

18th September 2017

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

Re: Local Property Tax – Local Adjustment Factor 2018

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 2017 € | Budget 2018 € |
|---|--------------------|--------------------|
| INCOME | | |
| Commercial Rates/NPPR | 54,198,932 | 54,048,932 |
| Local Property Tax * | 19,121,274 | 19,123,064 |
| Grants and Subsidies | 198,285,389 | 342,393,899 |
| Other income | 99,651,895 | 146,626,909 |
| Total Income | 371,257,490 | 562,192,804 |
| | | |
| EXPENDITURE | | |
| Payroll Expenses | 75,391,303 | 78,047,732 |
| Loan interest and Principal repaid | 4,674,697 | 4,782,333 |
| Social Benefits (transfer payments to households) | 6,888,500 | 6,888,500 |
| Capital Grants Paid | 1,269,236 | 1,269,236 |
| Other Expenditure | 283,033,754 | 471,205,003 |
| Total Expenditure | 371,257,490 | 562,192,804 |

It must be noted that the above projections for 2018 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 required for Budget 2018, compared to 2017. We have balanced the Budget 2018 estimation on the proviso that expenditure will have to match income and this shortfall will be addressed during the Budget 2018 review and adoption process.

2. FINANCIAL POSITION

A summary of the Financial Position of Limerick City and County Council as at 30th June 2017 is set out in the table below:

SCHEDULE 2 FINANCIAL POSITION OF LIMERICK CITY AND COUNTY COUNCIL

| | As at 30 June 2017 |
|---|-----------------------|
| ASSETS | € |
| Current assets (including cash and investments) | 92,119,165 |
| General revenue reserve (if surplus) | 678,475 |
| Loans Receivable | 41,190,932 |
| | 133,988,572 |
| LIABILITIES | |
| Current liabilities (including overdraft) | 59,001,261 |
| General revenue reserve (if deficit) | |
| Loans payable | |
| Voluntary housing/mortgage loans | 37,749,082 |
| Non mortgage loans | 47,900,179 |
| | 144,650,522 |
| INDICATORS | |
| Ratio of loans payable to revenue income | 15% |
| Ratio of current assets to current liabilities | 1.56:1 |
| 1. | |

The General Revenue Reserve as at the end of December 2016 was a surplus of €810,407, however for the 6 months January to June 2017, Limerick City and County Council reported a revenue loss of €131,932 resulting in a general revenue reserve surplus of €678,475 at 30th June 2017.

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 €1million.

The effect of varying the base rate by 1% would result in a change of €0.90 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 05/2017, 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.

| LPT2017 Valuation Bands | 0- 100,000 | 100,001- 150,000 | 150,001- 200,000 | 200,001 - 250,000 | 250,001- 300,000 | Over 300,000 |
|---|-----------------------|-----------------------------|-----------------------------|------------------------------|-----------------------------|-------------------------|
| Limerick City and County Council | 34% | 31.7% | 22.5% | 6.8% | 2.7% | 2.30% |

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.

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 2018, 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 2018, 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

For Budget 2017, Limerick City & County Council decided to adjust the LPT Rate upwards by 10% equating to an increase of €1,566,810.

The 2018 allocation from the Local Property Tax and the basis of this allocation is set out in the table below:

Limerick City & County Council — 2018 LPT Allocation (pending any decision to vary the basic rate)

| | |
|-----------------------------------|---------------------------|
| LPT 100% | <u>€15,685,975</u> |
| LPT 20% to Equalisation Fund | <u>€ 3,137,195</u> |
| | |
| 2018 LPT Baseline | €17,554,464 |
| LPT retained locally (80%) | <u>€12,548,780</u> |
| 2018 Shortfall | -€5,005,684 |
| Distribution of Equalisation Fund | €5,005,684 |
| | |
| LPT Allocation 2018 | <u>€17,554,464</u> |
| | |

Any 1% increase or decrease in 2018 LPT allocation is valued at €156,860

The value of a potential increase or decrease in 2018 LPT allocation if maximum variation of 15% implemented by Limerick City and County Council is €2,352,900

4. REPORT ON PUBLIC SUBMISSIONS

No submissions from the public were received.

5. POTENTIAL IMPACT ON SERVICE DELIVERY PLANS OF LOCAL AUTHORITY

Based on Preliminary projections for Budget 2018, the Council has additional unfunded demands.

The main items contributing to this on the income side are

- No Commercial Rates buoyancy ,
- reduced NPPR income,
- continued appeals to the revaluation process

On the expenditures side, the following are the main increases

- loan charges
- insurance
- payroll

The impact of every 1% increase in the rate of LPT is €156,860.

Sean Coughlan

A/Head of Finance