

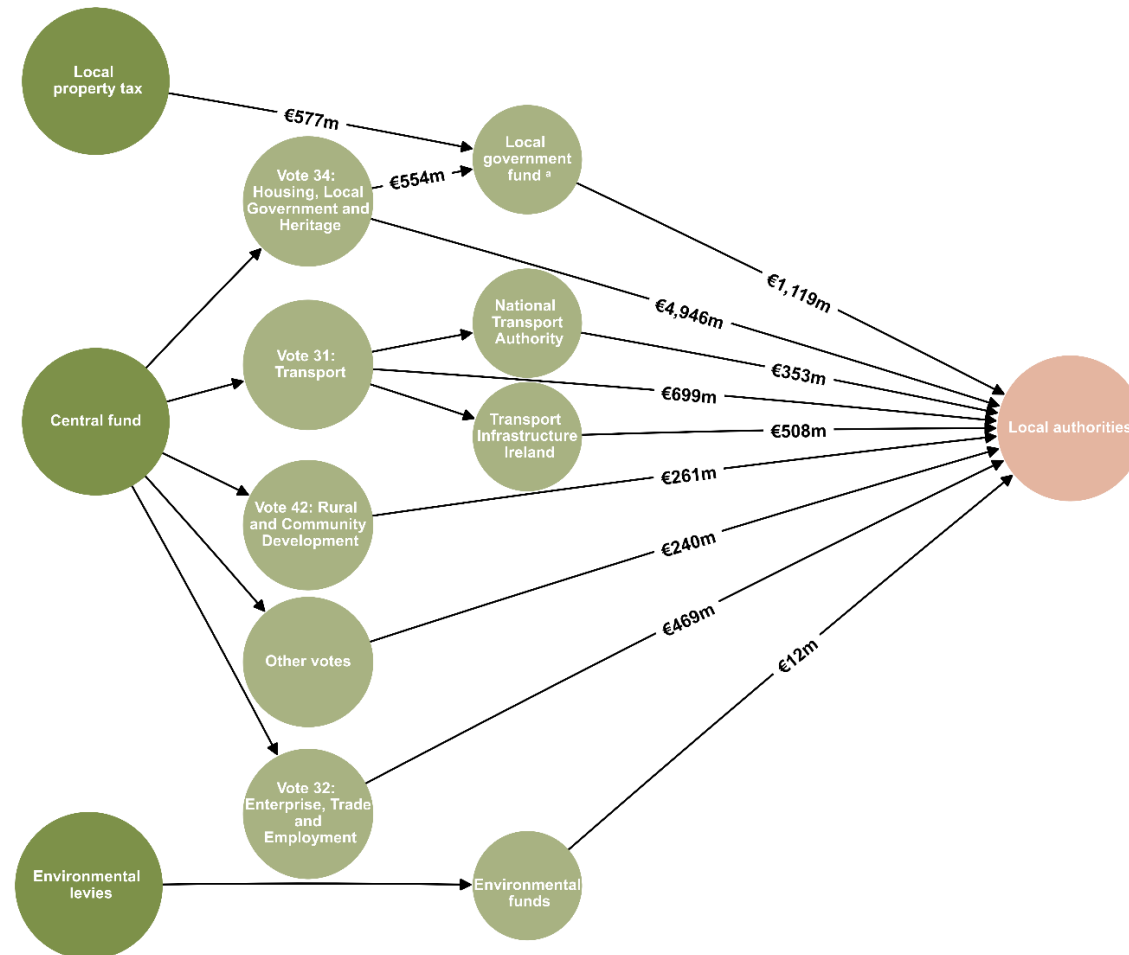
## 2 Central government funding of local authorities

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

This examination was undertaken 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. It 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 the Department of Housing, Local Government and Heritage, the Department of Transport and the Department of Rural and Community Development.

The report reflects the names of votes and departments as they applied in 2024.

**Figure 2.1 Flow of central government funding to local authorities in 2024**



Source: Annex 2A. Analysis by the 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

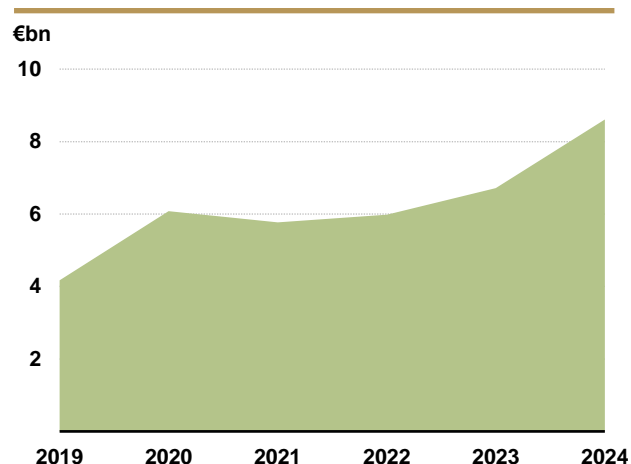
In 2024, funding from central government to local authorities totalled around €8.6 billion. This was a net increase of almost €1.9 billion (28%) on 2023. Central government funding to local authorities has more than doubled since 2019 (see Figure 2.2).

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.

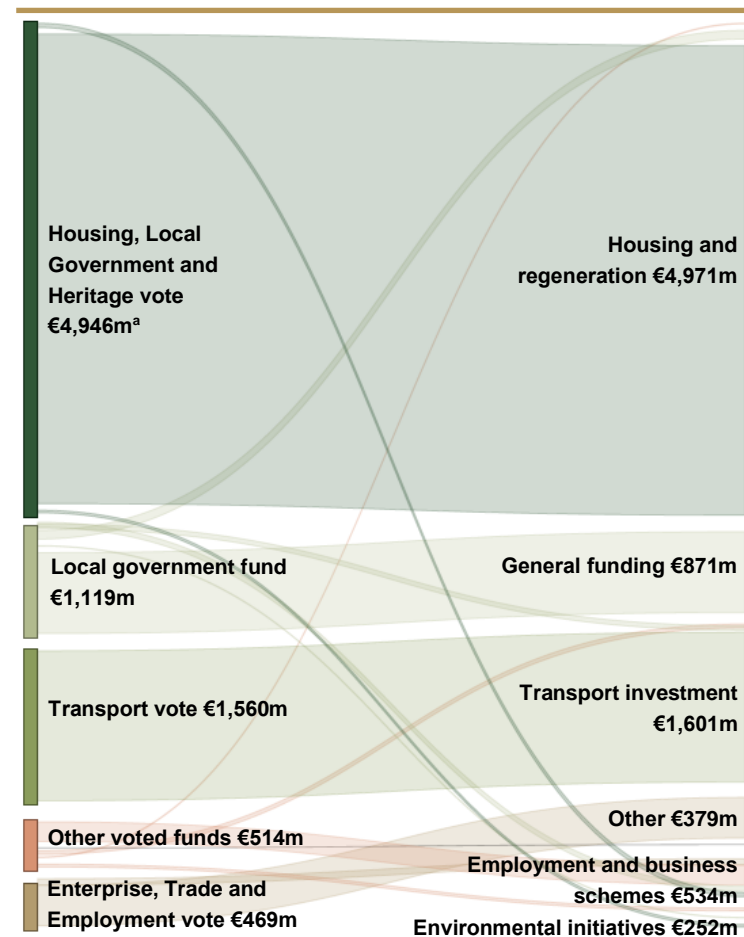
The main purposes for which the funding was provided in 2024 were for the delivery of social and affordable housing, together with a broad range of other housing supports; transport investment; a contribution towards local authority general activities (budget support); business supports; and support for environmental initiatives (see Figure 2.3).

In 2024, funding for housing and regeneration increased by around €1.3 billion (+34%).

**Figure 2.2 Central government funding, 2019 – 2024**



**Figure 2.3 Grouped analysis of central government funding by programme category, 2024**



Source: Annex 2A

Note: a This excludes receipts of €59 million from local authorities for additional superannuation contributions and audit fees.

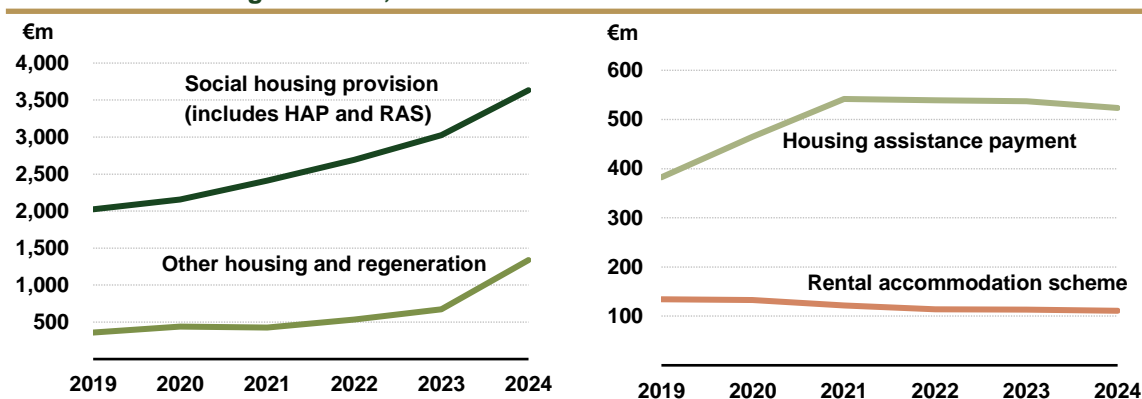
## Section 2 Housing and regeneration

The Department of Housing, Local Government and Heritage provides most of the funding for local authority expenditure on housing and regeneration — around 96% in 2024 (2023: 98%). The local authorities use the funding to provide social housing stock (managed by local authorities and approved housing bodies) and other housing supports. These supports include the housing assistance payment (HAP), rental accommodation scheme (RAS), and accommodation for homeless people.

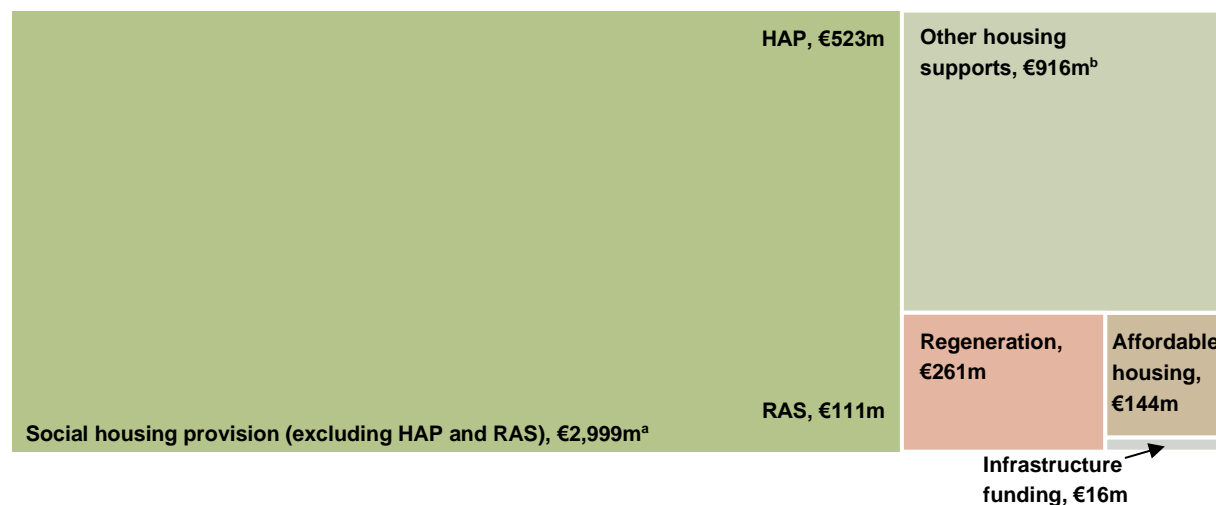
The funding is also used for improvements to existing local authority housing units and adaptation grants for older people and for people with a disability. Around €137 million of the funding provided by the Department to local authorities was under the Urban Regeneration and Development Fund (URDF). The URDF supports the delivery of more compact and sustainable development across Ireland’s cities and large towns. Housing infrastructure funding of €16 million was provided in 2024, of which €12 million related to the Local Infrastructure Housing Activation Fund.

The Department of Rural and Community Development also provides funding to local authorities for rural regeneration — €70 million in 2024 (2023: €62 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, 2019 – 2024**



**Figure 2.5 Breakdown of funding for housing and regeneration purposes, 2024**



Source: Annex 2A

- Notes:
- a Includes funding of almost €151 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 totalling around €407,000 from the Department of Justice and the Department of Further and Higher Education, Research, Innovation and Science.

### Section 3 Transport investment

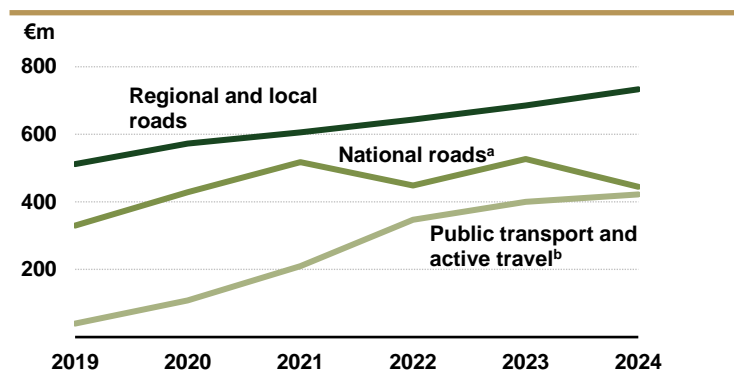
The Department of Transport and the Department of Rural and Community Development provide funding to local authorities for roads and public transport investment (see Figure 2.6 and Figure 2.7).

The Department of Transport provides funding primarily for regional and local roads directly to local authorities (€692 million in 2024). Funding for national roads and greenways is provided through Transport Infrastructure Ireland (€445 million and €63 million respectively in 2024). Funding for public transport and active travel is provided through the National Transport Authority (€28.9 million and €324 million respectively in 2024).

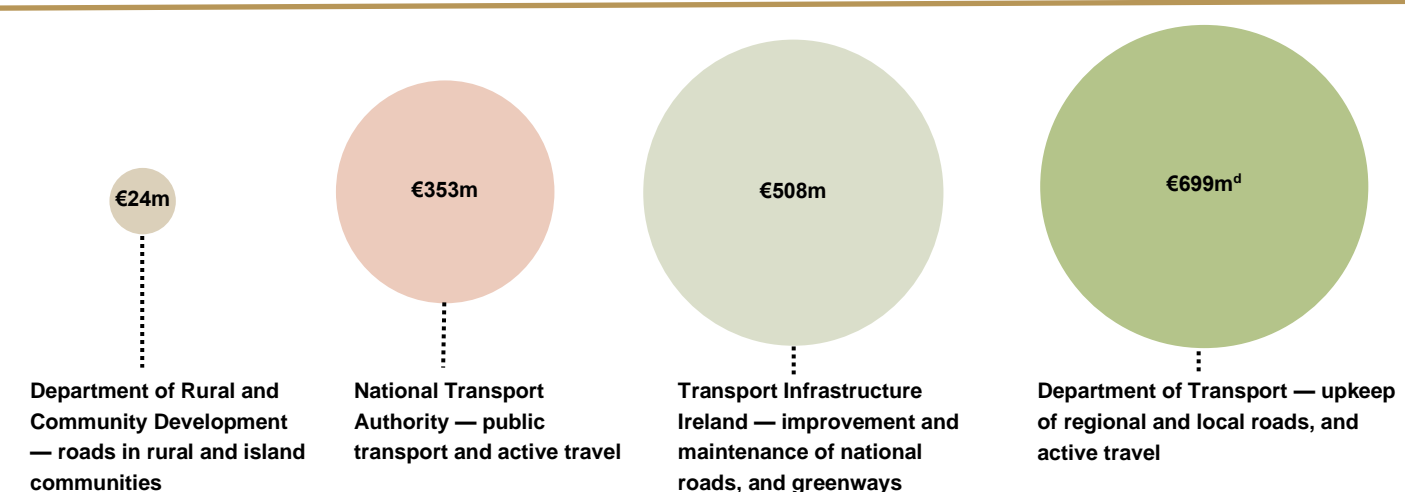
The Department of Rural and Community Development provided funding of €24 million to local authorities for private and non-publicly maintained local roads.

Some local authorities also support their expenditure on regional and local roads from local property tax allocations (€16.5 million in 2024).

**Figure 2.6 Central government funding to local authorities for transport investment, 2019 – 2024**



**Figure 2.7 Transport investment by organisation and role, 2024<sup>c</sup>**



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

- Notes:
- a Includes electric car infrastructure funding.
  - b Includes funding for greenways.
  - c This figure does not include the funding of €16.5 million from local property tax allocations for expenditure on regional and local roads.
  - d This includes funding of around €6 million for active travel.

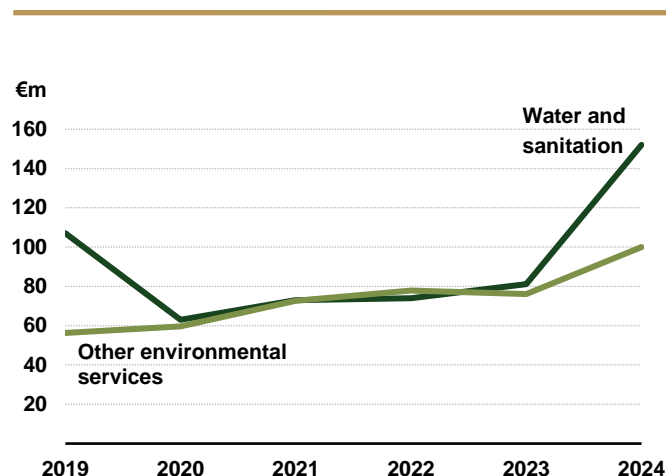
## Section 4 Environmental initiatives

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

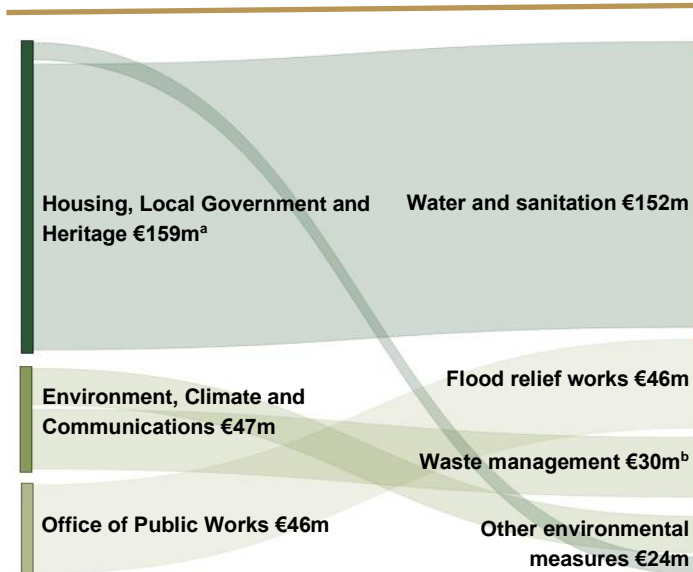
The Department of Housing, Heritage and Local Government provided local authorities with funding of €62 million for water transformation costs in 2024. This funding was provided through the Local Government Fund. The funding is for services still provided by local authorities related to the provision of water services (i.e. 'stranded' water services). These services are mainly corporate overheads (e.g. IT, human resources, etc.) that the local authorities pay for but relate to Uisce Éireann activity.

The Office of Public Works provided local authorities with funding of around €46 million for flood relief works in 2024 (2023: €31 million).

**Figure 2.8 Central government funding to local authorities for environmental initiatives, 2019 – 2024**



**Figure 2.9 Environmental initiatives — sources and purposes of funding, 2024**



Source: Annex 2A

Notes: a Includes funding of €62 million from the Local Government Fund.

b Includes funding of €22,000 from the Department of Agriculture, Food and the Marine.

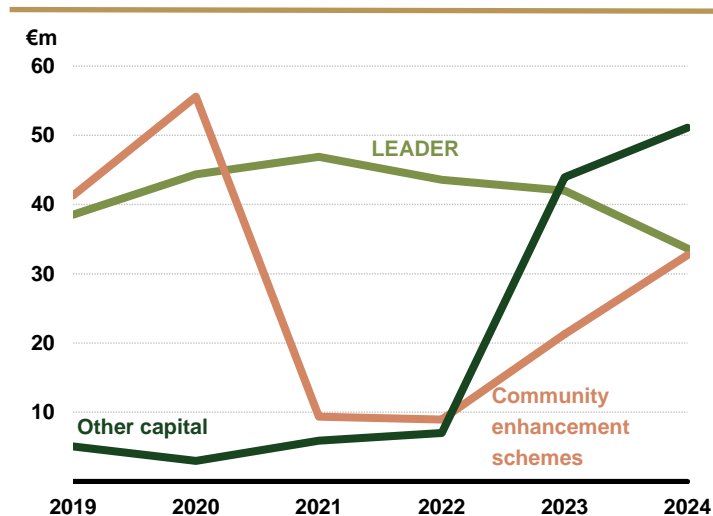
## Section 5 Miscellaneous capital programmes

The Department of Rural and Community Development provided funding of almost €33.7 million (2023: €42 million) to local authorities for the LEADER programme. It also provided funding of around €32.7 million for community recognition and enhancement schemes.

The Department of Housing, Heritage and Local Government provided funding of €26.5 million to Louth County Council in 2024 for the Narrow Water Bridge project.

The Department of Agriculture, Food and the Marine provided capital funding of around €12 million in 2024 (2023: €37 million) for harbour development projects.

**Figure 2.10 Central government funding to local authorities for miscellaneous capital programmes, 2019 – 2024<sup>a</sup>**



**Figure 2.11 Miscellaneous capital programmes — sources and purposes of funding, 2024<sup>b</sup>**



Source: Annex 2A

Notes: a This reflects the gross funding. Reimbursements from local authorities of €600,000 are not included.

b Some amounts may not tot due to rounding.

## Section 6 Employment and business schemes

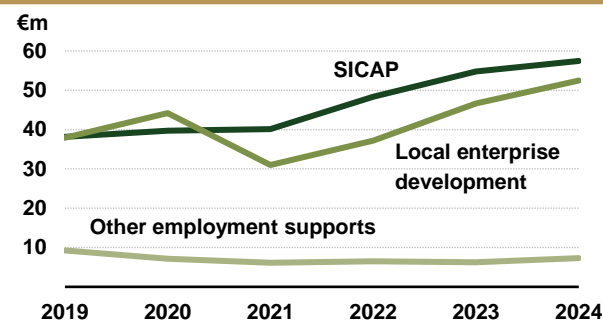
The Department of Rural and Community Development provided around €57.5 million (2023: €55 million) to local authorities for the Social Inclusion and Community Activation Programme (SICAP) (see Figure 2.12). Around €11 million (2023: €9.7 million) of the funding was provided for supports to people displaced by the Russian invasion of Ukraine.

In 2024, the Department of Enterprise, Trade and Employment, through Enterprise Ireland, provided around €52.5 million (2023: €47 million) to local authorities for the local enterprise programme delivered by local enterprise offices (LEOs).

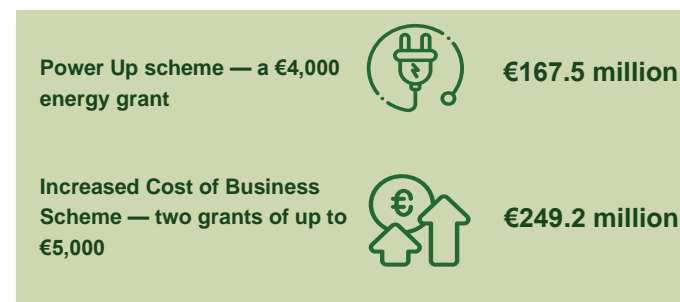
In 2024, the Department of Enterprise, Trade and Employment also introduced two temporary support initiatives for small businesses — the Increased Cost of Business Scheme (ICOB) and the Power Up grant. The first phase of ICOB was open to all sectors, while the second phase of ICOB, and the Power Up grant, targeted the hospitality, retail and beauty sectors. The schemes were administered by the local authorities on behalf of the Department (see Figure 2.13).

The Department prefunded the local authorities based on the number of potentially eligible businesses in each local authority area. If funding was unused the local authority returned the unused portion to the Department.

**Figure 2.12 Central government funding to local authorities for employment schemes, 2019 – 2024**



**Figure 2.13 Business supports administered by local authorities, 2024<sup>a</sup>**



Source: Annex 2A and the Department Enterprise, Trade and Employment

Note: <sup>a</sup> This does not include funding of €771,000 provided to the Local Government Management Agency for software costs.

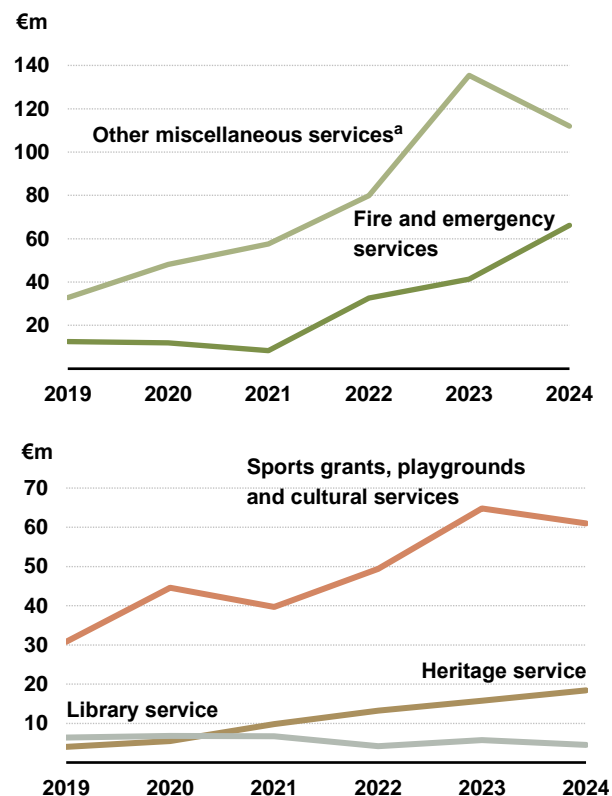
## Section 7 Other services

Central government funding also included €44 million (2023: €51 million) for accommodation for persons displaced by the Russian invasion of Ukraine.

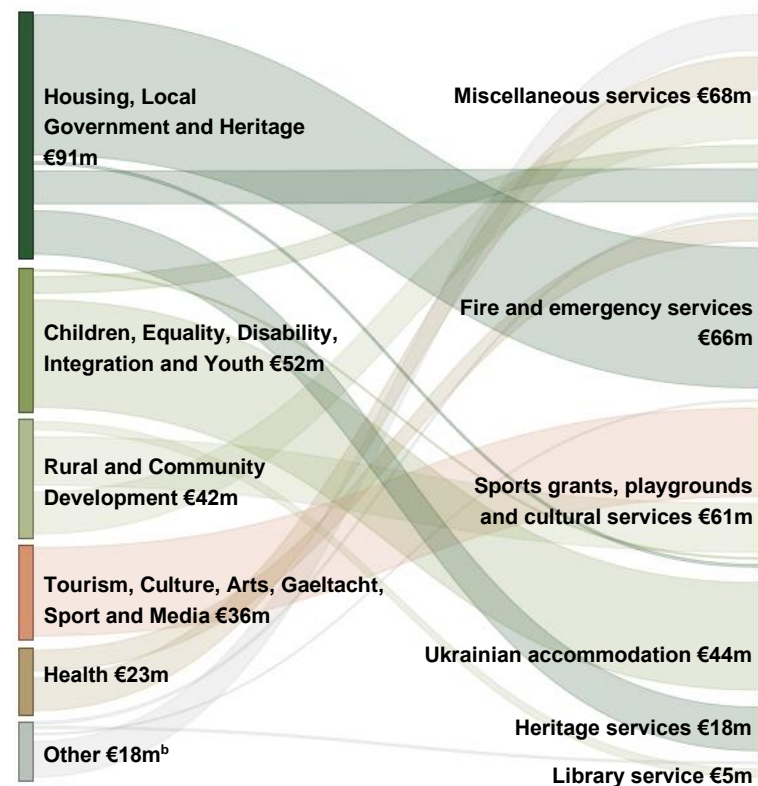
Total funding of €66 million was provided to support the fire and emergency services (2023: €41 million). €56.5 million of this funding was provided from the Housing vote. The HSE provided €9.2 million to support the Dublin Fire Brigade Ambulance Service.

The Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media provided €17.3 million (2023: €16.2 million) to local authorities through Sport Ireland.

**Figure 2.14 Central government funding to local authorities for other services, 2019 – 2024**



**Figure 2.15 Other services — sources and purposes of funding, 2024**



Source: Annex 2A

- Notes:
- a This is further broken down in Figure 2.15 between miscellaneous services and Ukrainian accommodation.
  - b Includes: Environment, Climate and Communications (€8 million); Defence (€4.3 million); Justice (€1.8 million); Further and Higher Education, Research, Innovation and Science (€1.2 million); Social Protection (€0.9 million); Agriculture, Food and the Marine (€0.7 million). Some amounts may not total due to rounding.

## 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.

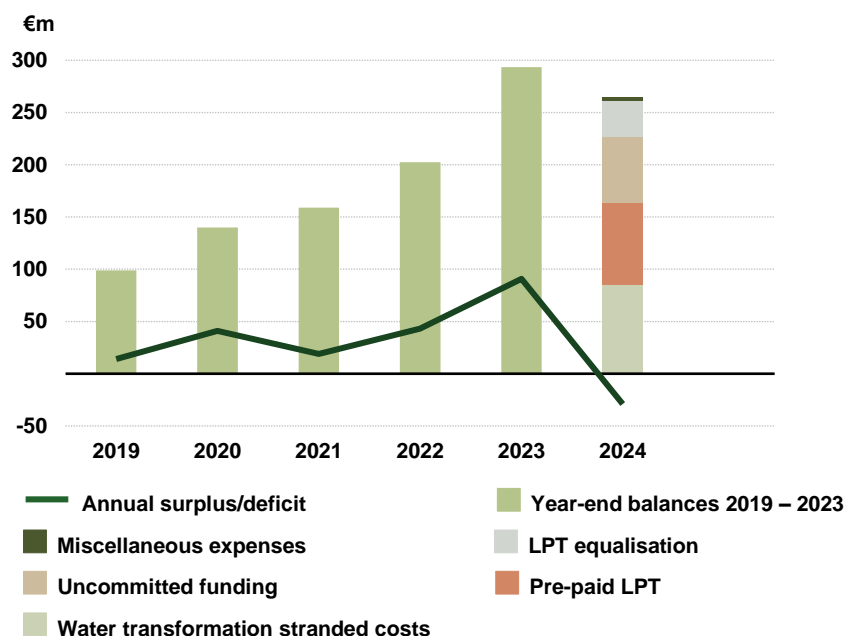
The LGF funding from the Exchequer is intended to assist local authorities with pay and pensions and for miscellaneous schemes.

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 2B for the calculation of the LPT 2024 allocation.

The LPT collected in a particular year may not match the allocations for that year. This is because property owners may pay their LPT in the year prior to liability, or as a late payment in a subsequent year. For example, €79 million of LPT receipts were received in 2024 for the 2025 liability year.

After recording a deficit of around €29 million in 2024, the LGF reserves decreased to around €264 million by year-end. Overall, the reserves have increased by approximately 167% since 2019 (see Figure 2.16). The Department has stated that several factors contributed to annual surpluses up to 2024. These included funding for committed future expenditure, prepayments of LPT and unspent Exchequer equalisation funding due to greater than anticipated LPT receipts, including LPT arrears. The Department also stated that since 2021, €184 million has been collected in LPT arrears, already taken into account as part of the LPT allocations in previous years. It stated that LPT allocations are based on the estimated collection for the liability year rather than the cash received; and that it is not possible to estimate the arrears collection in advance.

**Figure 2.16 Year-end reserves and annual surplus/deficit of the Local Government Fund, 2019 – 2024**



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

The deficit in 2024, mainly due to expenditure on water transformation stranded costs, reflects the Department's efforts to reduce the overall level of LGF reserves.

At the end of 2024, €231 million of the year-end reserves were ring-fenced/allocated for specific purposes. This included — €85 million for water transformation stranded costs, almost €79 million of prepaid LPT, receipts of almost €34 million for LPT equalisation funding, and €3.5 million towards miscellaneous expenses. 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 over €63 million.

**Annex 2A Central government transfers to local authorities by expenditure programme, 2019 – 2024<sup>a</sup>**

Expenditure category	2019 €m	2020 €m	2021 €m	2022 €m	2023 €m	2024 €m
<b>Housing and regeneration</b>						
Social housing provision	2,024	2,156	2,413	2,693	3,025	3,633
Affordable housing, etc.	—	—	4	9	20	144
Infrastructure funding	22	32	16	17	20	16
Other housing supports	258	340	324	420	536	916
Regeneration	79	67	82	90	99	261
	<b>2,383</b>	<b>2,595</b>	<b>2,839</b>	<b>3,229</b>	<b>3,699</b>	<b>4,971</b>
<b>Transport investment</b>						
National roads improvement	330	429	517	449	526	445
Regional and local roads improvement	512	573	606	644	685	733
Public transport and active travel	40	109	209	348	400	423
	<b>882</b>	<b>1,111</b>	<b>1,332</b>	<b>1,441</b>	<b>1,611</b>	<b>1,601</b>
<b>Environmental initiatives</b>						
Water and sanitary services	107	63	73	74	81	152
Flood relief works	28	31	26	28	31	46
Waste management	23	26	39	37	25	30
Other environmental measures	6	3	8	13	20	24
	<b>164</b>	<b>123</b>	<b>146</b>	<b>152</b>	<b>157</b>	<b>252</b>
<b>Miscellaneous capital programme</b>						
	<b>85</b>	<b>103</b>	<b>62</b>	<b>60<sup>b</sup></b>	<b>107</b>	<b>117</b>

**Annex 2A Central government transfers to local authorities by expenditure programme, 2019 – 2024 (continued)**

	2019 €m	2020 €m	2021 €m	2022 €m	2023 €m	2024 €m
<b>Employment and business schemes</b>						
Employment schemes	86	91	77	92	108	117
Increased cost of business scheme	—	—	—	—	—	249
Power Up scheme	—	—	—	—	—	168
	<b>86</b>	<b>91</b>	<b>77</b>	<b>92</b>	<b>108</b>	<b>534</b>
<b>Other services</b>						
Fire and emergency services	13	12	8	33 <sup>c</sup>	41 <sup>c</sup>	66 <sup>c</sup>
Library service	6	7	7	4	6	5
Sports grants, playgrounds and cultural projects	30	45	40	49	64	61
Heritage services	4	5	10	13	16	18
Other miscellaneous services	34	48	58	80	135	112
	<b>87</b>	<b>117</b>	<b>123</b>	<b>179</b>	<b>263</b>	<b>262</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>1,417</b>	<b>637</b>	<b>197</b>	<b>4</b>	<b>—</b>
LPT allocations — non-programme specific/discretionary	394	410	422	423	426	504
Remuneration-related payments paid from the LGF	86	109	130	210	354	368
	<b>4,167</b>	<b>6,076</b>	<b>5,768</b>	<b>5,984</b>	<b>6,729</b>	<b>8,608</b>

Sources: Department of Defence; Department of Enterprise, Trade and Employment; Department of Agriculture, Food and the Marine; Department of Children, Equality, Disability, Integration and Youth; Department of Environment, Climate and Communications; Department of Further and Higher Education, Research, Innovation and Science; Department of Health; Department of Housing, Local Government and Heritage; Department of Justice; Local Government Fund account; Office of Public Works; Department of Rural and Community Development; Department of Social Protection; Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media; Department of Transport.

- 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 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.

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 2024, 21 local authorities had their allocations supplemented in this way.

Following a change in the allocation process from 2023, local authorities can retain all their LPT projected yield, with all equalisation funding now coming directly from the Exchequer (€110 million in 2024) or from the LGF reserves (€39 million in 2024).

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 2024 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 €167 million in 2024 (2023: €184 million).

	Authorities above the baseline	Authorities below the baseline	2024 All	2023 All
<b>Number of local authorities</b>	<b>10</b>	<b>21</b>	<b>31</b>	<b>31</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>
Total LPT projected yield	365	164	529	499
Equalisation funding				
— Exchequer direct contribution	—	110	110	110
— LGF reserves	—	39	39	8
<b>Pre-variation LPT allocations</b>	<b>365</b>	<b>313</b>	<b>678</b>	<b>617</b>
Adjustment for local variations in tax rate	(24)	17	(7)	(7)
	<b>342</b>	<b>329</b>	<b>671</b>	<b>610</b>
<b>Of which</b>				
<b>— for authority's own general use<sup>b</sup></b>	<b>174</b>	<b>329</b>	<b>504</b>	<b>426</b>
<b>— self-funding of housing and roads</b>	<b>167</b>	<b>—</b>	<b>167</b>	<b>184</b>

Source: Department of Housing, Local Government and Heritage

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

b Following a baseline review, the 2024 LPT allocation for authorities' own use increased substantially, whereby each authority received a baseline increase of at least €1.5m.