

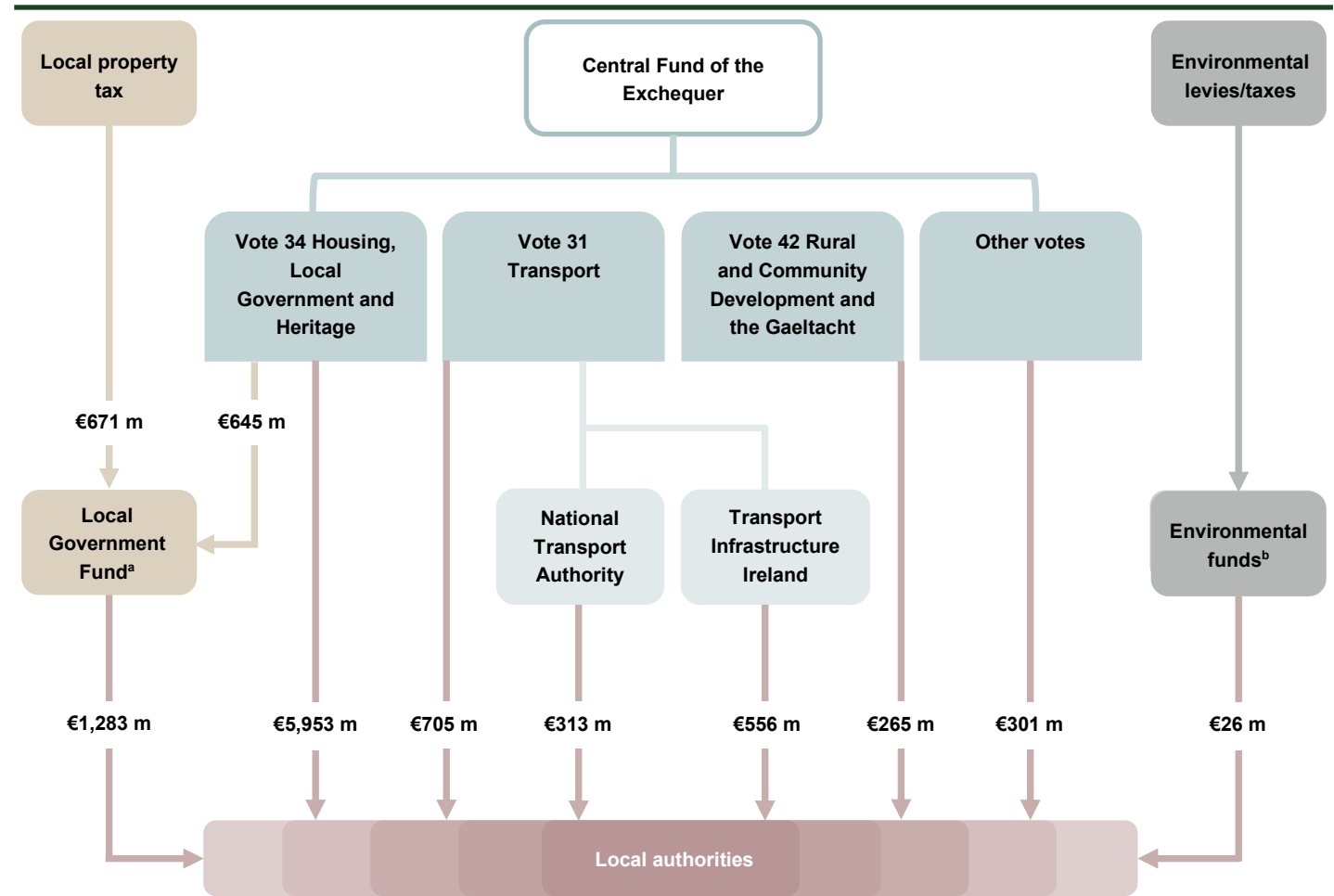
4 Central government funding of local authorities

Local authorities receive a considerable amount of their annual funding from multiple central government departments and agencies (see Figure 4.1).

This report provides 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 examination involved the review of information provided by 14 departments and offices on their funding of local authorities, and other relevant documentation. The examination team also undertook onsite walkthroughs of the funding processes in three departments — the Department of Housing, Local Government and Heritage, the Department of Enterprise, Tourism and Employment and the Department of Agriculture, Food and Marine.

Figure 4.1 Flow of central government funding to local authorities in 2025



Source: Annex 4A. Analysis by the Office of the Comptroller and Auditor General.

Notes: a The flow of funding to and from the Local Government Fund may not be equal in a given year.

b Includes the Climate Action Fund and the Circular Economy Fund.

Section 1 Total central government transfers and application of central government funding

In 2025, funding from central government to local authorities totalled around €9.4 billion. This was a net increase of almost €795 million (9%) on 2024. Over the period 2020 to 2025, central government funding to local authorities has increased by around 55% (see Figure 4.2).

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 (see Figure 4.3).

The main purposes for which the funding was provided in 2025 were for the delivery of social and affordable housing and a broad range of other housing supports; transport investment; a contribution towards local authority general activities (budget support); support for environmental initiatives; and business supports.

Figure 4.2 Central government funding, 2020 – 2025

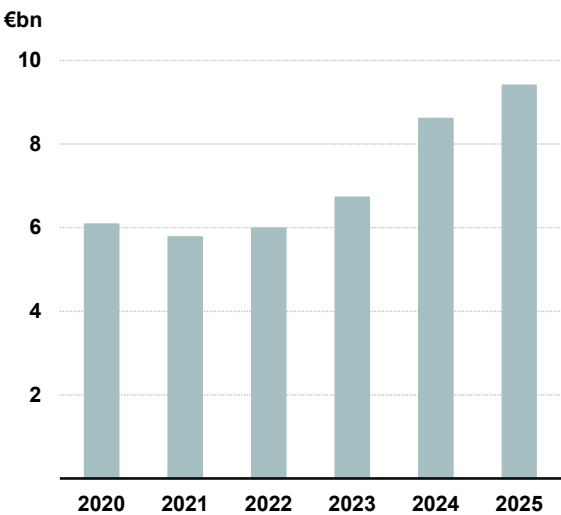
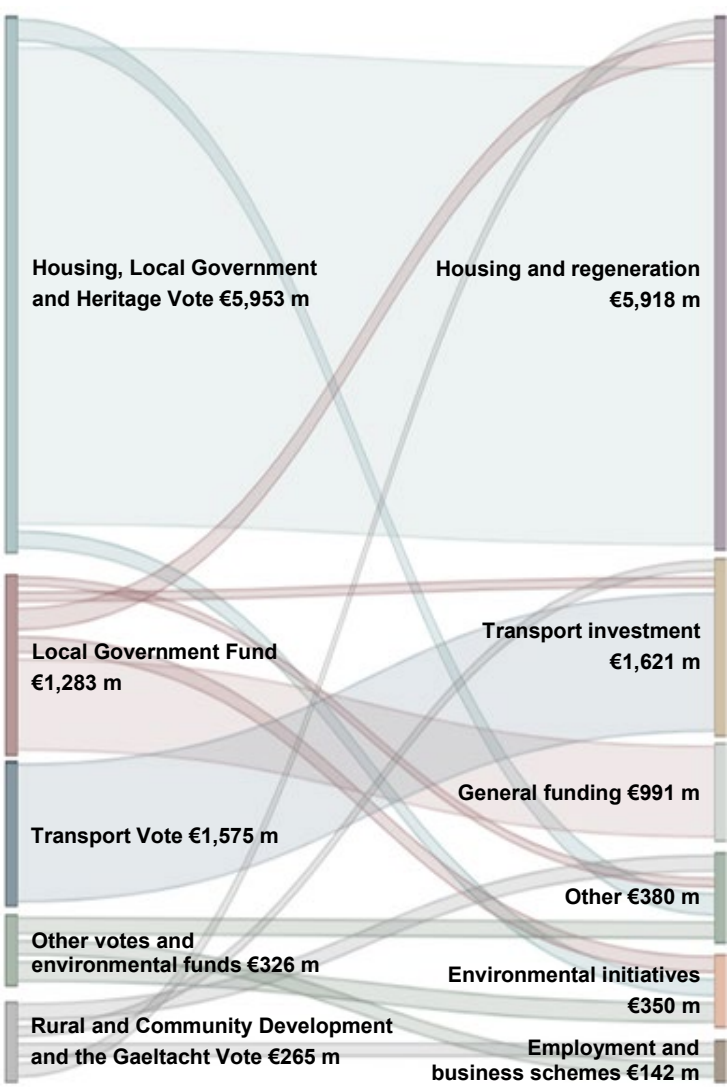


Figure 4.3 Grouped analysis of funding by programme category, 2025



Source: Annex 4A. Analysis by the Office of the Comptroller and Auditor General.

Section 2 Housing and regeneration

The Department of Housing, Local Government and Heritage provides most (96%) of the funding for local authority expenditure on housing and regeneration. The local authorities use the funding to provide social housing stock (managed by local authorities and approved housing bodies); for the delivery of affordable housing; to support the refurbishment of vacant and derelict properties; and for other housing supports. These supports include the housing assistance payment (HAP) and rental accommodation scheme (RAS) to support households in private rental tenancies.

The funding is also used for improvements to existing local authority housing units and adaptation grants for older people and for people with disability. Around €160 million (2024: €137 million) of the funding provided by the Department to local authorities was under the Urban Regeneration and Development Fund (URDF). The Towns and Cities Regeneration Investment Fund (TACRIF) replaced the URDF in early 2026. The TACRIF continues to support the delivery of more compact and sustainable development across Ireland's cities and large towns.

The Department of Rural and Community Development and the Gaeltacht also provides funding to local authorities for rural regeneration — €72 million in 2025 (2024: €70 million). This funding supports schemes for revitalising towns and villages; addressing vacancy and dereliction; and development of community facilities.

Figure 4.4 Central government funding to local authorities for investment in housing and regeneration, 2020 – 2025

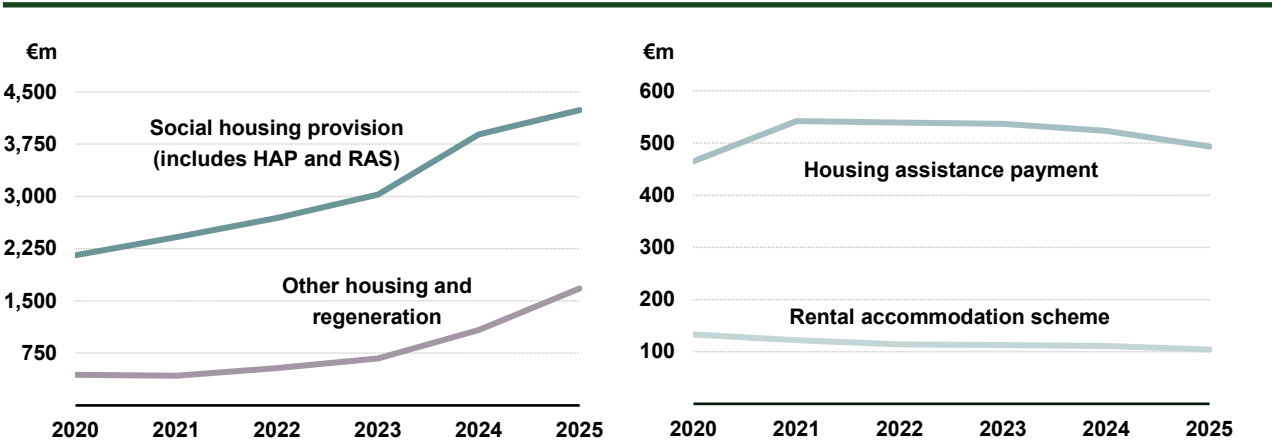
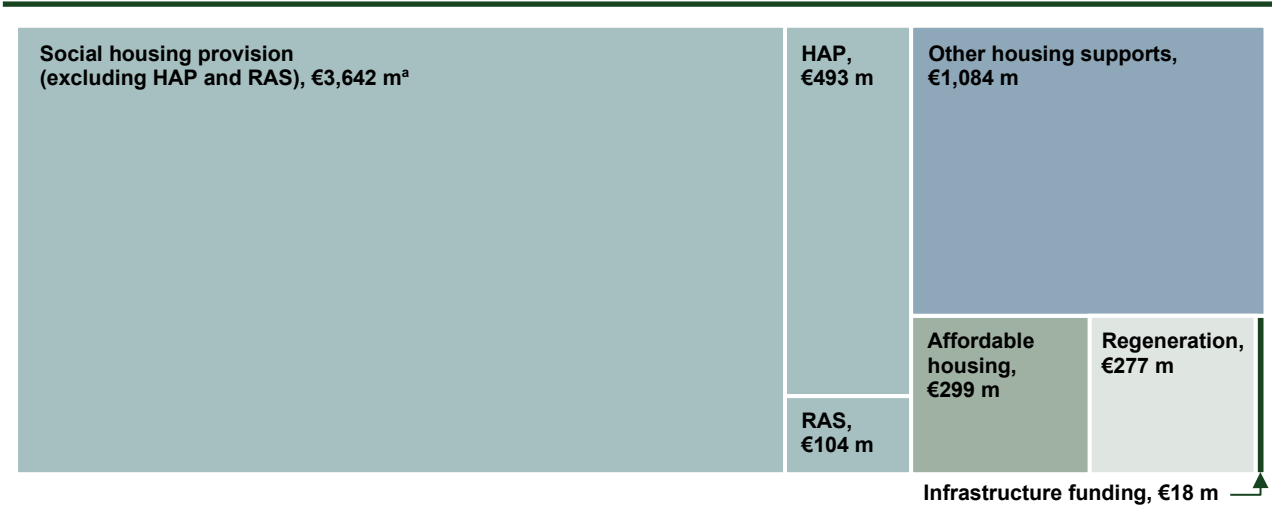


Figure 4.5 Breakdown of funding for housing and regeneration purposes, 2025



Source: Department of Housing, Local Government and Heritage. Analysis by the Office of the Comptroller and Auditor General.

Note: a Includes funding of almost €165 million from the local property tax allocation that local authorities above the baseline are required to spend on housing in lieu of Exchequer funding.

Section 3 Transport investment

The Department of Transport and the Department of Rural and Community Development and the Gaeltacht provide funding to local authorities for roads and public transport investment (see Figure 4.6 and Figure 4.7).

The Department of Transport provides funding primarily for regional and local roads directly to local authorities (€701 million in 2025). Transport Infrastructure Ireland provided funding for national roads (€508 million) and greenways (€48 million). The National Transport Authority provided funding for active travel (€282 million) and public transport (€31 million) in 2025.

The Department of Rural and Community Development and the Gaeltacht provided funding of €30 million to local authorities for private and non-publicly maintained local roads.

Some local authorities also self-fund expenditure on regional and local roads from local property tax allocations (€16.5 million in 2025).

Figure 4.6 Central government funding to local authorities for transport investment 2020 – 2025

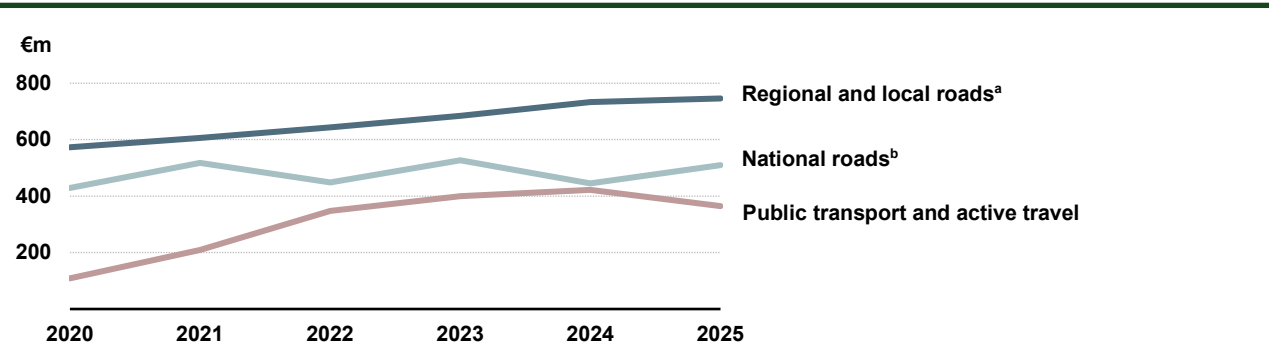
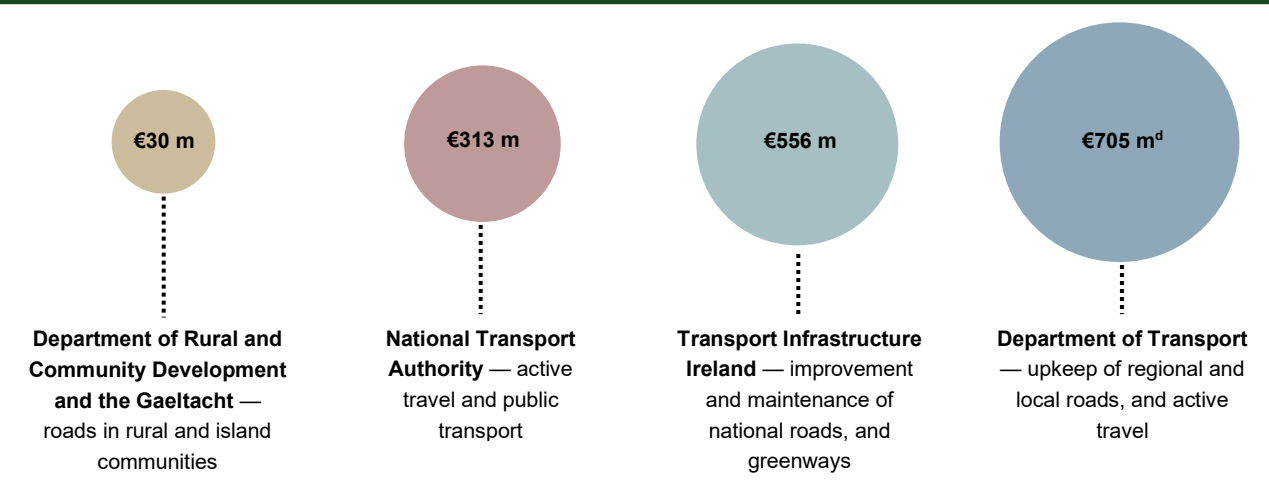


Figure 4.7 Transport investment by organisation 2025^c



Source: Department of Transport, Department of Rural and Community Development, Department of Agriculture, Food and the Marine and Department of Climate, Energy and the Environment. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a Includes funding from the Department of Agriculture, Food and the Marine and the Department of Climate, Energy and the Environment, totalling around €305,000.
 - b Includes electric car infrastructure and Zero Emission Vehicles Ireland funding.
 - c This figure does not include the funding of €16.5 million from local property tax allocations. It also excludes funding from the Department of Agriculture, Food and the Marine and the Department of Climate, Energy and the Environment, totalling around €305,000.
 - d This includes funding of around €3.4 million for active travel.

Section 4 Environmental initiatives

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

The Department of Housing, Local Government and Heritage provided local authorities with funding of €91 million from the Local Government Fund for water delivery transformation costs in 2025 (2024: €62 million). The funding is for costs still incurred by local authorities following the establishment of Uisce Éireann (referred to as ‘stranded’ water costs). These costs are mainly corporate overheads (e.g. finance, IT, human resources) for water service administrative roles remaining in the local authorities. Further detail on stranded water costs is included at Annex 4C.

The Office of Public Works provided local authorities with funding of around €67 million for flood relief works in 2025 (2024: €46 million).

Figure 4.8 Central government funding to local authorities for environmental initiatives, 2020 – 2025

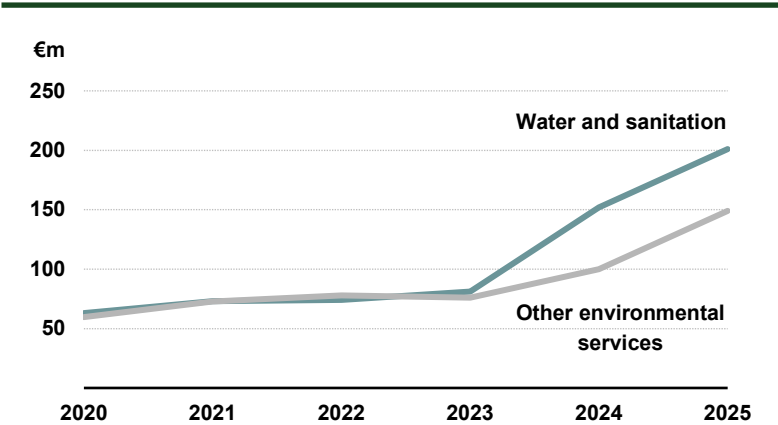
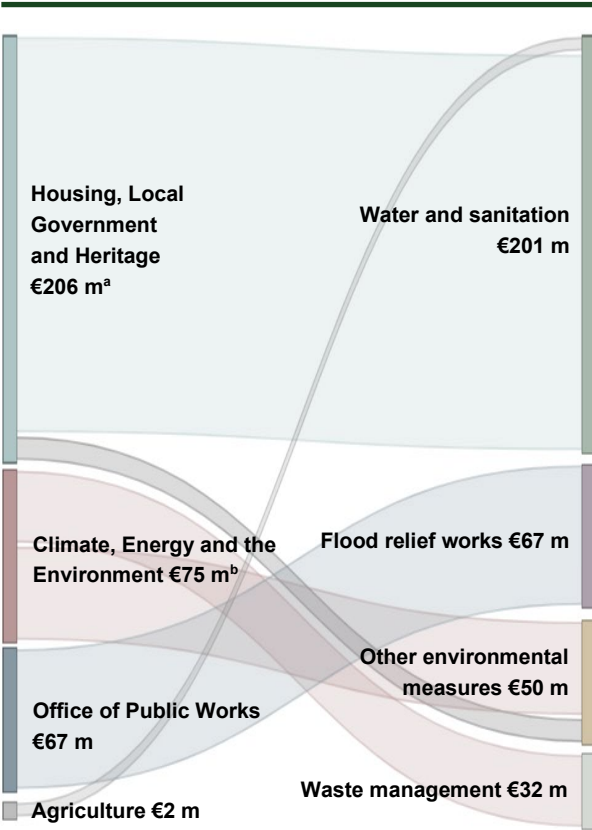


Figure 4.9 Environmental initiatives — sources and purposes of funding, 2025



Source: Annex 4A. Analysis by the Office of the Comptroller and Auditor General.

Notes:

- a Includes funding of €91 million from the Local Government Fund for water transformation costs, of which €85 million had been ring-fenced for these costs in the fund's prior year reserves.
- b Includes funding of €7 million from the Circular Economy Fund and €18.4 million from the Climate Action Fund.

Section 5 Miscellaneous capital programmes

The Department of Rural and Community Development and the Gaeltacht provided (including through the Community Recognition Fund, the Community Enhancement Programme, and funding for Island communities) funding of around €46 million (2024: €32.7 million) to local authorities for community facility supports. It also provided funding of €15.8 million (2024: €33.7 million) for the LEADER programme.

The Department of Housing, Heritage and Local Government provided funding of €46.5 million to Louth County Council in 2025 (2024: €26.5 million) for the Narrow Water Bridge project. The projected full contribution to the cost of the bridge is €135 million.

The Department of Agriculture, Food and the Marine provided capital funding of around €3.5 million in 2025 (2024: €12 million) for harbour development projects.

Figure 4.10 Central government funding to local authorities for miscellaneous capital programmes, 2020 – 2025^a

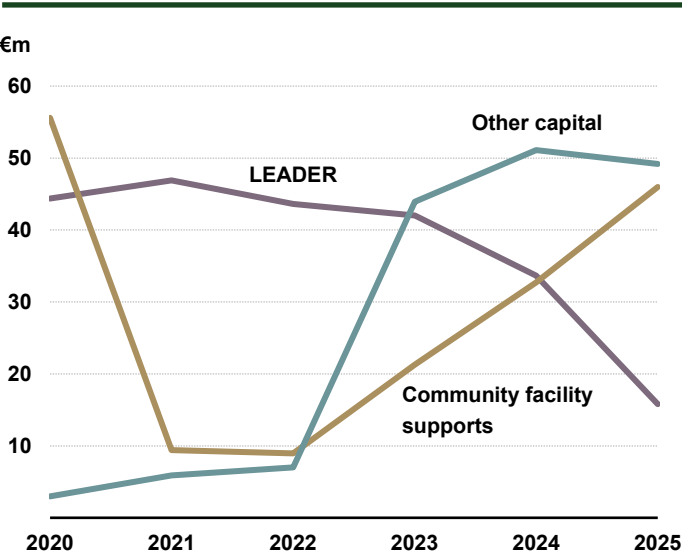
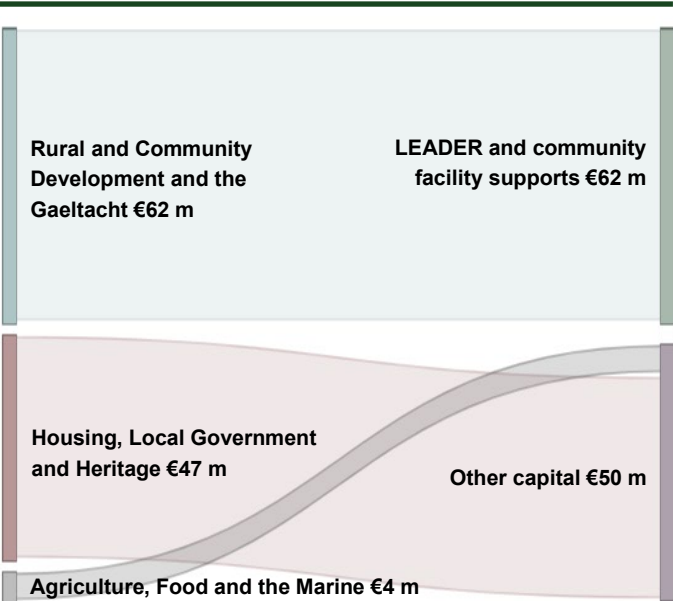


Figure 4.11 Miscellaneous capital programmes — sources and purpose of funding, 2025^b



Source: Annex 4A. Analysis by the Office of the Comptroller and Auditor General.

Notes:

- a This reflects the gross funding. Reimbursements from local authorities of €50,000 are not included.
- b Some amounts may not tot due to rounding.

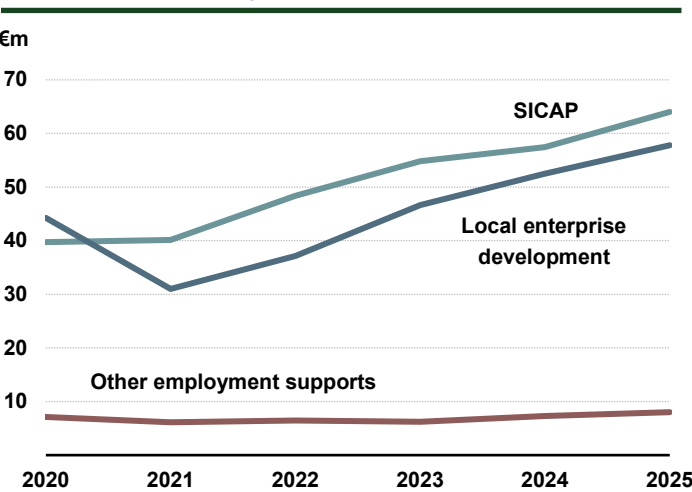
Section 6 Employment and business schemes

The Department of Rural and Community Development and the Gaeltacht provided around €64 million (2024: €57.5 million) to local authorities for the Social Inclusion and Community Activation Programme (SICAP).

In 2025, the Department of Enterprise, Tourism and Employment, through Enterprise Ireland, provided €57.8 million (2024: €52.5 million) to local authorities for the local enterprise programme delivered by local enterprise offices (LEOs). Around €8 million (2024: €7 million) of funding was also provided by the Department of Social Protection in employment support schemes (see Figure 4.12).

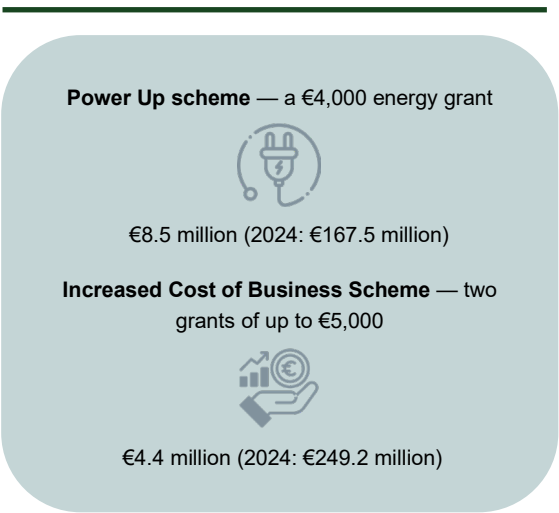
The Department of Enterprise, Tourism and Employment also provided funding for payments under a reclassification appeals process for the temporary Increased Cost of Business Scheme and the Power Up energy grant initiatives (see Figure 4.13). These initiatives were introduced in 2024 for one year. However, some businesses misclassified their business in 2024 and were deemed ineligible. The Department received sanction in 2025 (from the Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation) for an appeals process to allow affected businesses to correctly categorise their business and register for the grants. The reclassification process was administered by the local authorities on behalf of the Department.

Figure 4.12 Central government funding to local authorities for employment schemes, 2020 – 2025



Source: Department of Enterprise, Tourism and Employment. Analysis by the Office of the Comptroller and Auditor General.

Figure 4.13 Business supports administered by local authorities, 2025



Section 7 Other services

Central government funding also included €10 million (2024: €44 million) for accommodation and services for persons displaced by the Russian invasion of Ukraine and €13 million (2024: €6.4 million) for migrant integration supports.

The Housing Vote provided funding of €18.6 million on an exceptional basis to local authorities for severe weather event response and clean-up costs in 2025.

Total funding of €79 million was provided to support the fire and emergency services (2024: €66 million). €68.8 million of this funding was provided from the Housing Vote. The HSE also provided €9.2 million to support the Dublin Fire Brigade Ambulance Service.

The Department of Culture, Communications and Sport provided €22.6 million (2024: €17.3 million) to local authorities through Sport Ireland.

Figure 4.14 Central government funding to local authorities for other services, 2020 – 2025

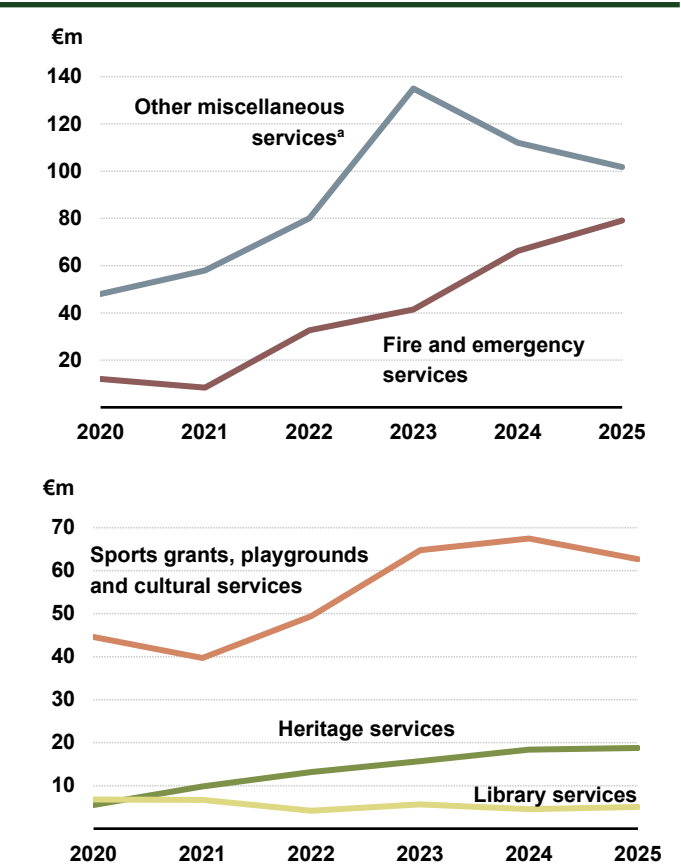
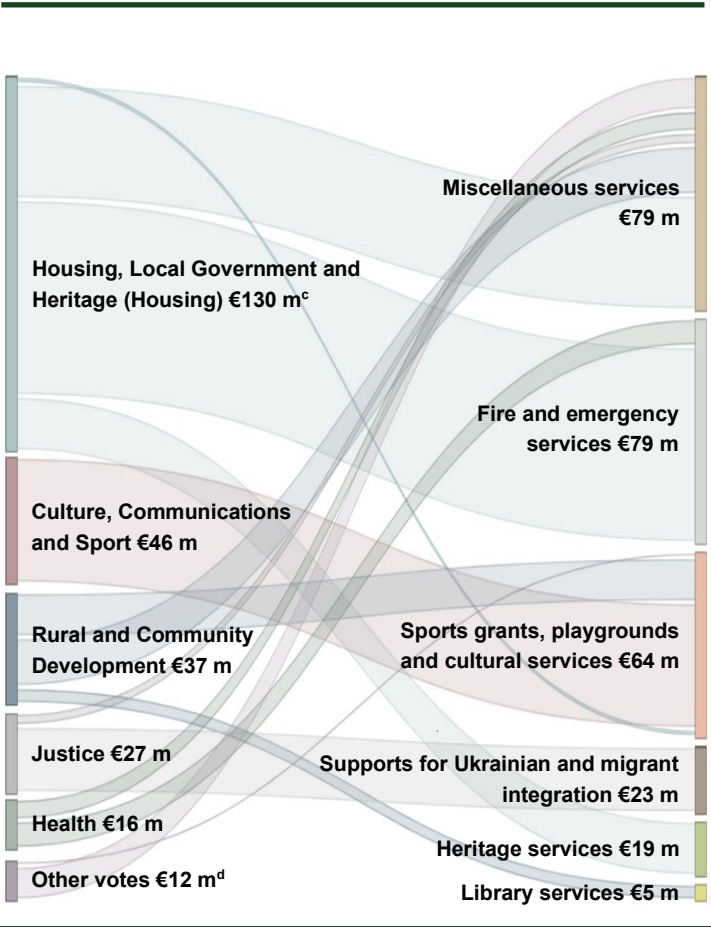


Figure 4.15 Other Services — sources and purposes of funding, 2025^b



Source: Annex 4A. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a This is further broken down in Figure 4.15 between miscellaneous services and supports for Ukrainian and migrant integration.
 - b Some amounts may not tot due to rounding.
 - c Includes funding of €23 million from the Local Government Fund.
 - d Includes Agriculture Food and the Marine (€4.8 million); Defence (€4.2 million); Children, Disability and Equality (€1.3 million); Social Protection (€0.9 million); Further and Higher Education, Research, Innovation and Science (€0.7 million); Climate, Energy and the Environment (€0.2 million); Office of Public Works (€0.008 million).

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 LGF derive from the Exchequer (via the Vote) and from local property tax (LPT) receipts. The latter is collected by the Revenue Commissioners.

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

Each year, the Department estimates the total expected LPT yield in each local authority for the following liability year. It also estimates 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 4B for the calculation of the LPT 2025 allocation.

The LPT receipts in a particular year may not match annual allocations for that year (see Figure 4.16). This is because property owners may pay their LPT in the year prior to liability (i.e. a prepayment), or as a late payment in a subsequent year. For example, €158 million (2024: €79 million) of LPT receipts were received in 2025 for the 2026 liability year. The increase in prepayments is attributed to the commencement of a new LPT cycle for the period 2026 – 2030. Property owners were required to submit a property valuation, as at 1 November 2025, to determine the LPT charge for the new cycle.

Figure 4.16 Receipts and allocation of LPT through the Local Government Fund 2015 – 2025

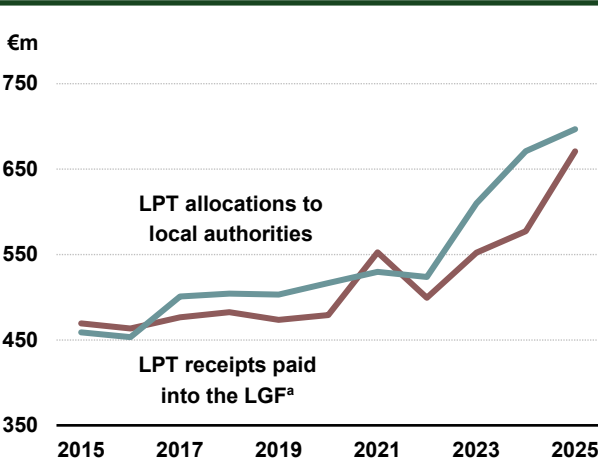
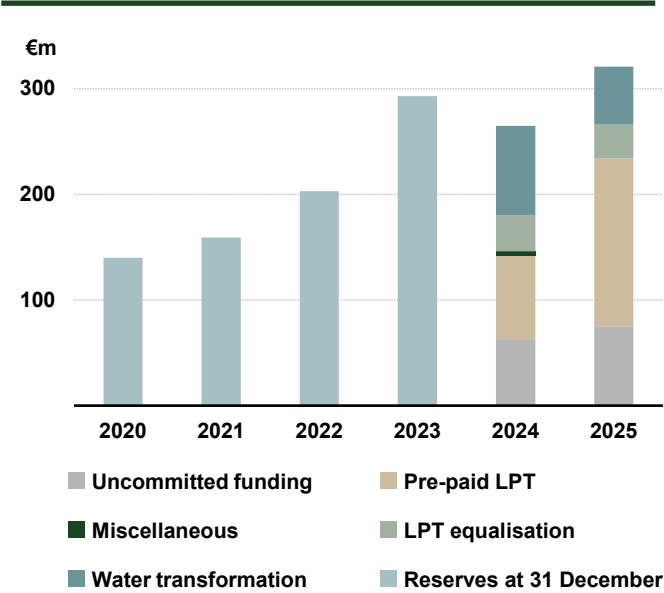


Figure 4.17 Local Government Fund, year-end reserves 2020 – 2025



Source: Revenue Accounts 2015 – 2025, the Department of Housing, Local Government and Heritage and the Local Government Fund accounts. Analysis by the Office of the Comptroller and Auditor General.

Note: a LPT receipts collected by the Revenue Commissioners and amounts subsequently paid over to the LGF in a given year may differ due to timing.

After recording a surplus of around €56 million in 2025, the LGF reserves increased to around €321 million by year-end. Overall, the reserves have increased by approximately 129% since 2020 (see Figure 4.17).

At end 2025, almost €276 million (86%) of the year-end reserves were ringfenced/allocated for specific purposes. This included €55 million for water transformation stranded costs, €159 million of prepaid

LPT, and €32 million for LPT equalisation funding. The fund’s reserves policy, introduced in July 2024, also provides for the retention of €30 million of uncommitted funding at year-end for contingencies. At year-end, uncommitted funding in the reserves totalled €75 million (2024: €63 million). The Department stated that the increase in uncommitted reserves is largely due to higher than expected LPT receipts, particularly the collection of LPT arrears.

Annex 4A Central government transfers to local authorities by expenditure programme, 2020 to 2025^a

Expenditure category	2020 €m	2021 €m	2022 €m	2023 €m	2024 €m	2025 €m
Housing and regeneration						
Social housing provision	2,156	2,413	2,693	3,025	3,633	4,239
Affordable housing, etc.	—	4	9	20	144	299
Infrastructure funding	32	16	17	20	16	18
Other housing supports	340	324	420	536	916	1,084
Regeneration	67	82	90	99	261	277
	2,595	2,839	3,229	3,699	4,970	5,917
Transport investment						
National roads improvement	429	517	449	526	445	510
Regional and local roads improvement	573	606	644	685	733	746
Public transport and active travel	109	209	348	400	423	365
	1,111	1,332	1,441	1,611	1,601	1,621
Environmental initiatives						
Water and sanitary services	63	73	74	81	152	201
Flood relief works	31	26	28	31	46	67
Waste management	26	39	37	25	30	32
Other environmental measures	3	8	13	20	24	50
	123	146	152	157	252	350
Employment and business schemes						
Employment schemes	91	77	92	108	117	129
Increased Cost of Business scheme	—	—	—	—	249	4
Power Up scheme	—	—	—	—	168	9
	91	77	92	108	534	142

Expenditure category	2020 €m	2021 €m	2022 €m	2023 €m	2024 €m	2025 €m
Miscellaneous capital programmes	103	62	60^c	107	117	112
Other services						
Fire and emergency services	12	8	33 ^b	41 ^b	66 ^b	79 ^b
Library service	7	7	4	6	5	5
Sports grants, playgrounds and cultural projects	45	40	49	64	61	63
Heritage services (architectural heritage)	5	10	13	16	18	19
Other miscellaneous services	48	58	80	135	112	102
	117	123	179	263	262	268
Covid-19 supports						
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	—	—
	1,417	637	197	4	—	—
 LPT allocations — non-programme specific/discretionary	 410	 422	 423	 426	 504	 515
Remuneration-related payments paid from the LGF	109	130	210	287^d	368	476
Total funding provided to local authorities	6,076	5,768	5,984	6,662	8,608	9,401

Source: Department of Defence; Department of Enterprise, Tourism and Employment; Department of Agriculture, Food and the Marine; Department of Children, Disability and Equality; Department of Culture, Communications and Sport; Department of Further and Higher Education, Research, Innovation and Science; Department of Health; Department of Housing, Local Government and Heritage; Department of Justice Home Affairs and Migration; Local Government Fund account; Office of Public Works; Department of Rural and Community Development and the Gaeltacht; Department of Social Protection; Department of Climate, Energy and the Environment; Department of Transport

- Notes:
- a Some amounts may not tot due to rounding.
 - b 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 prior to 2022 due to an oversight by the Department.
 - c This amount was 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.
 - d This amount was previously reported on as €354 million. The error came to light during the 2025 examination.

Annex 4B 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 of Housing, Local Government and Heritage's website. The allocation process is underpinned by a Government memorandum.

Every local authority is entitled to receive a minimum amount of funding known as baseline funding. For local authorities that do not have a strong enough property base to meet this baseline funding, their allocation is supplemented by a process called equalisation. In 2025, 21 local authorities had their allocations supplemented through equalisation.

Local authorities can retain all their LPT projected yield, with all equalisation funding now coming directly from the Exchequer (€110 million in 2025) and from the LGF reserves (€34 million in 2025).

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. The net impact of local authority variations was increased LPT allocations of around €0.23 million in 2025 (2024: €7 million decrease).

Local authorities above the baseline are required to use some of their allocation for expenditure on housing and roads that would otherwise be funded by the Exchequer. This totalled €182 million in 2025 (2024: €167 million).

LPT is used by local authorities to fund local services, for example, parks, libraries, leisure amenities, fire and emergency services, maintenance, cleaning of streets and street lighting.

	2025 Authorities above the baseline	2025 Authorities below the baseline	2025 All	2024 All
Number of local authorities	10	21	31	31
	€m	€m	€m	€m
Total LPT projected yield	384	169	553	529
Equalisation funding				
— Exchequer direct contribution	—	110	110	110
— LGF reserves	—	34	34	39
Pre-variation LPT allocations	384	313	697	678
Adjustment for local variations in tax rate	(22)	22	—	(7)
Total LPT allocation	362	335	697	671
Of which				
— for authority's own general use	180	335	515	504
— self-funding of housing and roads	182	—	182	167

Source: Department of Housing, Local Government and Heritage

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

Annex 4C Water transformation and stranded water costs

Irish Water, now called Uisce Éireann (UÉ), was established in 2013 to allow the transfer of water services from the local authorities (LAs) to one national regulated body. Service level agreements (SLAs) were entered between UÉ and each LA for the period 2013 to 2023, under which the LAs would continue to provide water services and UÉ would pay the LAs for these services.

In June 2022, the Department of Housing, Local Government and Heritage (the Department) published a [Framework for future delivery of water services](#). The framework provides for the transition of water services from LAs to UÉ by end 2026. This includes the voluntary transfer of existing LA water services staff to UÉ as permanent employees.

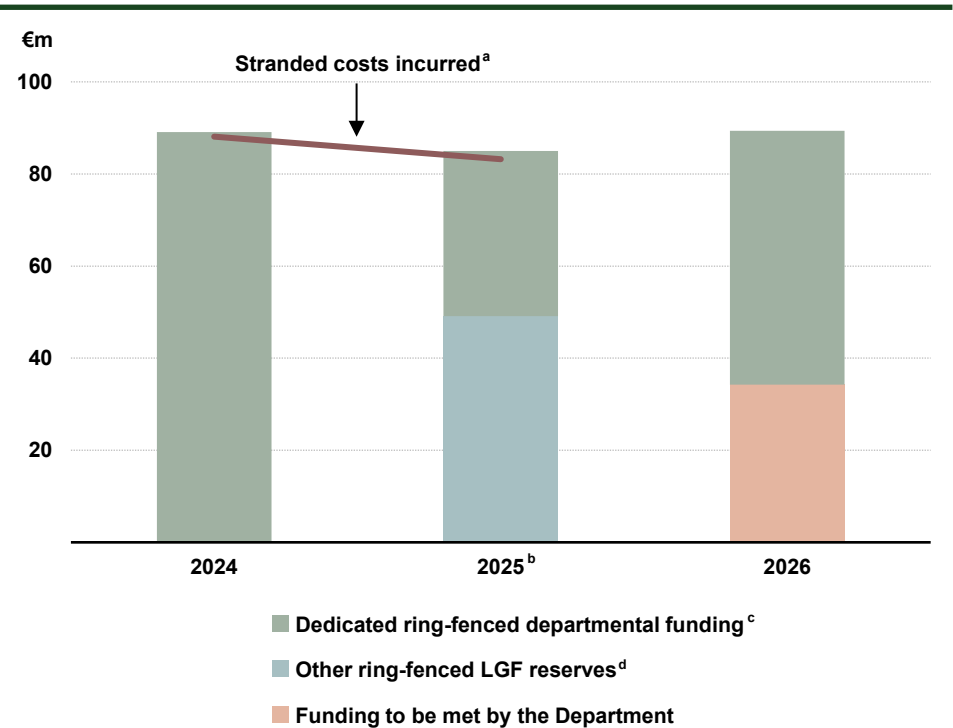
By end 2025, 50% (639) of eligible LA staff (1,266) had transferred to UÉ. A further 14% (178) of the eligible staff were directly recruited by UÉ.

It was agreed as part of the framework (in a memorandum of understanding), that any ‘stranded costs’ borne by LAs arising from the water transformation process would be funded by the Department to end 2026. Stranded costs are central management charges for water service administrative roles remaining in LAs. The charges comprise general operational costs (finance, HR, and IT services, etc.) and associated pension costs.

Since 2023, the Department has provided dedicated annual funding from Vote 34 to the Local Government Fund (LGF) for stranded water costs to be met in the following year. At the end of each of the years, 2023 to 2025, the Department ring-fenced some of the LGF’s reserves to meet projected stranded water costs in the following year. The ring-fenced reserves comprise the Department’s dedicated funding, and a portion of other accumulated reserves (see Figure 4C.1).

The Department has stated that total stranded costs for 2026 are estimated at €89.4 million — €55.14 million of which will be funded from LGF ring-fenced reserves, and the balance will be met by the Department in 2026. The Department has also stated that any future funding arrangements for local authorities regarding the loss of water services-related income post-2026 is a Government policy matter and has yet to be agreed.

Figure 4C.1 Stranded water funding and costs 2024 – 2026



Source: Department of Housing, Local Government and Heritage and Local Government Fund accounts. Analysis by the Office of the Comptroller and Auditor General.

Notes:

- a Includes accrued costs.
- b 2026 funding is based on projected stranded costs for 2026 as at end 2025.
- c This relates to dedicated departmental funding provided to the LGF in 2023, 2024 and 2025 for stranded water costs to be met in 2024, 2025 and 2026 respectively. The funding is underpinned by an annual Government decision.
- d Funding met from other accumulated LGF reserves specifically ring-fenced in 2024 for stranded water costs in 2025.