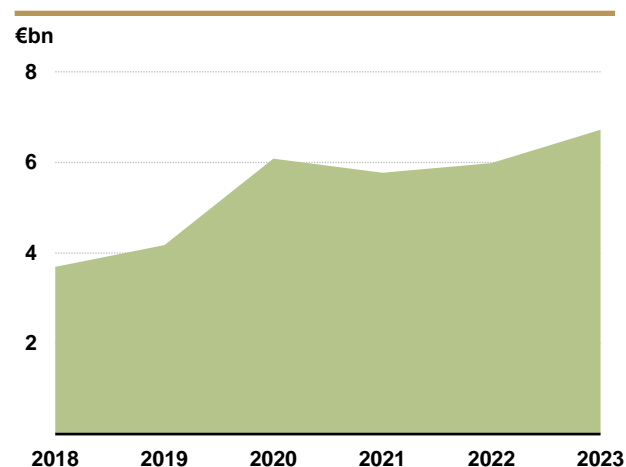
## Section 1 Central government transfers and application of central government funding

In 2023, funding from central government to local authorities totalled almost €6.73 billion. This was a net increase of around €750 million (12%) on 2022, and up around 83% since 2018 (see Figure 2.2).

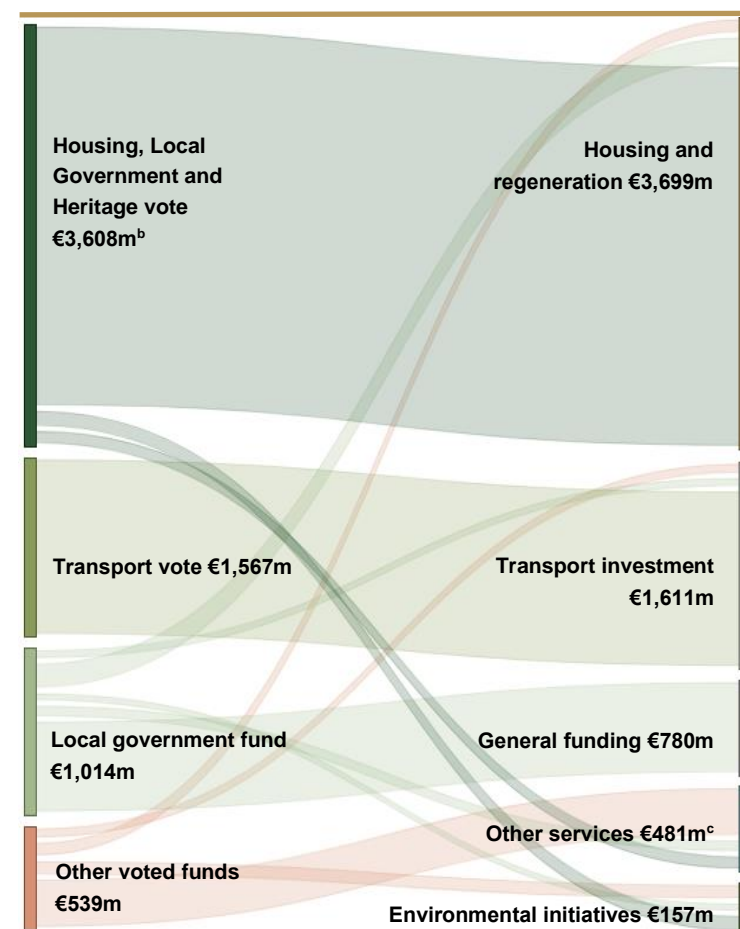
The main purposes for which Central Government funding was provided were for the delivery of social and affordable housing, along with a broad range of other housing supports; transport investment; a contribution towards local authority general activities (budget support); and support for environmental initiatives (see Figure 2.3).

In 2023, funding for housing and regeneration increased by around €470 million (15%), while funding for transport investment increased by just over €170 million (12%).

**Figure 2.2 Central government funding, 2018 – 2023<sup>a</sup>**



**Figure 2.3 Grouped analysis of central government funding by programme category, 2023**



Source: Annex 2A

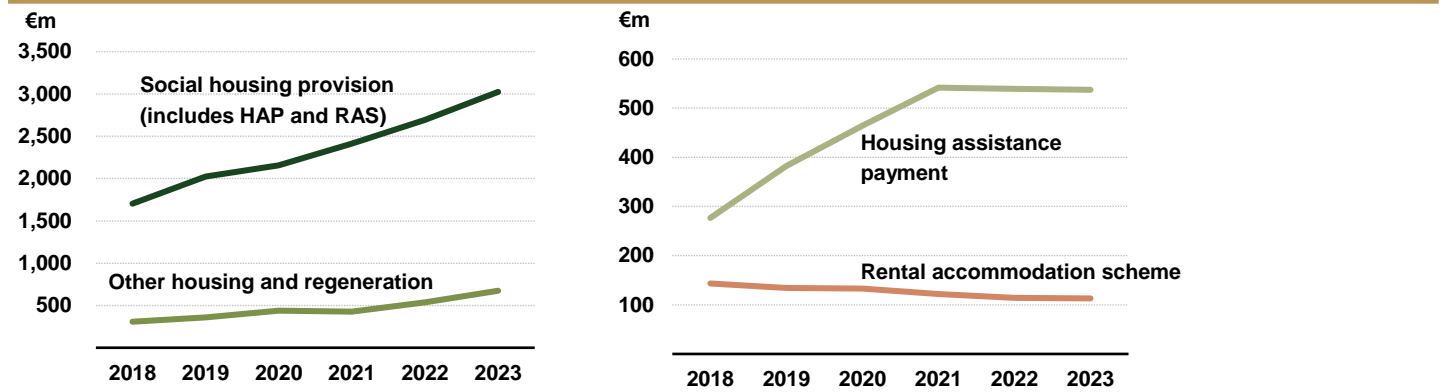
- Notes:
- a The total funding for 2022 has been revised downwards by around €52 million in response to updated information provided by the Department of Agriculture, Food and the Marine during the 2023 examination. See section 5 for more information.
  - b This excludes receipts of €48.15 million in additional superannuation contributions and audit fees from local authorities.
  - c Other services include funding of €4 million for Covid-19 related expenditure.

## Section 2 Housing and regeneration

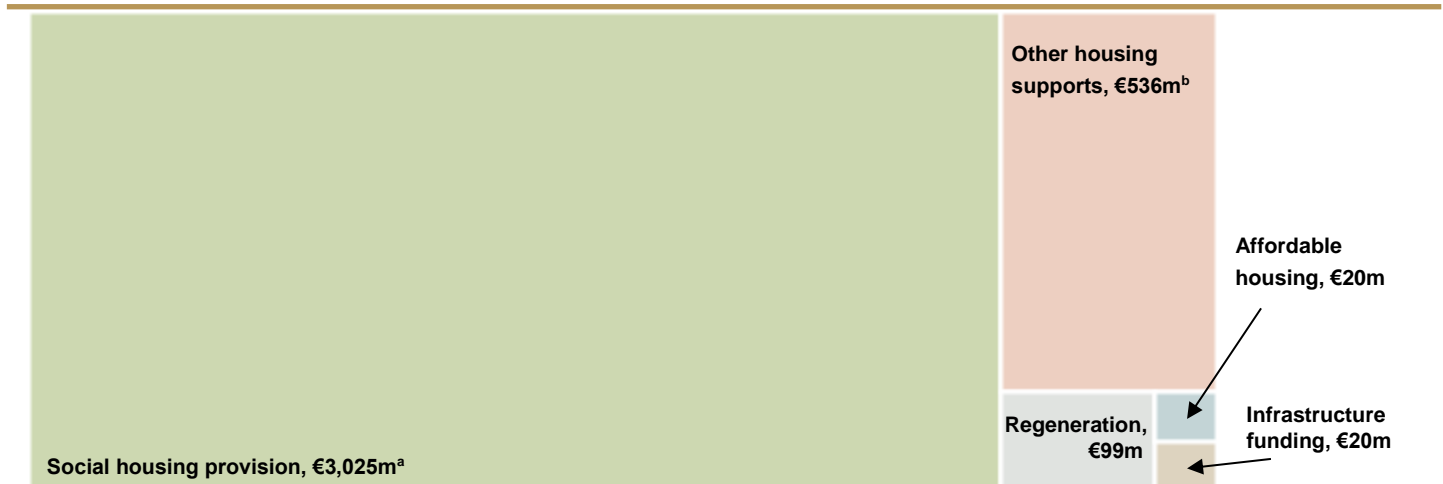
The Department of Housing, Local Government and Heritage provides most of the funding for local authority expenditure on housing and regeneration — around 98% in 2023. The funding is used by local authorities for the provision of social housing stock (managed by local authorities and approved housing bodies) and other housing supports including the housing assistance payment (HAP), rental accommodation scheme (RAS), and accommodation for homeless people. The funding is also used for the improvement of existing local authority housing units and adaptation grants for older people and for people with a disability. Capital funding of around €9.5 million was also provided directly to local authorities in 2023 for housing people displaced by the Russian invasion of Ukraine.

The Department of Rural and Community Development also provides funding to local authorities for rural regeneration — €62 million in 2023 (2022: €53 million). This funding is used to support schemes targeting building vacancy, infrastructure to develop town-centre housing, and the development of community or public facilities that enhance heritage and other community assets.

**Figure 2.4 Central government funding to local authorities for investment in housing and regeneration, 2018 – 2023**



**Figure 2.5 Breakdown of funding for housing and regeneration purposes, 2023**



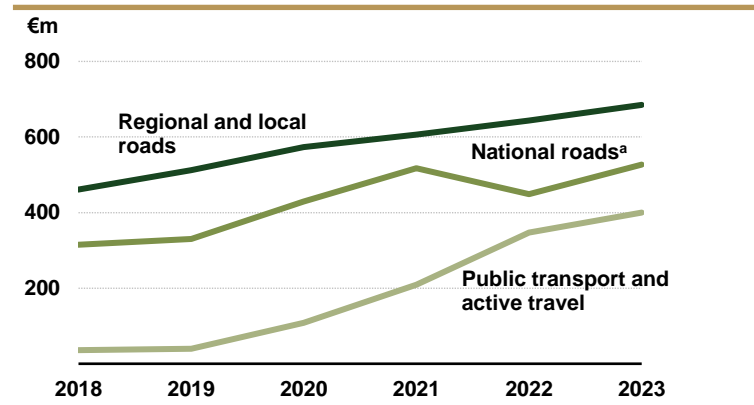
Source: Annex 2A

- Notes:
- a Includes funding of €168 million from the local property tax allocation that local authorities above the baseline are required to spend on housing in lieu of Exchequer funding.
  - b Includes funding of around €500,000 from the Department of Further and Higher Education, Research, Innovation and Science and the Department of Justice.

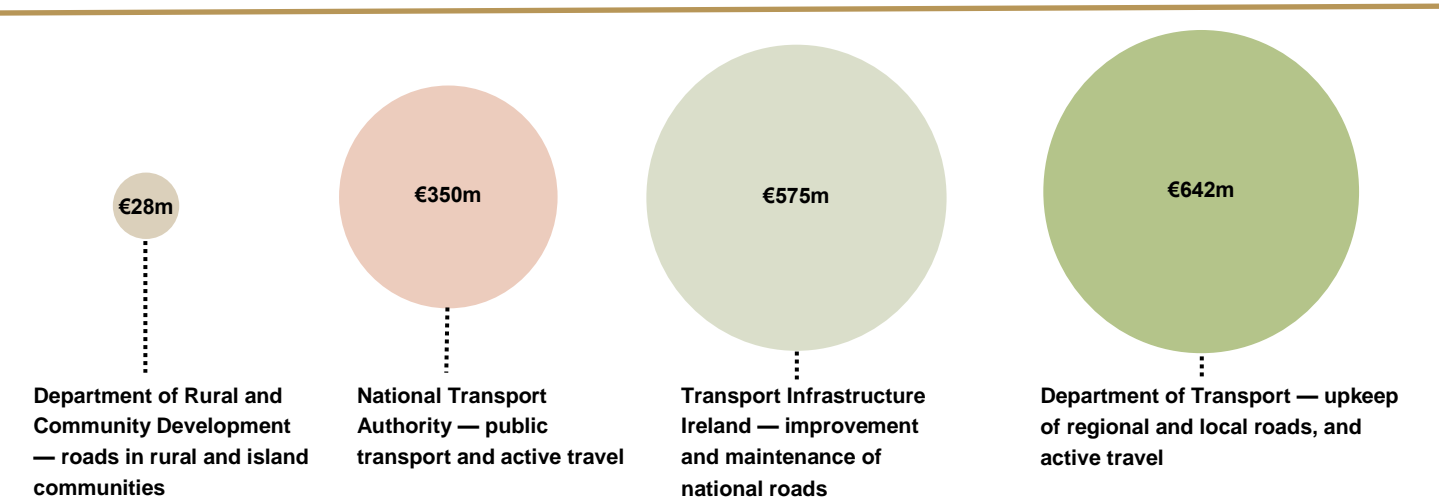
### Section 3 Transport investment

The Department of Transport and the Department of Rural and Community Development provide funding to local authorities for roads and public transport investment. The Department of Transport provides funding for regional and local roads, as well as active travel, directly to local authorities, with funding for other purposes provided through the National Transport Authority and Transport Infrastructure Ireland. Some local authorities also support their expenditure on regional and local roads from local property tax allocations (€16.5 million in 2023).

**Figure 2.6 Central government funding to local authorities for transport investment, 2018 – 2023**



**Figure 2.7 Transport investment by organisation and role, 2023<sup>b</sup>**



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

Notes: a Includes electric car infrastructure funding.

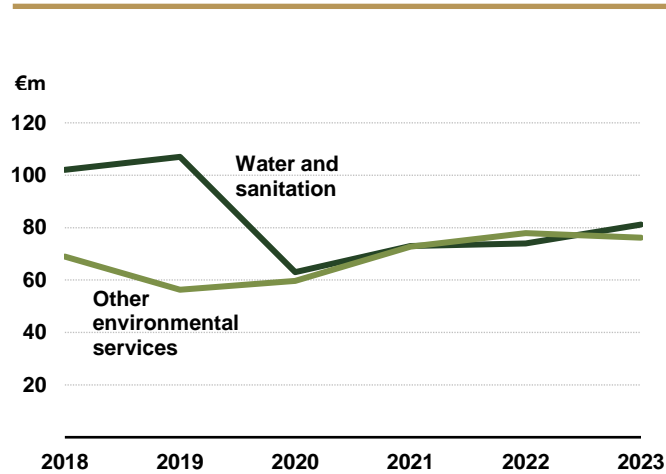
b This figure does not include the funding of €16.5 million from local property tax allocations for expenditure on regional and local roads.

## Section 4 Environmental initiatives

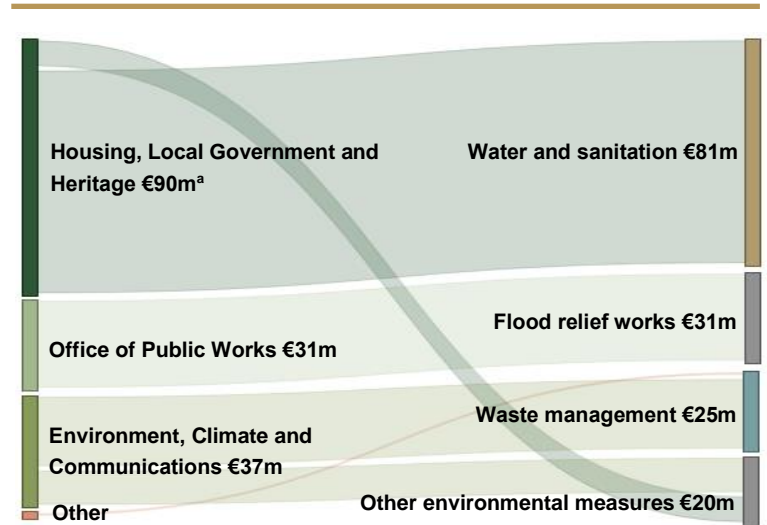
Funding is provided to local authorities for a range of environmental services, including water and sanitation projects, waste management, and flood relief.

The Office of Public Works provided local authorities with funding of around €31 million for flood relief works in 2023 (2022: €28 million).

**Figure 2.8 Central government funding to local authorities for environmental initiatives, 2018 – 2023**



**Figure 2.9 Environmental initiatives — sources and purposes of funding, 2023**



Source: Annex 2A

Note: a Includes €860,000 funding from the Local Government Fund.

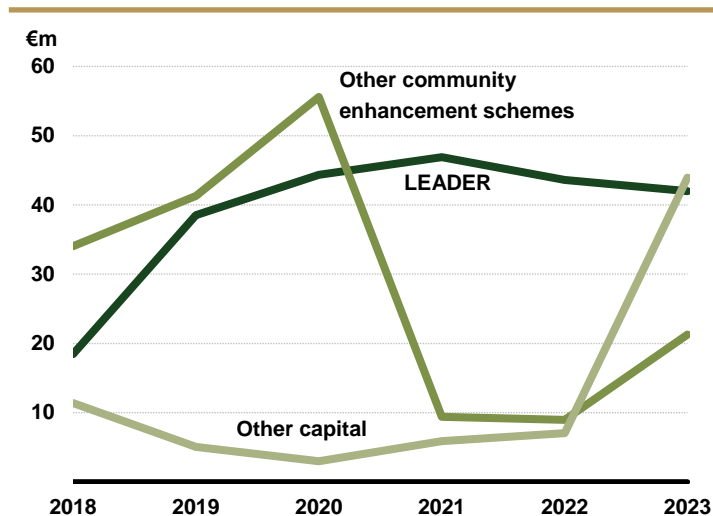
## Section 5 Miscellaneous capital programmes

The Department of Rural and Community Development provided €42 million (2022: €44 million) to local authorities in respect of the LEADER programme, almost €10 million for the community recognition fund, just under €6 million for the community enhancement programme, and the balance of around €6 million for a range of other programmes.

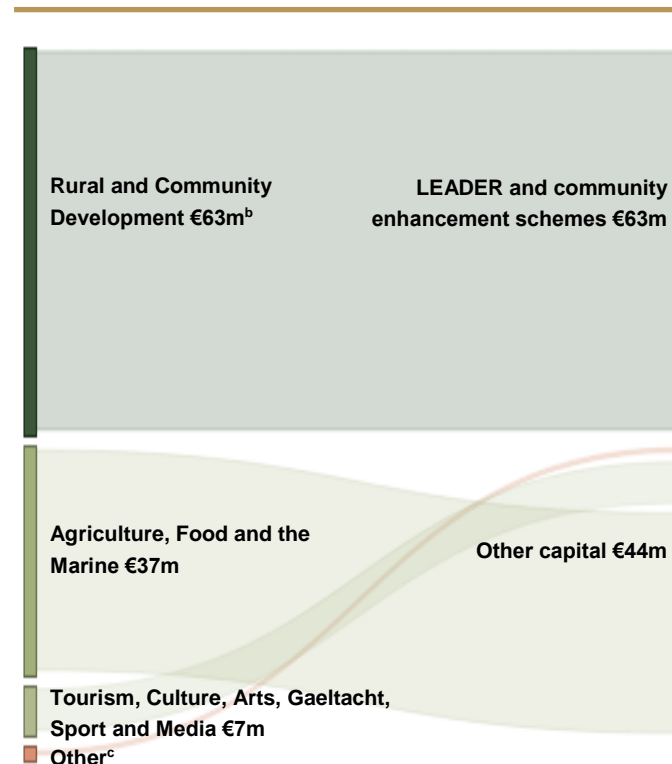
The Department of Agriculture, Food and the Marine provided capital funding of around €37 million in 2023 for harbour development projects (2022: €1.6 million).<sup>a</sup>

The Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media provided, through Bord Fáilte, funding of over €6.5 million for miscellaneous capital projects.

**Figure 2.10 Central government funding to local authorities for miscellaneous capital programmes, 2018 – 2023<sup>a,b</sup>**



**Figure 2.11 Miscellaneous capital programmes — sources and purposes of funding, 2023**



Source: Annex 2A

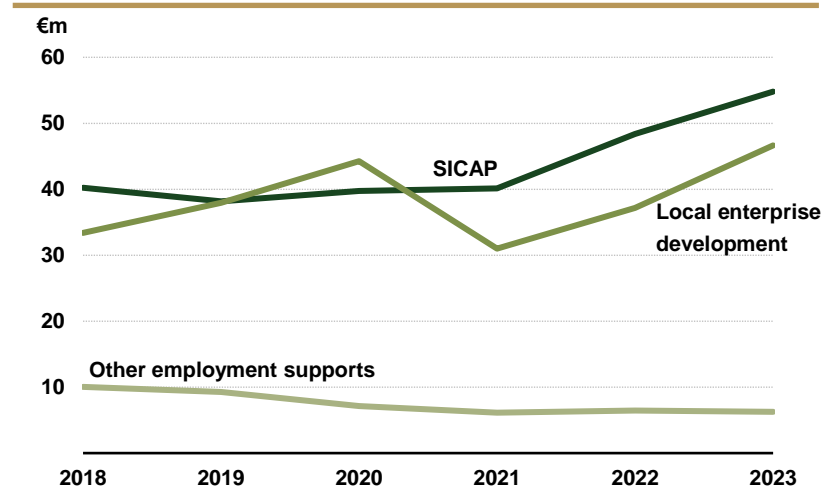
- Notes:
- a The Department previously reported 2022 transfers to local authorities as including €52 million provided via Bord Iascaigh Mhara (BIM) for local business and commercial development. This funding was in fact used by BIM itself. The 2022 amounts have been amended accordingly.
  - b This reflects the gross funding. Reimbursements from local authorities of €850,000 are not included.
  - c Approximately €400,000 was funded by OPW.

## Section 6 Employment schemes

The Department of Rural and Community Development provided just under €55 million (2022: €48 million) to local authorities for the Social Inclusion and Community Activation Programme (SICAP). Around €9.7 million (2022: €5 million) of the funding was provided for supports to people displaced by the Russian invasion of Ukraine.

In 2023, the Department of Enterprise, Trade and Employment, through Enterprise Ireland, provided €47 million (2022: €37 million) to local authorities for the local enterprise programme delivered by local enterprise offices (LEOs).

**Figure 2.12 Central government funding to local authorities for employment schemes, 2018 – 2023**



Source: Annex 2A

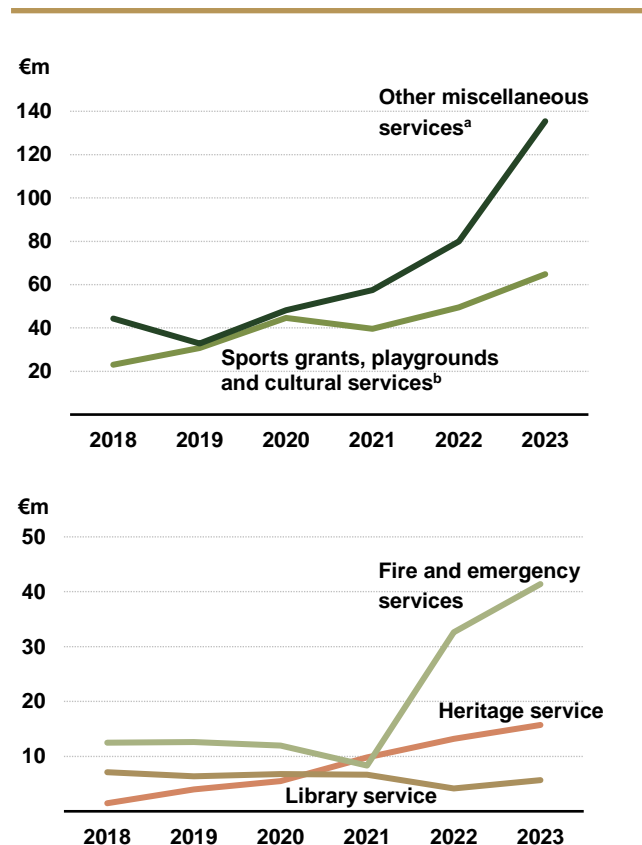
## Section 7 Other services

In 2023, other services supported by central government funding included €51 million (2022: €16 million) from the Department of Children, Equality, Disability, Integration and Youth for accommodation for persons displaced by the Russian invasion of Ukraine. It also included funding of €7 million (2022: €7 million) from the Department of Health, paid via the Food Safety Authority of Ireland, for the local authority veterinary service and €4 million (2022: €4 million) from the Department of Defence for civil defence activities.

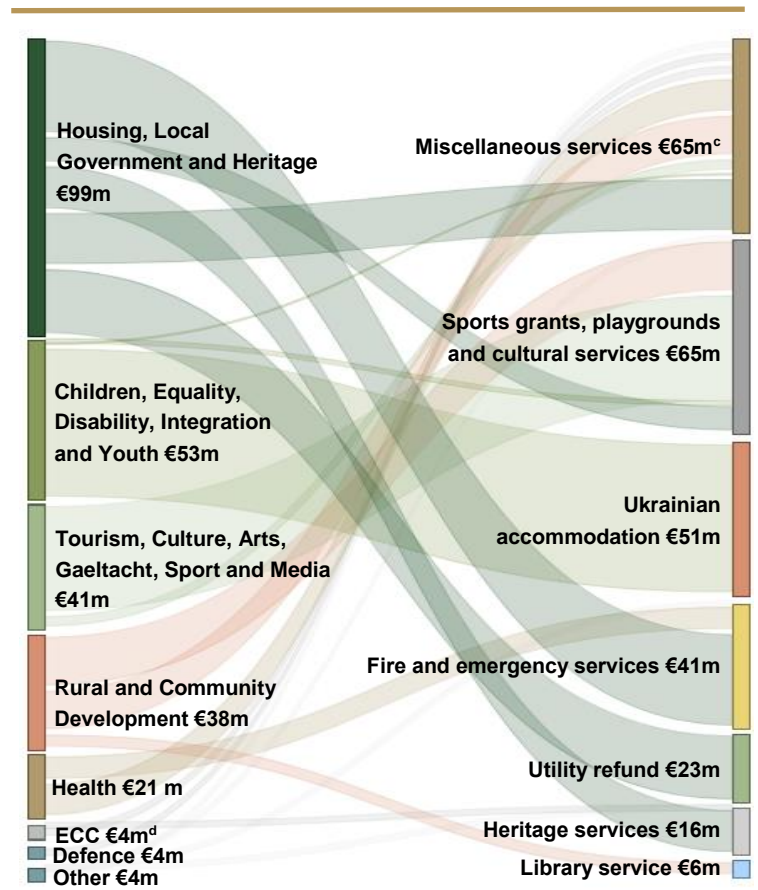
The Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media provided €16.2 million of funding (2022: €15.5 million) to local authorities through Sports Ireland in 2023.

In 2023, a total of €41 million was provided to support the fire and emergency services (2022: €32.6 million). €31.6 million was provided from the Housing vote — this included €6.7 million for salary costs for retained firefighters on foot of a Workplace Relations Commission agreement. The HSE also provided €9.2 million to support the Dublin Fire Brigade Ambulance Service.

**Figure 2.13 Central government funding to local authorities for other services, 2018 – 2023**



**Figure 2.14 Other services — sources and purposes of funding, 2023**



Source: Annex 2A

- Notes:
- a This is further broken down in Figure 2.14 between miscellaneous services, Ukrainian accommodation and utility refund.
  - b Includes funding for swimming pools in respect of 2018.
  - c Includes Covid-19 related expenditure of almost €4 million.
  - d ECC refers to the Environment, Climate and Communications Vote.

## Section 8 Local Government Fund

The Local Government Fund (LGF) is a statutory fund managed by the Department of Housing, Local Government and Heritage (the Department). The receipts into the fund derive from the Exchequer (via the Vote) and from the local property tax (LPT) receipts collected by the Revenue Commissioners.

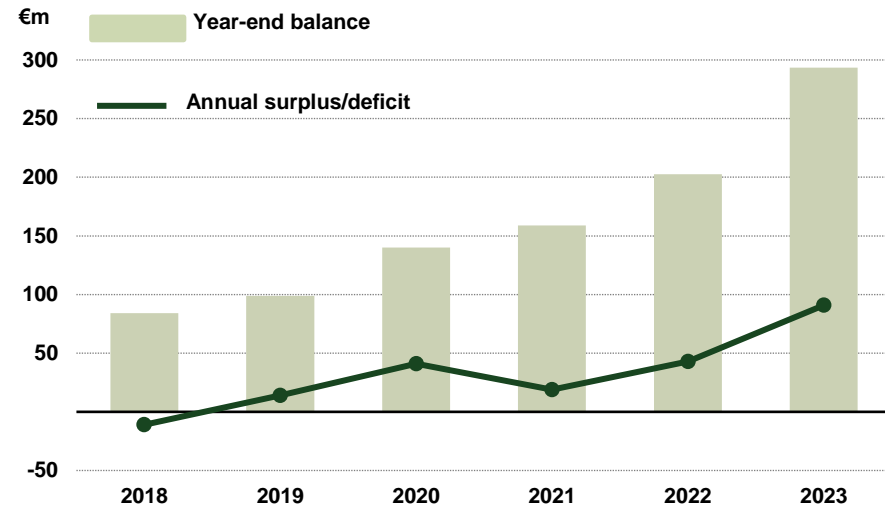
The LGF funding from the Exchequer is intended to assist local authorities with pay and pensions and for miscellaneous schemes.

Towards the end of each year, the Department estimates the total expected LPT liability of property owners for the following year, and a required 'equalisation contribution' from the Exchequer. These projections, based on Revenue data, are used to derive the LPT allocation that local authorities will receive in that year (see Annex 2B for the calculation of the LPT 2023 allocation).

The LPT collected in a particular year may not match the allocations for that year because property owners may pay their LPT in the year prior to liability, or as a late payment in a subsequent year. For example, €74 million of LPT receipts were received in 2023 for the 2024 liability year.

LGF reserves have increased steadily from €84 million at the end of 2018 to around €293 million at the end of 2023 — an increase of approximately 250% (see Figure 2.15). The Department has stated that the main factors contributing to annual surpluses include funding for committed future expenditure, prepayments of LPT and unspent Exchequer equalisation funding due to greater than anticipated LPT receipts for the current year, including LPT arrears. The Department also stated that since 2021, €136 million has been collected in LPT arrears, and that it was not possible to estimate this collection in advance and to build it into annual LPT allocations.

**Figure 2.15 Year end reserves and annual surplus/deficit of the Local Government Fund, 2018 – 2023**



Source: Department of Housing, Local Government and Heritage, Local Government Fund accounts

Although the Department monitors the transfers into the LGF, a reserves policy for the fund was not put in place until July 2024. The Department stated that the wording of the policy was agreed with the Department of Public Expenditure. It also stated that the Department of Public Expenditure is aware of the LGF reserves which are considered as part of the annual estimates process. The Department also noted that during this process, some of the reserves may be ring-fenced for specific purposes. At end 2023, based on a Government decision, around €90 million of the LGF reserves had been allocated to fund water sector transformation stranded costs in 2024. These costs relate to water expenditure commitments that continue to be borne by the local authorities without a corresponding income stream.

## **Annex 2A Central government transfers to local authorities by expenditure programme, 2018 – 2023**

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The trends in funding to local authorities over the period 2018 to 2023 is shown in Figure 2A.1. Some figures may not tot due to rounding.

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

The sources of funding reported in Figure 2A.1 below are

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

Department of Further and Higher Education, Research, Innovation and Science

Local Government Fund account

**Figure 2A.1 Central government transfers to local authorities by expenditure programme, 2018 to 2023<sup>a</sup>**

Expenditure category	2018	2019	2020	2021	2022	2023
	€m	€m	€m	€m	€m	€m
<b>Housing and regeneration</b>						
Social housing provision	1,704	2,024	2,156	2,413	2,693	3,025
Affordable housing, etc.	—	—	—	4	9	20
Infrastructure funding	7	22	32	16	17	20
Other housing supports	215	258	340	324	420	536
Regeneration	86	79	67	82	90	99
	<b>2,012</b>	<b>2,383</b>	<b>2,595</b>	<b>2,839</b>	<b>3,229</b>	<b>3,699</b>
<b>Transport investment</b>						
National roads improvement	315	330	429	517	449	526
Regional and local roads improvement	461	512	573	606	644	685
Public transport and active travel	36	40	109	209	348	400
	<b>812</b>	<b>882</b>	<b>1,111</b>	<b>1,332</b>	<b>1,441</b>	<b>1,611</b>
<b>Environmental initiatives</b>						
Water and sanitary services	102	107	63	73	74	81
Flood relief works	31	28	31	26	28	31
Waste management	25	23	26	39	37	25
Other environmental measures	13	6	3	8	13	20
	<b>171</b>	<b>164</b>	<b>123</b>	<b>146</b>	<b>152</b>	<b>157</b>
<b>Miscellaneous capital programme</b>						
	<b>64</b>	<b>85</b>	<b>103</b>	<b>62</b>	<b>60<sup>b</sup></b>	<b>107</b>
<b>Employment schemes</b>						
	<b>84</b>	<b>86</b>	<b>91</b>	<b>77</b>	<b>92</b>	<b>108</b>

**Figure 2A.1 Central government transfers to local authorities by expenditure programme, 2018 to 2023 (continued)**

Expenditure category	2018	2019	2020	2021	2022	2023
	€m	€m	€m	€m	€m	€m
<b>Other services</b>						
Swimming pools	1	—	—	—	—	—
Fire and emergency services	13	13	12	8	33 <sup>c</sup>	41 <sup>c</sup>
Library service	7	6	7	7	4	6
Sports grants, playgrounds and cultural projects	22	30	45	40	49	64
Heritage services (architectural heritage)	1	4	5	10	13	16
Other miscellaneous services	44	34	48	58	80	135
	<b>88</b>	<b>87</b>	<b>117</b>	<b>123</b>	<b>179</b>	<b>263</b>
<b>Covid-19 supports</b>						
Covid-19 related funding for waived rates	—	—	730	423	123	—
Covid-19 related funding for businesses	—	—	687	78	14	—
Other Covid-19 assistance	—	—	—	136	60	4
	<b>—</b>	<b>—</b>	<b>1,417</b>	<b>637</b>	<b>197</b>	<b>4</b>
LPT allocations — non-programme specific/discretionary	395	394	410	422	423	426
Remuneration-related payments paid from the LGF	60	86	109	130	210	354
	<b>3,686</b>	<b>4,167</b>	<b>6,076</b>	<b>5,768</b>	<b>5,984</b>	<b>6,729</b>

Source: Annex 2A

- Notes:
- a Some figures may not tot due to rounding.
  - b This amount has been revised downwards by around €52 million due to an error in the amounts previously provided by the Department of Agriculture, Food and the Marine which only came to light during the 2023 examination.
  - c Includes funding of around €9 million from the Department of Health, paid via the HSE, for the Dublin Fire Brigade Ambulance Service. This funding was not included in prior years' figures due to an oversight by the Department.

## Annex 2B Allocation of local property tax

Local property tax (LPT) funding received by each local authority, and the amount that can be used for local authorities' own purposes (i.e. discretionary funding) is set out in an annual allocation schedule published on the Department's website. The allocation process is underpinned by a Government memorandum that sets out, *inter alia*, the maximum amount of discretionary LPT funding each local authority can receive.

Every local authority is entitled to receive a minimum amount of funding known as baseline funding. Local authorities that do not have a strong enough property base to meet this minimum level of funding have their allocation supplemented by a process known as equalisation. The same 20 local authorities have had their allocation supplemented each year since 2020.

Up to 2023, local authorities initially retained 80% of their LPT projected yield with the remaining 20% redistributed to local authorities below the baseline. Central government also contributed funding to equalisation when the redistribution pool was not sufficient.

Following a change in the allocation process for 2023, local authorities above the baseline can retain all their LPT projected yield, with all equalisation funding now coming from the Exchequer (€110 million in 2023) or from the LGF reserves.

Local authorities are permitted to vary the rate at which local property owners pay the LPT. When local authorities vary upwards they retain the increased revenues, while a downwards revision leads to a reduced allocation. In total, LPT allocations decreased by €7 million in 2023 (2022: €4 million decrease) due to local variations.

Local authorities above the baseline are required to use some of their allocation for housing and transport expenditure that would otherwise be funded by the Exchequer. This totalled €184 million in 2023 (2022: €101 million).

			2023	2022
	Authorities above the baseline	Authorities below the baseline	All	All
			€m	€m
<b>Number of local authorities</b>	<b>11</b>	<b>20</b>	<b>31</b>	<b>31</b>
Total LPT projected yield	355	144	499	494
Local retention <sup>b</sup>	355	144	499	395
Equalisation funding				
— LPT redistribution (20%) <sup>b</sup>	—	—	—	99
— Exchequer contribution	—	118 <sup>c</sup>	118	34
<b>Pre-variation LPT allocations</b>	<b>355</b>	<b>262</b>	<b>617</b>	<b>528</b>
Adjustment for local variations in tax rate	(22)	14	(7)	(4)
	<b>333</b>	<b>277</b>	<b>610</b>	<b>524</b>
<b>Of which<sup>b</sup></b>				
— for authority's own general use	<b>149</b>	<b>277</b>	<b>426</b>	<b>423</b>
— self-funding of housing and roads	<b>184</b>	<b>—</b>	<b>184</b>	<b>101</b>

Source: Department of Housing, Local Government and Heritage

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

b Prior to 2023, 20% of the projected yield of local authorities above the baseline was distributed to those under the baseline. Since 2023 all equalisation funding is provided by the Exchequer.

c Includes €8 million that was allocated from the LGF reserves.

