

**Report to:** The Cathaoirleach and Members of Limerick City and County Council

**From:** Tom Gilligan, Head of Finance

**Date:** 17<sup>th</sup> September, 2014

**Re:** Local Property Tax, Local Adjustment Factor

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 before 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 2014 €	Budget 2015 €
<b>INCOME</b>		
Commercial Rates	53,677,535	53,677,535
Local Property Tax*	-	14,625,159
Grants and Subsidies **	36,370,629	22,800,000
Other income***	83,108,027	73,866,000
<b>Total Income</b>	<b>173,156,191</b>	<b>164,968,694</b>
<b>EXPENDITURE</b>		
Payroll Expenses	70,272,725	69,223,618
Loan interest and Principal repaid	4,106,790	5,897,568
Social benefits (transfer payments to households)	8,473,957	8,484,860
Capital Grants Paid	1,957,392	2,041,456
Other expenditure	88,345,327	79,321,192
<b>Total Expenditure</b>	<b>173,156,191</b>	<b>164,968,694</b>

\*Assuming no change in LPT rate

\*\* For 2014 included allocation of General Purpose Grant which has been replaced in 2015 by LPT

\*\*\* Other Income, reductions includes SLA for Irish Water and Gortadroma landfill.

It must be noted that the above projections for 2015 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 €5.9 Million required for Budget 2015, compared to 2014. We have balanced the Budget 2015 estimation on the proviso that expenditure will have to match income and this shortfall will be addressed during the Budget 2015 review and adoption process.

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## 2. FINANCIAL POSITION

A summary of the Financial Position of Limerick City and County Council as at 30<sup>th</sup> June 2014 is set out in the table below:

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

	As at 30 June 2014
<b>ASSETS</b>	<b>€</b>
Current assets (including cash and investments)	81,968,614
General revenue reserve (if surplus)	-
Loans Receivable	36,659,096
	<b>118,627,710</b>
<b>LIABILITIES</b>	
Current liabilities (including overdraft)	50,596,500
General revenue reserve (if deficit)	3,932,429
Loans payable	
Voluntary housing/mortgage loans	27,577,925
Non mortgage loans	44,817,083
	<b>126,923,937</b>
<b>INDICATORS</b>	<b>%</b>
Ratio of loans payable to revenue income	42%
Ratio of current assets to current liabilities	1.62:1

The General Revenue Reserve as at the end of June 2014 was a deficit of €3,93M, however for the 6 months January to June 2014, Limerick City and County Council reported a revenue loss of €4.506M. This was due mainly to unanticipated expenditure as regards flood and storm damage in the 1<sup>st</sup> quarter of the year. Also there was additional expenditure and loss of income in areas such as tourism promotion, gratuities and housing during the period. We are pursuing the Department on the issue of flood funds as promised by Government. In other areas of potential over expenditure, adjustments will also be implemented to address same.

### 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 €1 million are charged at a rate of 0.18% on €1 million 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 **90 cents** 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 15/2014, 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.

LPT 2014 Valuation Bands	0-100,000	100,001-150,000	150,001-200,000	Over 200,000
Limerick City & 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

Circular Fin 14/2014 states that 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 2015, 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 2015, 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 – 2015 LPT Allocation (Pending any decision to vary the basic rate)**

	€
LPT 100%	16,196,116
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LPT 20% to Equalisation Fund	3,239, 223
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GPG Allocation 2014	14,625,159
LPT Retained Locally (80%)	12,956,893
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2015 Shortfall (LPT Retained Locally)	-1,668,266
Distribution of Equalisation Fund	1, 668,266
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Total LPT Funding to be provided in 2015	14,625,159
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The value of a potential increase or decrease in 2015 LPT allocation if maximum variation of 15% implemented by Limerick City and County Council is €2,429,417.

Any 1% increase or decrease in 2015 LPT allocation is valued at €161,961

#### **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 2015, the Council has additional unfunded demands of €5.9 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 2015.

