

21 September 2015

**To: The Mayor and Each Member of Limerick City and County Council**

**Re: Local Property Tax – Local Adjustment Factor 2016**

The authority to vary the base rate of Local Property Tax (LPT) is prescribed in the **Finance (Local Property Tax) Act, 2012** as amended by **Finance (Local Property Tax) (Amendment) Act, 2013**. Section 20 of the Act states that:

*"a local authority may pass a resolution that the basic rate should for a period specified in the resolution and with effect from the date specified in section 21(2) stands varied (either upwards or downwards) by a specified percentage in respect of relevant residential properties situated in the local authority's functional area"*

The percentage specified in the resolution under section 20 as the percentage by which the basic rate should be varied is referred to as the **"local adjustment factor"**. The Local Adjustment Factor is not permitted to exceed 15%.

In addition, Local Authorities must undergo a public consultation process with the citizens in its functional area in relation to its consideration of the setting of a Local Adjustment Factor and a report summarising the submissions from the public must be prepared.

Any decision by a local authority to vary the basic rate of LPT must be taken by the 30 September each year in order that it can have effect from 1 November (the liability date) and therefore determine the LPT liability for taxpayers the following year.

Section 20(2) of the Act, sets out a number of factors which the members shall have regard to in making a decision of whether or not to vary the base rate of LPT.

These factors are set out in more detail, and in prescribed formats in, the Local Property Tax (Local Adjustment Factor) Regulations 2014.

**The Factors to be considered are:**

1. Estimation of Income and Expenditure for the period during which the rate is to be varied.
2. The financial position of the Local Authority.
3. The local authority's estimation of the financial effect of the Local Property Tax varied rate on the economy of its functional area, including on those persons who will be liable to pay local property tax.
4. Report on Public Submissions.
5. Potential Impact on Service Delivery Plans of Local Authority.

**1. ESTIMATION OF INCOME AND EXPENDITURE**

**SCHEDULE 1  
ESTIMATION OF INCOME AND EXPENDITURE OF  
LIMERICK CITY AND COUNTY COUNCIL**

	Budget 2015 €	Budget 2016 €
<b>INCOME</b>		
Commercial Rates	53,073,791	52,323,791
Local Property Tax*	14,139,276	14,625,159
Grants and Subsidies	40,456,458	40,456,000
Other income	48,202,610	48,202,000
<b>Total Income</b>	<b>155,872,135</b>	<b>155,606,950</b>
<b>EXPENDITURE</b>		
Payroll Expenses	69,218,470	70,970,858
Loan interest and Principal repaid	4,920,919	5,970,062
Social Benefits (transfer payments to households)	6,832,500	6,832,000
Capital Grants Paid	630,000	630,000
Other Expenditure	74,270,246	71,204,030
<b>Total Expenditure</b>	<b>155,872,135</b>	<b>155,606,950</b>

\*Assuming no change in LPT rate from Base.

It must be noted that the above projections for 2016 are based on preliminary estimates only. A number of areas have requested additional funds in order to maintain the existing high level of service to the citizen. Included in the above

figures we have identified excess expenditure over income of €5Million required for Budget 2016, compared to 2015. We have balanced the Budget 2016 estimation on the proviso that expenditure will have to match income and this shortfall will be addressed during the Budget 2016 review and adoption process.

## 2. FINANCIAL POSITION

A summary of the Financial Position of Limerick City and County Council as at 30th June 2015 is set out in the table below:

### SCHEDULE 2 FINANCIAL POSITION OF LIMERICK CITY AND COUNTY COUNCIL

	As at 30 June 2015
<b>ASSETS</b>	<b>€</b>
Current assets (including cash and investments)	106,372,954
General revenue reserve (if surplus)	
Loans Receivable	48,798,402
	<b>155,171,356</b>
<b>LIABILITIES</b>	
Current liabilities (including overdraft)	55,124,100
General revenue reserve (if deficit)	51,864
Loans payable	
Voluntary housing/mortgage loans	44,712,504
Non mortgage loans	29,999,598
	<b>129,888,066</b>
<b>INDICATORS</b>	
Ratio of loans payable to revenue income	48%
Ratio of current assets to current liabilities	1.93:1

The General Revenue Reserve as at the end of June 2015 was a deficit of €51,864, however for the 6 months January to June 2015, Limerick City and County Council reported a revenue loss of €651,427.

## 3. FINANCIAL EFFECT ON LOCAL ECONOMY

The base rate for LPT is 0.18% of the valuation of the property. Property is valued in bands and is set out below:

Valuation Band €	Mid Point €	LPT @0.18%
0 - 100,000	50,000	90
100,001 - 150,000	125,000	225
150,001 - 200,000	175,000	315
200,001 - 250,000	225,000	405
250,001 - 300,000	275,000	495
300,001 - 350,000	325,000	585
350,001 - 400,000	375,000	675
400,001 - 450,000	425,000	765
450,001 - 500,000	475,000	855
500,001 - 550,000	525,000	945
550,001 - 600,000	575,000	1,035
600,001 - 650,000	625,000	1,125
650,001 - 700,000	675,000	1,215
700,001 - 750,000	725,000	1,305
750,001 - 800,000	775,000	1,395
800,001 - 850,000	825,000	1,485
850,001 - 900,000	875,000	1,575
900,001 - 950,000	925,000	1,665
950,001 - 1,000,000	975,000	1,755

Properties valued in excess of €1million are charged at a rate of 0.18% on €1million plus 0.25% on the value in excess of €1 million.

The effect of varying the base rate by 1% would result in a change of 90cents for the lowest valuation band and €17.55 for the highest band. Full details of the effect of a 1% variation are set out below:

Valuation Band €	1% Variation €
0 - 100,000	0.90
100,001 - 150,000	2.25
150,001 - 200,000	3.15
200,001 - 250,000	4.05
250,001 - 300,000	4.95
300,001 - 350,000	5.85
350,001 - 400,000	6.75
400,001 - 450,000	7.65
450,001 - 500,000	8.55
500,001 - 550,000	9.45
550,001 - 600,000	10.35
600,001 - 650,000	11.25
650,001 - 700,000	12.15
700,001 - 750,000	13.05
750,001 - 800,000	13.95
800,001 - 850,000	14.85
850,001 - 900,000	15.75
900,001 - 950,000	16.65
950,001 - 1,000,000	17.55

Circular Fin 06/2015, provided information in relation to property valuation bands for each local authority area from the Revenue Commissioners. The data provided represents valuation bands based on property values as at the 1 May 2013 valuation date.

LPT2015 Valuation Bands	0-100,000	100,001- 150,000	150,001- 200,000	Over 200,000
Limerick City and County council	32%	33%	23%	12%

88% of the Limerick population with a max + / - 15% local adjustment factor would experience a difference of between €1.13 and €3.94 per month.

Although not provided to this Council regarding the 12% over €200k, the returns to date on the Revenue website indicate that 10.2% of citizens fall within the band €200,001 to €250,000

Every local authority has the power, from 1 July 2014, to vary the basic rate of LPT by up to 15%. It should be noted that if Limerick City & County Council decides to vary the LPT basic rate upwards (by up to 15%) in 2016, it will retain 100% of the resultant additional income collected in the local authority area. Similarly, if Limerick City and County Council decides to vary the LPT basic rate downwards (by up to 15%) in 2016, the resultant loss in LPT income will be reflected in reduced LPT funding to the authority. No additional funding from the equalisation fund will be provided.

#### **Limerick City & County Council — 2016 LPT Allocation (Pending any decision to vary the basic rate)**

Circular Fin 07/2015 outlines the provisional LPT allocations from the Local Government Fund for 2016 pending any decision to vary the rate.

LPT 100%	<u>€15,347,068</u>
LPT 20% to Equalisation Fund	<u>€ 3,069,414</u>
CPG Funding 2014	€14,625,159
LPT retained locally (80%)	<u>€12,277,654</u>
2016 Shortfall LPT retained locally – 2014 COG Allocation	-€2,347,505
Distribution of Equalisation Fund	€2,347,505
Total LPT funding 100% for 2016	<u>€14,625,159</u>

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Local Property Tax 2015 after 3% variation	€14,139,276
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The value of a potential increase or decrease in 2016 LPT allocation if maximum variation of 15% implemented by Limerick City and County Council is €2,302,060.

Any 1% increase or decrease in 2016 LPT allocation is valued at €153,470

#### **4. REPORT ON PUBLIC SUBMISSIONS**

A report summarising submissions received from the public is attached.

#### **5. POTENTIAL IMPACT ON SERVICE DELIVERY PLANS OF LOCAL AUTHORITY**

Based on Preliminary projections for Budget 2016, the Council has additional unfunded demands of €5.0 million and a reduction in income from LPT would increase this funding gap. In light of this, there is no scope to reduce the base rate of LPT for 2016.

**Tom Gilligan**

**Head of Finance**

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