

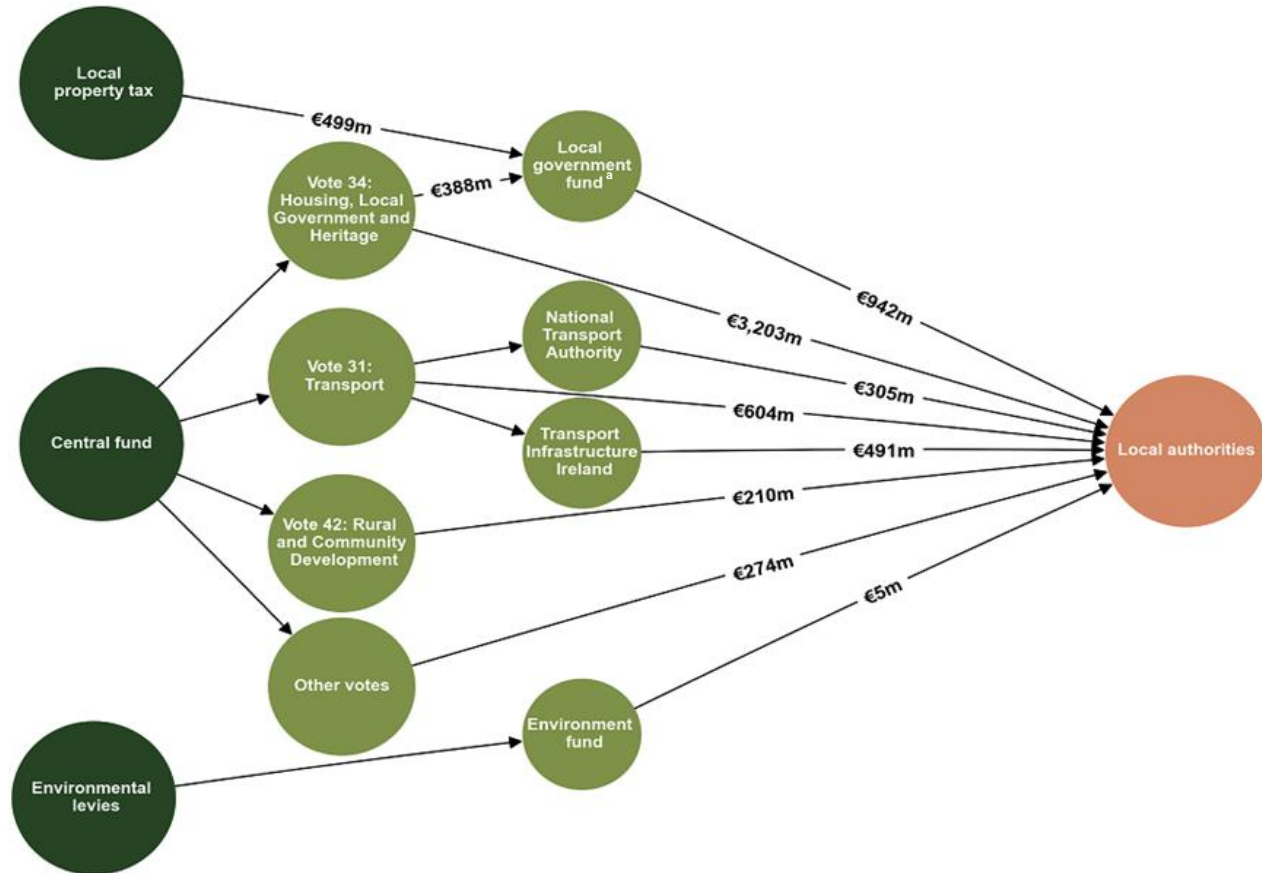
3 Central government funding of local authorities

Local authorities receive a sizeable portion of their annual funding from various central government departments and agencies (see Figure 3.1).

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 3.1 Flow of central government funding to local authorities in 2022



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.

Section 1 Central government transfers and application of central government funding

In 2022, funding from central government to local authorities totalled almost €6.04 billion, a net increase of around €270 million (5%) on 2021, and up around 127% since 2017 (see Figure 3.2). Covid-19 related funding decreased by €440 million, year-on-year.

The main purposes for which central government funding was provided were for the provision of social housing and transport investment; a contribution towards local authority general activities (budget support); and support in response to Covid-19 related impacts (see Figure 3.4).

Figure 3.2 Central government funding, 2017 – 2022

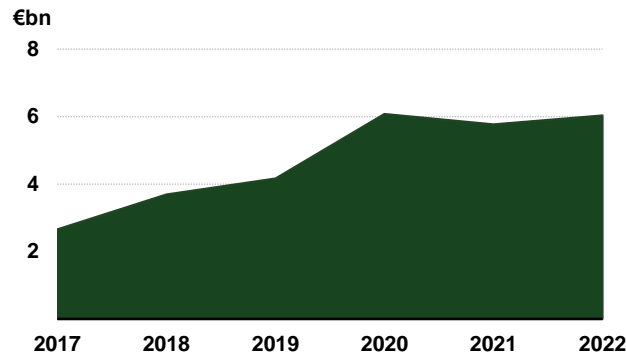


Figure 3.4 Purpose of central government funding, 2022

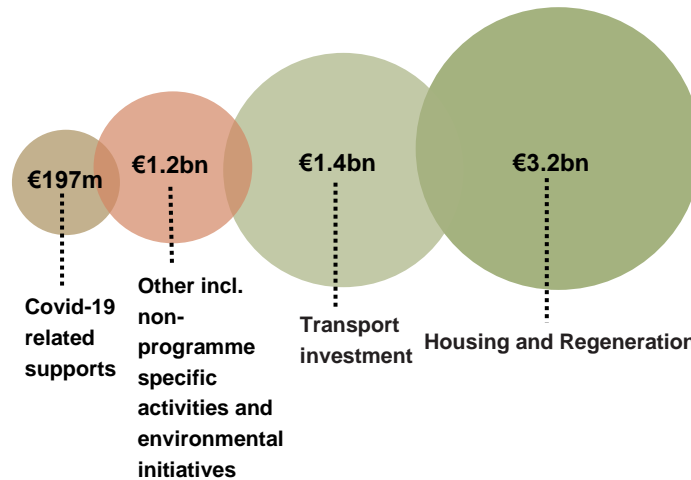
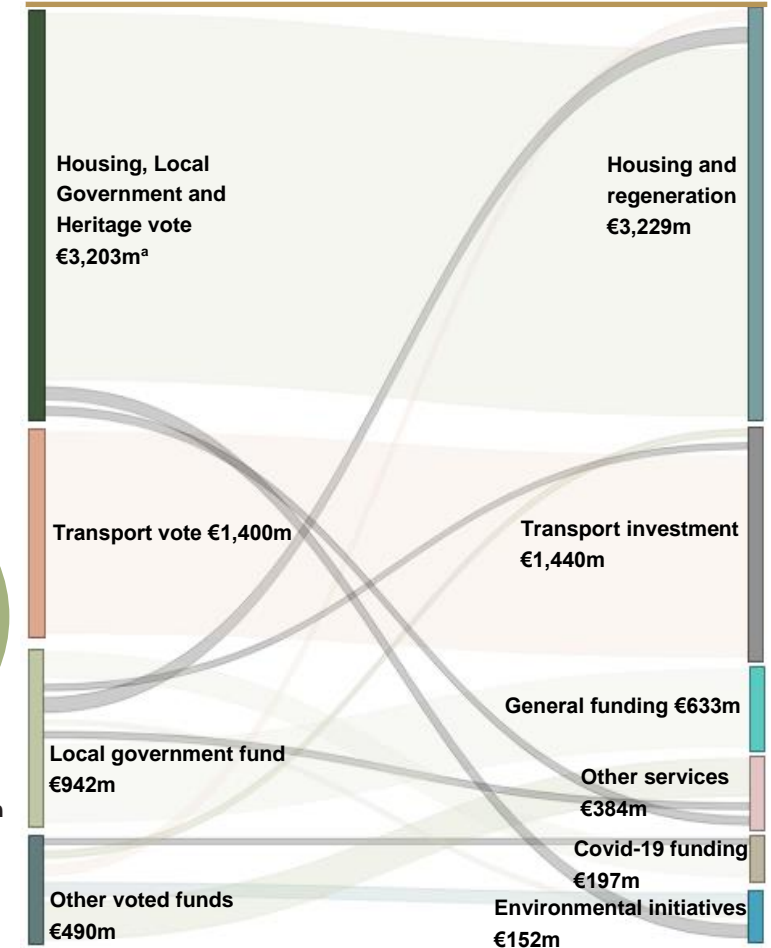


Figure 3.3 Grouped analysis of central government funding by programme category, 2022



Source: Annex 3A

Note: a This excludes receipts of €40.6 million in additional superannuation contributions and audit fees from local authorities

Section 2 Housing and regeneration

The Department of Housing, Local Government and Heritage provides the majority of the funding for local authority expenditure on housing and regeneration — around 98% in 2022. 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.

The Department of Rural and Community Development also provides funding to local authorities for rural regeneration — €53 million in 2022. 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 3.5 Central government funding to local authorities for investment in housing and regeneration, 2017 – 2022

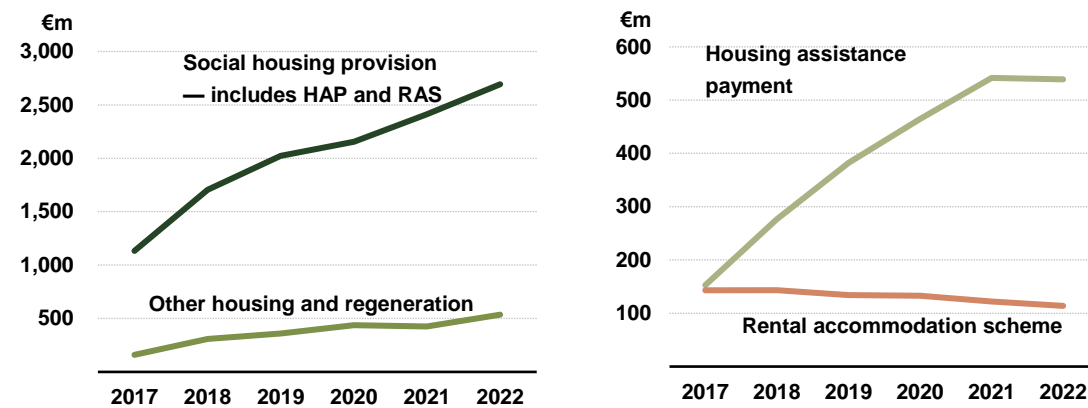
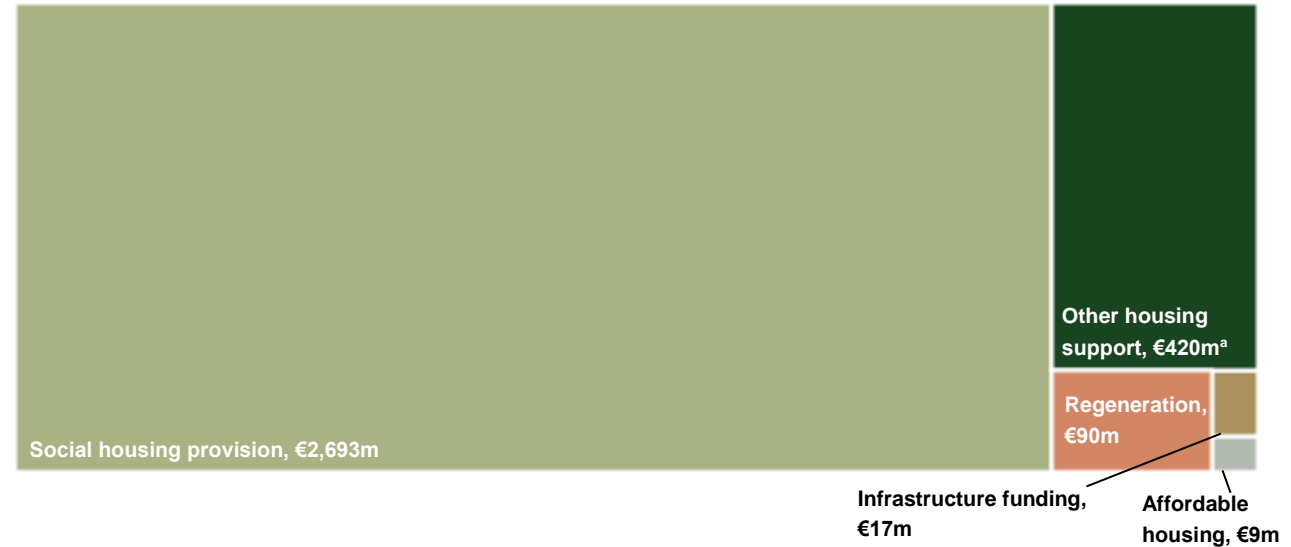


Figure 3.6 Breakdown of funding for housing and regeneration purposes, 2022



Source: Annex 3A

Note: a Includes €371,000 provided by 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 fund expenditure on regional and local roads (€16.5 million in 2022) from local property tax allocations.

Figure 3.7 Central government funding to local authorities for transport investment, 2017 – 2022

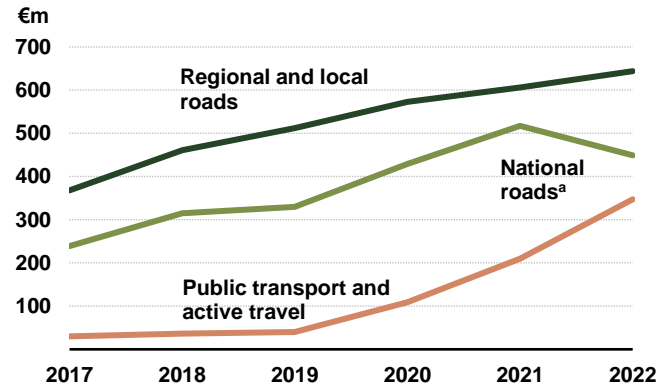
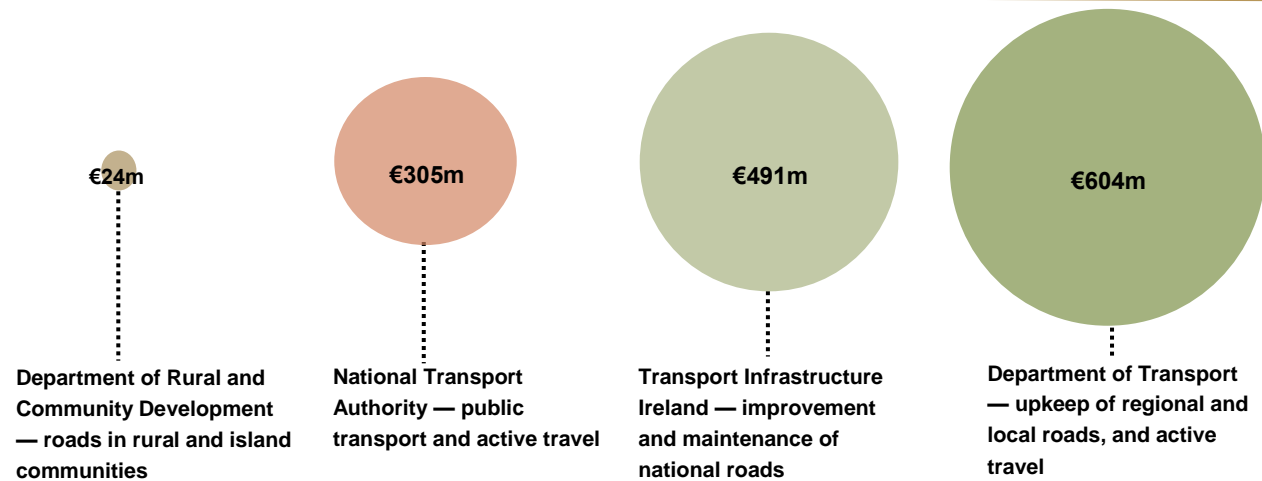


Figure 3.8 Transport investment, by organisation and role, 2022^b



Source: Office of the Comptroller and auditor General

Notes: a Includes electric car infrastructure funding.

b This figure does not include the funding from local property tax allocations of €16.5 million for expenditure on local and regional 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 OPW provided local authorities with funding of around €28 million for flood relief works in 2022.

In 2022, as also was the case in 2021, funding of around €3 million was provided to Offaly and Longford County Councils to replace lost commercial rates receipts due to the previous closure of peat-fired power stations in their areas.

Figure 3.9 Central government funding to local authorities for environmental initiatives, 2017 – 2022

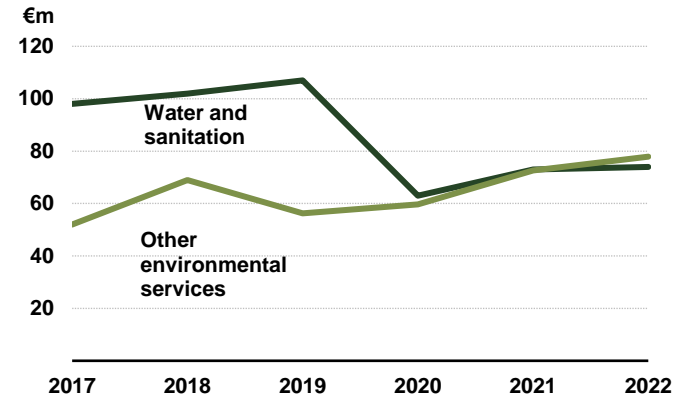
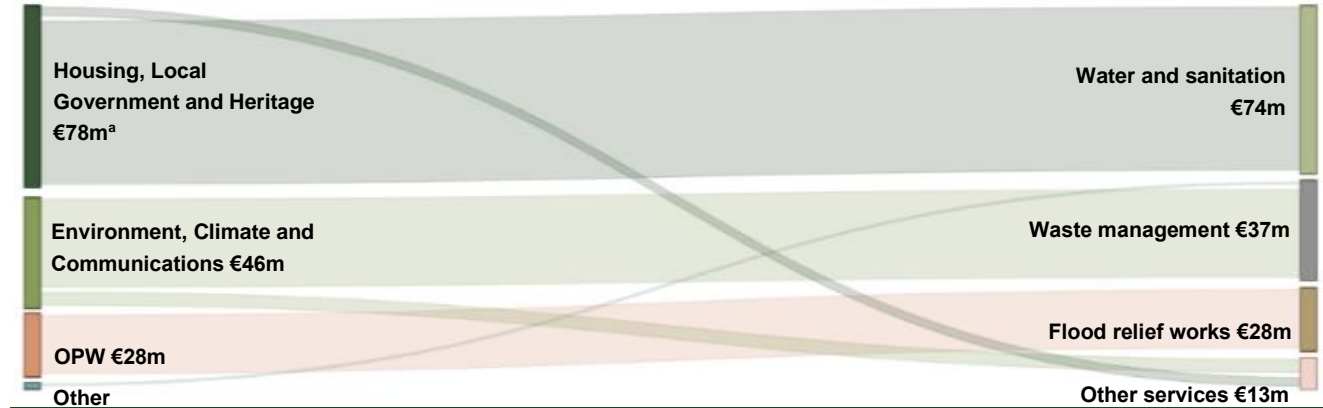


Figure 3.10 Environmental initiatives — sources and purposes of funding, 2022



Source: Annex 3A

Note: a Includes €4 million in funding from the Local Government Fund.

Section 5 Miscellaneous capital programmes

The Department of Rural and Community Development provided €44 million (2021: €47 million) to local authorities in respect of the LEADER programme; around €5 million for the community enhancement programme; and the balance of around €4 million was provided for a range of other programmes.

The Department of Rural and Community Development received refunds from local authorities totalling €4.9 million in 2022, which included a repayment of €1.6 million from Mayo County Council for capital works funding, which had previously been drawn down incorrectly over the period 2017 – 2019.

The Department of Agriculture, Food and the Marine provided capital funding of around €52 million, through An Bord Iascaigh Mhara, for coastal business and commercial activities. It also provided just under €1.6 million (2021: €4 million) for harbour development projects.

The Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media provided, through Bord Fáilte, funding of around €5 million for miscellaneous capital programmes.

Figure 3.11 Central government funding to local authorities for miscellaneous capital programmes, 2017 – 2022

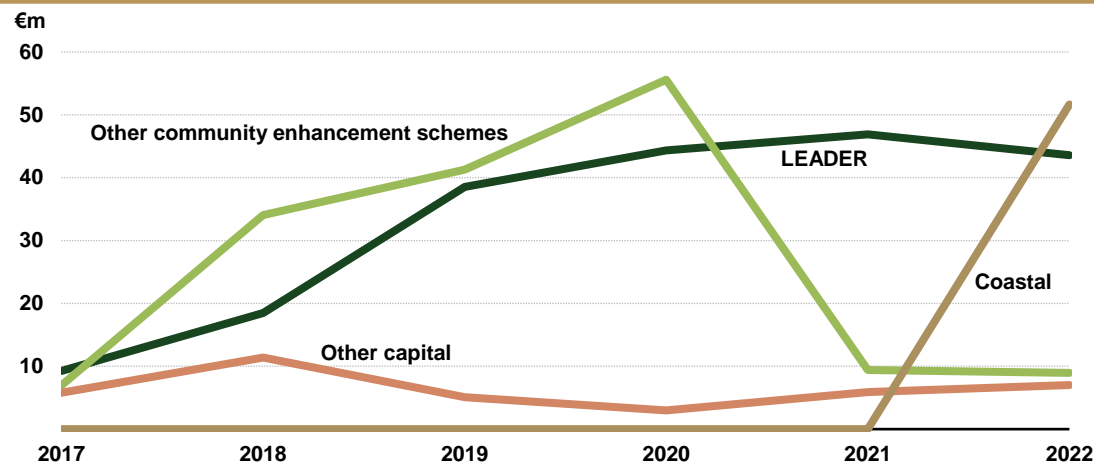
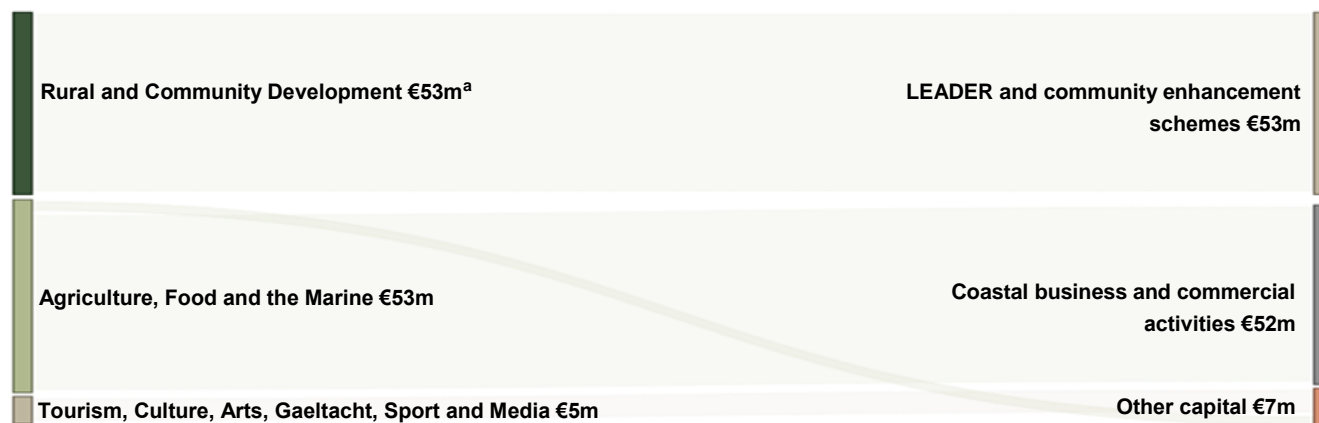


Figure 3.12 Miscellaneous capital programmes — sources and purposes of funding, 2022



Source: Annex 3A

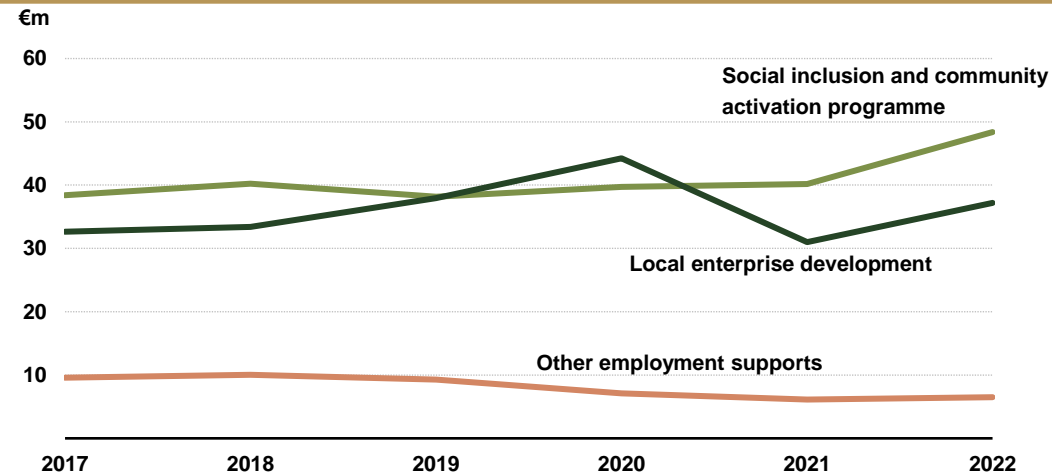
Notes: a This reflects the gross funding. Reimbursements from local authorities of €4.9 million are not included.
b Amounts are rounded to the nearest million.

Section 6 Employment schemes

The Department of Rural and Community Development provided just over €48 million (2021: €40 million) to local authorities for the Social Inclusion and Community Activation Programme (SICAP) — this aims to support disadvantaged individuals with learning and labour market supports, and to address social equality and exclusion issues. Around €5 million of the increased funding in 2022 was to support people from Ukraine.

In 2022, the Department of Enterprise, Trade and Employment, through Enterprise Ireland, provided €37 million (2021: €31 million) to local authorities for the local enterprise development programme delivered by local enterprise offices (LEOs).

Figure 3.13 Central government funding to local authorities for employment schemes, 2017 – 2022



Source: Annex 3A

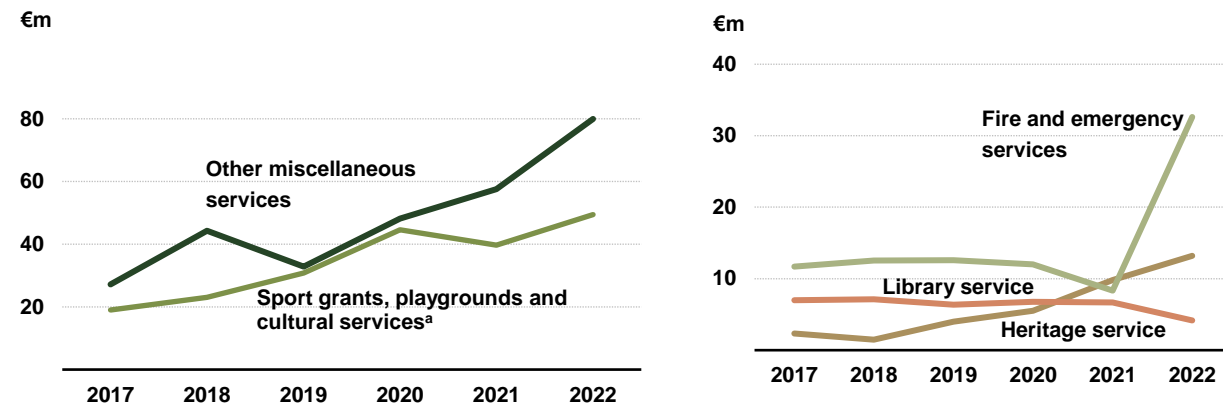
Section 7 Other services

In 2022, other services supported by central government funding included €16 million from the Department of Children, Equality, Disability, Integration and Youth for accommodation for Ukrainian refugees. It also included funding of €7 million (2021: €8 million) from the Department of Health, paid via the Food Safety Authority of Ireland, for the local authority veterinary service and €4 million (2021: €4 million) from the Department of Defence for civil defence activities.

The Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media provided funding of €15.5 million (2021: €16.5 million) to local authorities, through Sports Ireland, in 2022.

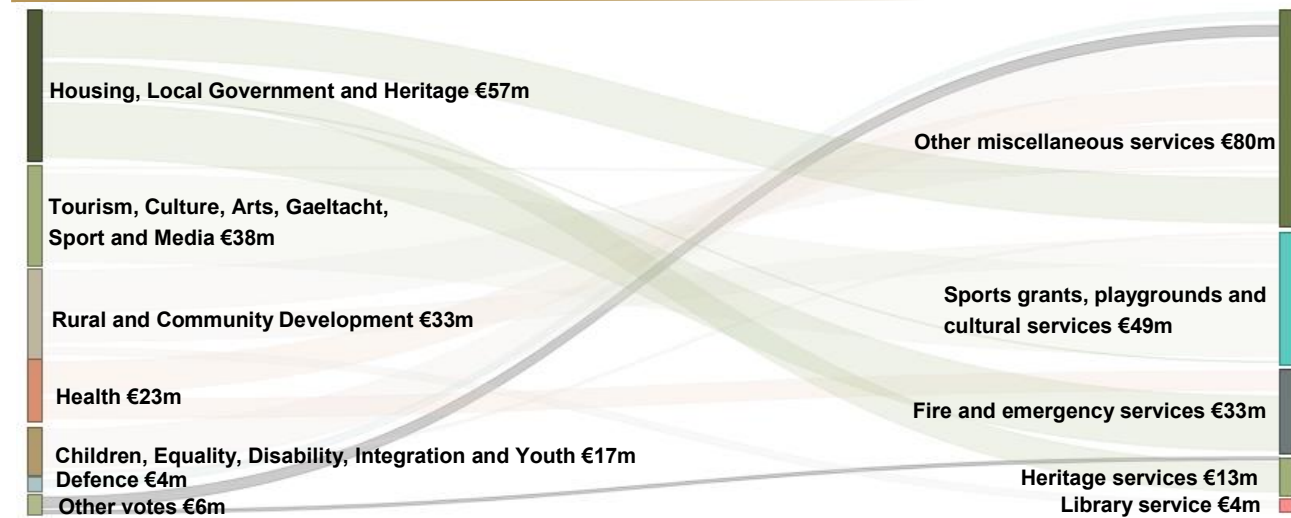
In 2022, a total of €32.6 million was provided to support the fire and emergency services (2021: €8.3 million). €23.4 million was provided from the Housing vote (2021: €8.3 million). The HSE provided a further €9.2 million to support the Dublin Fire Brigade Ambulance Service (see also Chapter 5).

Figure 3.14 Central government funding to local authorities for other services, 2017 – 2022



Note: a Includes funding for swimming pools in respect of 2017 – 2018.

Figure 3.15 Other services — sources and purposes of funding, 2022



Source: Annex 3A

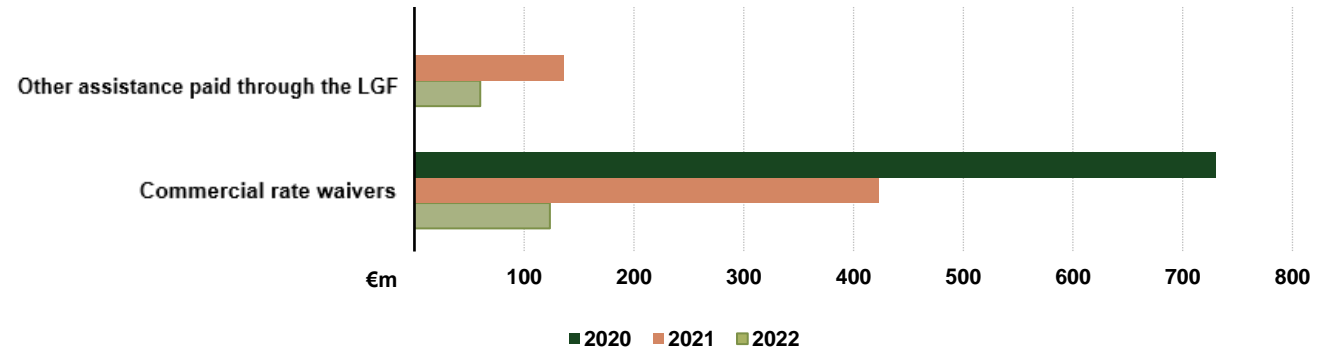
Note a Amounts are rounded to the nearest million.

Section 8 Special funding to mitigate the impact of Covid-19

In 2022, central government provided additional funding totalling €197 million (2021: €637 million) to local authorities to mitigate the ongoing impact of Covid-19 on their operations. Around €183 million or 93% of the total funding was provided by the Department of Housing, Local Government and Heritage via the Local Government Fund (LGF). Approximately €120 million of the €183 million paid from the LGF in 2022 related to 2021.

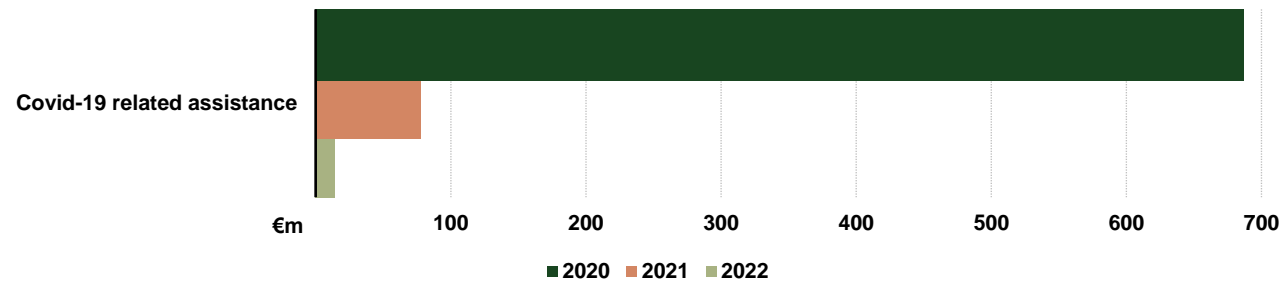
The funding paid over in 2022 was mainly in the form of support for the local authorities for reduced commercial rates income due to rate waivers granted in response to Covid-19 restrictions. The final rates waiver scheme concluded at the end of quarter 1, 2022.

Figure 3.16 Direct supports to assist local authorities, 2020 to 2022^a



Note: ^a There were no payments in relation to 'Other assistance paid through the LGF' in 2020.

Figure 3.17 Supports to businesses administered by local authorities, 2020 to 2022



Source: Annex 3A

Section 9 Local Government Fund

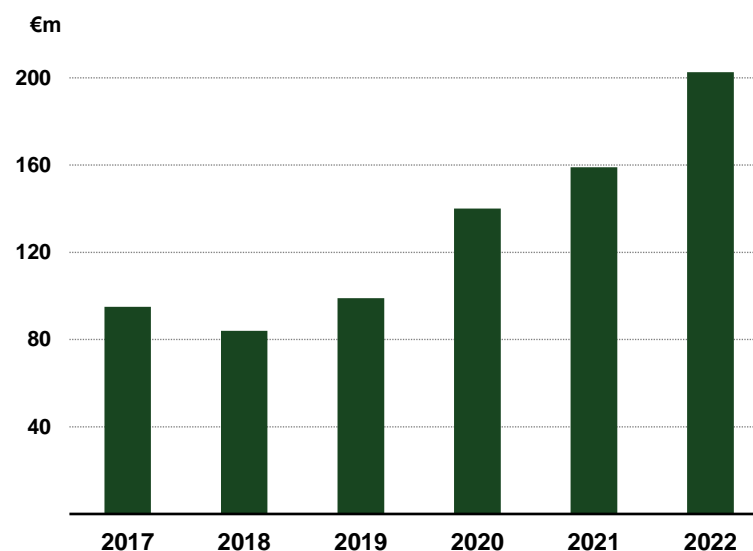
The Local Government Fund (LGF) is a special central fund managed by the Department of Housing, Local Government and Heritage (the Department) that distributes funding to local authorities from the Exchequer (via the Vote) and from the local property tax (LPT) receipts collected during the year by the Revenue Commissioners.

Towards the end of each year, the Department estimates the total LPT yield that will be liable on properties for the following year. Along with an equalisation contribution from the Exchequer, this is the LPT allocation that local authorities will receive in that year (see Annex 3B for the calculation of the LPT 2022 allocation).

The LPT collected in a particular year may not match the allocations for that year as property owners may pay their LPT in the year prior to liability, or as a late payment in a subsequent year. For example, €75 million of LPT receipts were received in 2022 for the 2023 liability year, while €125 million of LPT receipts were received in 2021 for the 2022 liability year. In addition, €52 million was received in 2022 for liability years prior to 2022.

Figure 3.18 shows that LGF reserves have increased steadily from €95 million at the end of 2017, to around €203 million at the end of 2022, an increase of over 110%. The Department stated that the reserves at the end of 2022 include funding for committed future expenditure, including €75 million advance payments of LPT, €60 million for supplementary funding due to funding pressures mainly related to energy costs, and €8 million towards LPT equalisation funding for 2023.

Figure 3.18 Year end reserves of Local Government Fund, 2017 – 2022



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

Annex 3A Central government transfers to local authorities, by expenditure programme, 2017 – 2022

The trends in funding to local authorities in the period 2017 to 2022 is shown in Figure 3A.1. Some figures may not tot due to rounding.

Sources of funding

The sources of funding reported in Figure 3A.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 3A.1 Central government transfers to local authorities, by expenditure programme, 2017 to 2022^a

Expenditure category	2017	2018	2019	2020	2021	2022
	€m	€m	€m	€m	€m	€m
Housing and regeneration						
Social housing provision	1,133	1,704	2,024	2,156	2,413	2,693
Affordable housing, etc.	3	—	—	—	4	9
Infrastructure funding	—	7	22	32	16	17
Other housing supports	79	215	258	340	324	420
Regeneration	78	86	79	67	82	90
	1,293	2,012	2,383	2,595	2,839	3,229
Transport investment						
National roads improvement	239	315	330	429	517	449
Regional and local roads improvement	368	461	512	573	606	644
Public transport and active travel	30	36	40	109	209	348
	637	812	882	1,111	1,332	1,441
Environmental initiatives						
Water and sanitary services	98	102	107	63	73	74
Flood relief works	28	31	28	31	26	28
Waste management	17	25	23	26	39	37
Other environmental measures	7	13	6	3	8	13
	150	171	164	123	146	152
Miscellaneous capital programme						
	22	64	85	103	62	111
Employment schemes						
	81	84	86	91	77	92

Figure 3A.1 Central government transfers to local authorities, by expenditure programme, 2017 to 2022 (continued)

Expenditure category	2017	2018	2019	2020	2021	2022
	€m	€m	€m	€m	€m	€m
Other services						
Swimming pools	6	1	—	—	—	—
Fire and emergency services	12	13	13	12	8	33 ^b
Library service	7	7	6	7	7	4
Sports grants, playgrounds and cultural projects	13	22	30	45	40	49
Heritage services (architectural heritage)	2	1	4	5	10	13
Other miscellaneous services	27	44	34	48	58	80
	67	88	87	117	123	179
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
	—	—	—	1,417	637	197
LPT allocations — non-programme specific/discretionary	393	395	394	410	422	423
Remuneration-related payments paid from the LGF	20	60	86	109	130	210
Total funding provided to local authorities	2,662	3,686	4,167	6,076	5,768	6,035

Source: Annex 3A

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

b Includes €9.2 million in funding 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 3B 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 increased by a process known as equalisation. The same 20 local authorities have had their allocation increased each year since 2020.

Local authorities initially retain 80% of their LPT projected yield with the remaining 20% redistributed to local authorities below the baseline. Central government also contributes funding to equalisation when this redistribution pool is not sufficient (€34 million in 2022).

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 €4 million in 2022 (2021: €3 million increase) due to local variations.

Local authorities above the baseline are also required to use some of their allocation for housing and transport expenditure that would otherwise be funded by the Exchequer. This totalled €101 million in 2022 (2021: €108 million). These local authorities are permitted to retain the remainder of their LPT surplus subject to a maximum of 20% of their projected yield.

Under the 2022 allocation process, the four Dublin local authorities were permitted to receive €40.8 million discretionary LPT funding in addition to their baseline level of funding. During 2022, the Department increased the discretionary LPT funding by €8 million. This adjustment is further explained in Chapter 5 Vote accounting and budgeting.

	80% retention > base	80% retention < base	2022 All	2021 All
Number of local authorities	11	20	31	31
	€m	€m	€m	€m
Total LPT projected yield	332	161	494	492
Local retention (80%)	266	129	395	394
Equalisation funding				
- LPT redistribution (20%)	—	99	99	98
- Exchequer contribution	—	34	34	35
Pre-variation LPT allocations	266	262	528	527
Adjustment for local variations in tax rate	(20)	16	(4)	3
Post-variation LPT allocations	246	278	524	530
Of which^b				
- for authority's own general use	146	278	423	422
- self-funding of housing and roads	101	—	101	108

Source: Department of Housing, Local Government and Heritage

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

b The increase in the discretionary funding is offset by a reduction of €8 million in the self-funding LPT. The amounts included in the published allocation schedule for 2022 are €415 million for own general use and €109 million for self-funding purposes

