



Comhairle Cathrach
& Contae **Luimnigh**

Limerick City
& County Council

16th July 2018

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

Consultation Process: Review of methodology used to determine local authority funding baselines

Dear Councillor,

The Minister for Housing, Planning and Local Government (DHPLG) has established a review group to consider the methodology used to determine local authority funding baselines to inform the distribution of available funding for general, non-infrastructure (operational) purposes i.e. funding not specifically provided in respect of housing, roads or other local authority infrastructure. The review will, insofar as is possible, develop a methodology for distributing the available funding that brings greater balance and equity of funding outcomes for local authorities, in the context of the wide range of issues they face and the diverse nature of counties across Ireland.

Ultimately, the primary purpose of the review is to inform the Minister for Housing, Planning and Local Government in relation to any actions he may wish to recommend to Government concerning the establishment of local authority funding baselines and the distribution of the general funding that is available. The review group is comprised of representatives of DHPLG and the Local Government Sector. DHPLG will provide the Chair and secretariat to the group. A consultation process was launched to help inform this work.

As part of the process, the review group wishes to consult with relevant stakeholders; the purpose of this consultation is to provide those stakeholders with an opportunity to submit their views in relation to the factors and indicators that could be used to determine local authority funding baselines. The review group will consider submissions received in the context of their deliberations.

The consultation process was opened until 3rd July and the submission made by Limerick City and County Council is as attached to this report.

Yours sincerely,

Sean Coughlan

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Director of Services



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Limerick City
& County Council

Local Property Tax Baseline Review

**Submission to the Department of Housing, Planning and
Local Government**

3 July 2018

Acknowledgement

Limerick City and Council executive wish to acknowledge the input of the Council members that attended LPT Baseline review workshop and consultant Tony O'Brian of Irida Consulting who provided his expertise and insight into the preparation of this report

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1. Introduction and Summary

1.1 Introduction

Limerick City and County Council welcomes the decision of the Minister for Housing, Planning and Local Government (DHPLG) to establish a review group to consider the methodology used to determine local authority funding baselines. We understand the focus to be on the distribution of available funding for general, non-infrastructure (operational) purposes i.e. funding not specifically provided in respect of housing, roads or other local authority infrastructure. The review aims to develop a methodology for distributing the available funding that brings greater balance and equity of funding outcomes for local authorities, in the context of the wide range of issues that we face and the diverse nature of counties across Ireland.

In preparing this Submission, we have consulted with our elected Members and the Submission shall be presented to the Council for noting at its next meeting.

1.2 Summary

In summary, we assume that the Local Property Tax (LPT) will continue and that there will be some element of an increase in overall yield after the current review is complete. Further, we consider the LPT as being a national, and not solely a local resource. The LPT has replaced the Local Government Fund (LGF), which had a strong inbuilt element of equalisation. It is our view that ceasing the equalisation aspect of the LPT would necessitate a substantial overhaul of Local Government financing, which would be a long-term exercise and would not be a task to be undertaken at this time. Indeed, and on the contrary, it could be argued – as will be illustrated later – that the equalisation percentage could be increased if the yield from the LPT were to grow by any significant amount.

Currently there are 21 Councils in need of equalisation funding and 10 Councils that have surpluses after their 20% Equalisation has been deducted. It would require a 22% increase in its LPT receipts for any Council currently needing Equalisation to reach its Baseline. For the purpose of this submission, we do not expect this level of increase in the LPT receipts; and hence Councils currently requiring Equalisation will continue to do so.

In that context, the key recommendations of Limerick City and County Council are that:

1. The DHPLG should ensure that centralised functions, such as the HAP Service Centre, Regional Design Office, Regional Waste Management Office, Regional Fire Control Centre, other Shared Services functions that are fully funded and that they should not be a consideration in the LPT distribution;

2. A substantial cost that is not equally shared at present, and for which the Baselines have not been adjusted, is pensions and gratuities. Consideration should be given to defining these as a central “Need that Must be Met”, and be funded from the LPT by way of a deduction from the top of overall LPT receipts.
3. ***The Baseline amount for each council should be reviewed as soon as practicable.*** This should be a once-off exercise with a basis for future amendments being adopted. The Baseline for each Council should be developed using a range of indicators more appropriate to Councils’ current expenditure needs than the current practice of carrying forward the Baseline from the old Local Government Fund (LGF) allocations. Suggested indicators are included later in this submission.
4. ***The establishment of a new Baseline would provide an opportunity for an anomaly in the previously used Needs & Resources model to be corrected*** – and which is an anomaly that has been carried forward in the current Baselines. We recommend that the funding needs set by the newly established Baselines should be done on the basis of Net Effective Valuation¹ rather than rates income. When the original Needs & Resources model was developed, Councils that had a relatively high commercial rates income were provided with a relatively low LGF allocation – in effect, the LGF was the balancing amount in a Council’s budget. This meant that many Councils were unable to bring their rates more in line with other Councils; making them less attractive as locations for business.
5. The Net Effective Valuation¹ to be used should include those variations required to compensate specific Councils for the loss of rates arising from certain circumstances, such as from Irish Water infrastructure that was valued.
6. Following the above, in our view, ***the broad thrust of the current distribution process could be maintained, with one particular adjustment. If the Council’s baselines were to be marginally increased at a rate greater than the total percentage increase in Local Property Tax, then the distribution would marginally favour those Councils that are currently in receipt of equalisation funding – this is set in the back-drop of a full baseline review.*** This we suggest would be a beneficial outcome from the national perspective. At present, only Councils that require Equalisation funding also need to use their powers to increase the local LPT rate; whereas only Councils that do not require Equalisation funding provide a reduction in their LPT rates. This recommendation is further outlined in this report with the use of 3 different scenarios (in ***Section 2.5***) with the following scenario illustrating above recommendation: ***Increasing the Baseline total at a rate greater than the LPT receipts (e.g. by 12.5% if the LPT receipts were to increase by 10%).***
7. We believe that the overall approach recommended would also provide a mechanism whereby the DHPLG could adjust Baselines to take account of “shocks”, such as the closure of a major plant or element of infrastructure, NPPR, Irish Water Commercial Rates loss, Irish Water possible reduction in contribution towards Central Management Charge.

¹ Net Effective Valuation: it is proposed that Net Effective Valuations will need to be adjusted to a common denominator due to Revaluations in recent years

2. Proposed Methodology

2.1 Current Distribution Model – A Critique

The Local Property Tax (LPT) distribution for 2018 is shown in table 1 overleaf and in Appendix 1 and is as follows²:

1. The estimated yield from the LPT for 2018 is €485.6 million;
2. From this, the 20% equalisation fund element amounts to €97.1 million, with €388.5 million being retained locally;
3. The 2018 Baseline³ Total is €355.2 million;
4. 21 Councils have Retained LPT amounts that are lower than their Baselines by an amount of €138.9 million in total, and so these require funding from the Equalisation Fund.
5. These 21 Councils are then allocated €138.9 million of equalisation funding, after which the funds provided to them from the total LPT collected matches their Baseline needs;
6. Now, the Retained LPT for the remaining ten Councils provides a total surplus of €172.1 million over their Baseline Needs;
7. Of this “surplus”, €108.8 million is directed to self-funding of Housing and Roads Services;
8. However, this direction of funds still leaves these ten Councils with a total of €63.3 million over their Baseline needs that is for their “own use”.

In summary, even with the direction of some portion of the LPT to specific uses – Roads and Housing – ten Councils receive amounts that are greater than their Baseline Needs, whereas the other 21 Councils simply have their Baseline Needs matched through the application of equalisation Funding.

The outcome may be stated as follows:

- Two-thirds – or 21 of 31 – of Councils in Ireland rely to varying extents on receiving some distribution from Equalisation Fund;
- Of those 21, seven have subsequently used the local adjustment variation option to raise additional revenues. The additional revenues raised amount to €5.1 million;
- Of the ten Councils whose 80% retained LPT was greater than their 2018 Baseline, four used the local adjustment variation option to reduce their collected LPT and the levels of reduction

² From DHPLG 2018 Local Property Tax Allocations to Local Authorities

³ The Minimum Level of Funding Available – derived from former LGF allocations

were 15% in three cases and 10% in one. The LPT foregone from these reductions in 2018 is €28.3 million.

- In total, from the perspective of the State, the revenue potential of the LPT in 2018 is some €23.2 million lower than its potential.
- The Recipient Councils – i.e. those receiving Equalisation Funds – are provided with a total of €274.0 million for their “Own Use” – which is equal to their Baseline totals; whereas the Contributor Councils received €144.5 million for their “Own Use”; which exceeds those Councils’ Baselines by €63.3 million.
- The 21 Councils who require Equalisation Funding have a share of total LPT receipts of 35%; yet account for 77% of the total baseline funding needs.

In our view, this provides substantial evidence of an imbalance in the distribution of the LPT; which as we stated previously, we regard as a national resource.

Table 1: 2018 LPT Distribution

		2018 LPT 100%	20% to Equalisation	80% Retained	2018 Baseline	2018 Surplus/ Shortfall	2018 Distribution	Surplus for Own Use	Self Funding for Housing and Roads	LPT for LA Own Use	Total LPT for 2018
		€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s
1	Carlow	3,970	794	3,176	6,139	-2,963	2,963			6,139	6,139
2	Cavan	4,424	885	3,539	9,481	-5,942	5,942			9,481	9,481
3	Cork City	11,060	2,212	8,848	11,927	-3,079	3,079			11,927	11,927
4	Donegal	10,915	2,183	8,732	25,120	-16,388	16,388			25,120	25,120
5	Galway	14,569	2,914	11,655	14,518	-2,863	2,863			14,518	14,518
6	Kerry	14,082	2,816	11,266	13,777	-2,511	2,511			13,777	13,777
7	Kilkenny	7,449	1,490	5,959	10,674	-4,715	4,715			10,674	10,674
8	Laois	4,928	986	3,942	8,559	-4,617	4,617			8,559	8,559
9	Leitrim	2,128	426	1,702	8,956	-7,254	7,254			8,956	8,956
10	Limerick	15,686	3,137	12,549	17,554	-5,005	5,005			17,554	17,554
11	Longford	2,112	422	1,690	8,907	-7,217	7,217			8,907	8,907
12	Louth	9,513	1,903	7,610	9,866	-2,256	2,256			9,866	9,866
13	Mayo	10,404	2,081	8,323	19,812	-11,489	11,489			19,812	19,812
14	Monaghan	3,806	761	3,045	11,239	-8,194	8,194			11,239	11,239
15	Offaly	4,918	984	3,934	7,656	-3,722	3,722			7,656	7,656
16	Roscommon	3,987	797	3,190	10,216	-7,026	7,026			10,216	10,216
17	Sligo	5,245	1,049	4,196	10,203	-6,007	6,007			10,203	10,203
18	Tipperary	11,829	2,366	9,463	25,952	-16,489	16,489			25,952	25,952
19	Waterford	9,302	1,860	7,442	18,679	-11,237	11,237			18,679	18,679
20	Westmeath	6,391	1,278	5,113	11,206	-6,093	6,093			11,206	11,206
21	Wexford	12,185	2,437	9,748	13,548	-3,800	3,800			13,548	13,548
22	Meath	17,490	3,498	13,992	10,536	3,456		3,456		13,992	13,992
23	Clare	10,079	2,016	8,063	4,435	3,628		2,016	1,612	6,451	8,063
24	Cork County	40,843	8,169	32,674	8,403	24,271		8,168	16,103	16,571	32,674
25	Dun Laoghaire	51,825	10,365	41,460	8,271	33,189		10,365	22,824	18,636	41,460
26	Dublin	79,790	15,958	63,832	19,096	44,736		15,958	28,778	35,054	63,832
27	Fingal	38,221	7,644	30,577	3,699	26,878		7,645	19,233	11,344	30,577
28	Galway City	8,161	1,632	6,529	2,599	3,930		1,633	2,297	4,232	6,529
29	Kildare	21,619	4,324	17,295	11,756	5,539		4,323	1,216	16,079	17,295
30	South Dublin	31,509	6,302	25,207	3,856	21,351		6,302	15,049	10,158	25,207
31	Wicklow	17,122	3,424	13,698	8,547	5,151		3,425	1,726	11,972	13,698
		485,562	97,112	388,450	355,187	33,263	138,867	63,291	108,838	418,478	527,316
	Recipients	168,903	33,781	135,122	273,989	-138,867				273,989	273,989
	Contributors	316,659	63,332	253,327	81,198	172,129				144,489	253,327
	Check for 0	0	0	0							
	Recipients	35%			77%					65%	52%
	Contributors	65%			23%					35%	48%

A review of the LPT is underway, and while we are not in a position to comment on the potential or likely outcomes, we consider it likely that the review will lead to some increase in LPT. We assume that:

- A tax source with a yield of some €500 million per annum at present will not be abolished;
- Properties that were exempted in 2013 are likely to be included from 2019 onwards; and
- Property values have increased by some 56% since the introduction of LPT.

It is possible that some new approach may be introduced that will provide a different basis for the LPT other than property value; or LPT rates could be reduced to mitigate the effect of rising property values, or some reliefs – such as mortgage relief – may be introduced. Nonetheless, we

expect that any such measures will have a national impact and that the major sources of LPT⁴ will not change.

We have reviewed the current methodology of LPT distribution and in our view, there are two key elements that should be addressed. These are:

1. Confirmation of the appropriateness of the current Baseline; and
2. The process of computing the LPT distribution.

We will address the appropriateness of the current Baseline first, followed by the process of computing the LPT distribution by way of a number of alternative scenarios.

⁴ The four Dublin Local Authorities and the three neighbouring counties account for 53% of LPT receipts.

2.2 Baseline Review Context

The Consultation document noted that the purpose of the consultation is to inform the distribution of available funding for general, non-infrastructure (operational) purposes i.e. funding not specifically provided in respect of housing, roads or other local authority infrastructure.

Taking our approach from this, we analysed the Adopted Budget 2018 for Limerick City and County Council as follows:

Table 2: Limerick City and County Council Budget Analysis

		Expenditure	Income	Grants	Net Non-Grant	Rates/LPT	Notes
		€mn	€mn	€mn	€mn	€mn	
A	Housing and Building	432.17	429.69	317.98	111.71	2.48	Rental income is €110.73 mn
B	Road Transport & Safety	37.16	17.75	14.30	3.45	19.41	Parking income is €2.08 mn
C	Water Services	13.69	13.45	1.73	11.72	0.24	Irish Water income is €11.43 mn
D	Development Management	17.73	6.34	2.48	3.86	11.39	Dep of Jobs income is €1.63 mn
E	Environmental Services	31.98	7.89	0.50	7.39	24.09	
F	Recreation and Amenity	13.16	0.84		0.84	12.32	
G	Agr; Ed, H & Welfare	1.40	0.69		0.69	0.71	
H	Miscellaneous	14.02	10.99	4.50	6.49	3.03	
	Not allocated			2.66		-2.66	
		561.31	487.64	344.15	146.15	71.01	

In summary:

- Limerick's budgeted expenditure for 2018 is €561.31 million; though this includes the HAP centralised processing hub;
- Our income by way of grants is €344.15 million;
- Our net non-grant income, before rates and LPT, is €146.15 million. There are some significant sources of income, such as housing rental income at €110.7 million; Irish water and Parking income as shown in table 2 above.
- In terms of where the LPT and Rates funding is used, the key Divisions are Road Transport and Safety, Development Management, Environmental Services and Recreation and Amenities. These divisions include many important services to the community, citizens and business and our economic development role;
- Enhancement of this finding would contribute to a significant increase in the benefits provided to our citizens.

However, one of the key weaknesses in the application of the Needs & Resources model was that Councils that had relatively high rates charges received relatively lower funding from the Local Government Fund (LGF). On the other hand, Councils that had a relatively low rates charge, benefited from a relatively high LGF contributions.

The Baselines used for the LPT distribution are derived from the old Needs & Resources funding model, and so this disparity has in effect been maintained.

We propose therefore that the Department should seek to phase out this disparity, possibly over a medium term such as five years.

The principle we propose is that the Baseline for each local authority should assess actual funding needs and that the rates contribution to providing funds should be assessed using the Net Effective Valuation (adjusted to common comparable denominator) at some national standard rates charge, rather than the actual rates income.

This would prevent those Councils with lower than standard commercial rates charges (Annual Rate on Valuation) being in effect subsidised by the LPT distribution methodology.

We therefore propose the following Baseline Review Process.

2.3 Proposed Baseline Review Methodology

Step 1: Review the Expenditure Profiles of Local Authorities to confirm their Efficiency and Effectiveness

This would be a one-off exercise at this time and we propose it should be based on the use of relevant NOAC Performance Indicators or alternatively, a form of assessment be required from NOAC where indicators are not currently available. The objective will be to provide an assessment of the expenditure needs of each Council in Ireland; assuming reasonable levels of efficiency and effectiveness.

This review would take account of the different focus on the services required of Councils. For example, cities tend to direct proportionally more resources to housing than rural Councils do.

This form of exercise is similar to that of the process used in the Needs & Resources model. Given that the Baseline used in the LPT distribution is a “follow-on” from the Needs & Resources model in 2014; we are of the view that such an assessment should be carried out to update all Councils’ expenditure profiles.

In certain cases, the quantitative indicators of activity used in the Needs & Resources model could suffice for this exercise.

Step 2: Review the Goods and Services Income Profiles of Local Authorities

This would also be a one-off exercise at this time and it would require an entirely new assessment of local authorities. The NOAC indicators related to services provided may be appropriate.

This would provide an independent assessment of the appropriateness of current incomes and would take appropriate account of the different types and levels of services provided by Councils.

Again, in certain cases, the quantitative indicators of activity used in the Needs & Resources model might suffice for this exercise.

Step 3: Identify the Residual Funding Needs of Each Local Authority

The analysis shown in table 2 previously, shows the Residual Funding Need of Limerick City and County Council. In our case, this is shown as €71.01 million. This is the amount to be raised by the Council by way of the rates income and LPT.

However, as noted previously, the allocation of LPT is a function of the rates collected in the past. Where rates charges are relatively high, the proportion to be made up by the LPT is relatively low. We therefore propose that the Net Effective Valuation multiplied by a form of national average General Rate on Valuation be used to assess the rates income expected; and this Standard Rates Income should then be the basis for determining the LPT due.

The current process provides no incentive for Councils on relatively low Commercial rates charges to bring their rates more into line with a national norm. The process we now propose would still allow Councils to maintain their own individual rates variations; but would allow the LPT distribution on a more equal basis.

As shown in table 2, we expect that the funding needs from commercial rates are likely to be focused more on unfunded services.

These divisions focus to a significant extent on services to the citizens and business; whether through the fire service, street cleaning and the provision of recreation and amenities. These Groups also include local economic development; a key area for local authorities now and in the future.

Step 4: Determine the Baseline

The Baseline for each Council is the Residual Funding Need less the Standard Commercial Rates Income. By focusing on unfunded services, the LPT would be focused on services to the citizen and local economic development and would then, in our view, more closely match the sources of the funds with the use. What we receive from the citizen is used to fund services to the citizen.

2.4 Indicators

We suggest the following indicators be used in the process of establishing the Standard Expenditure Profile in Step 1 above.

Our approach to indicators is as follows:

1. We propose that the indicators to be used should focus on the Divisions that are funded by the LPT Equalisation Fund. As shown above, in the case of Limerick City and County Council, our needs – after grants and charges for services – are focused in four Divisions; and
2. The indicators should reflect, insofar as possible, the actual “drivers” of expenditure in these Divisions/areas.

Division or Activity:

Possible Indicators

Roads Transport and Safety

Define Needs on the basis of a standard measure for Own Resource Expenditure per Km. on different types of roads, i.e. Urban Roads, Regional Roads and Local Roads.

Use a standard cost for public lighting per km for the different types of roads that need public lighting, which presumably should mainly urban.

Allow Car Parking fines and penalties as a “free” source of income – i.e. not included in the distribution model.

Development Management

Use activity measures for planning control; planning inspections; planning applications received, rented accommodation and suchlike activities as the recognised drivers of expenditure in this area.

For economic development, tourism promotion and suchlike, develop indicators that use a combination of economic measures such as (a) labour force and unemployment - to give a measure of potential economic benefits; (b) CSO data on income per household – to give a measure of relative prosperity, and (c) CSO data on county-by-county GVA (Gross Value Added) or GDP (Gross domestic Product) per person, to measure relative economic performance.

The CSO carries out a Survey on Income and Living Conditions, from which microdata that are not published can be obtained. These may allow relative measures of poverty and deprivation to be developed and used.

Environmental Services

For most Councils, these costs are now relatively fixed and the key areas of expenditure are street cleaning and the Fire Service.

Potential indicators are (a) the types of fire service (full time; part-time and retained) and the relative difference in funding needs and (b) urban street and road lengths to determine street cleaning needs. Consideration might be given to overall road lengths to provide assistance to combatting fly-tipping.

Recreation and Amenities

In our view these are driven primarily by a combination of population and demographics and indicators taking both of these into consideration might be developed. Some form of urban weighting may be appropriate for some aspects, such as public parks; but not for, say, swimming pools.

Pensions

Pensions are a substantial part of the overall operating costs of each council and the cost of pensions is distributed unevenly across local authorities in Ireland. Consideration should be given to funding pensions centrally by way of a percentage deduction from the national LPT receipts and paying the pensions and lump sums to retirees centrally.

2.5 Alternative Distribution Methodologies

We propose to demonstrate a revised methodology to the distribution of the LPT by providing a series of scenarios based on the current distribution model. These approaches continue to use the Baseline-based approach as currently used, and assumes that the Baselines used in future will be updated from those used at present.

The Base Scenario is that shown in table 1 previously, the 2018 LPT distribution.

The three scenarios being reviewed in this section are summarised in Table A below, and each scenario has a detailed table noted in Appendix 2.

In Scenario 1, we assume that there is a 10% increase in LPT receipts across all local authority areas after the current review is completed. This is purely for illustration purposes only as we have no basis for presuming what increase – if any – will occur.

Table A: 3 Scenarios for Alternative Distribution Methodologies

Local Authority	2018 LPT 100% €000's	20% to Equalisation €000's	80% Retained €000's	2018 Baseline €000's	2018 Surplus/ Shortfall €000's	2018 Distribution €000's	Self Funding for			Total LPT for 2018 €000's
							Surplus for Own Use €000's	Housing and Roads €000's	LPT for LA own use €000's	
Current 2018 LPT Distribution	485,562	97,112	388,450	355,187	33,263	138,867	63,291	108,838	418,478	527,316
Scenario 1: 10% LPT increase with no change to Baseline	534,118	106,824	427,295	355,187	72,108	125,354	77,740	119,722	432,927	552,649
Scenario 2: 10% LPT increase with 10% increase in Baseline	534,118	106,824	427,295	390,706	36,589	152,753	69,620	119,722	460,326	580,048
Scenario 3: 10% LPT increase with 12.5% increase in Baseline	534,118	106,824	427,295	399,585	27,709	159,603	64,869	122,443	464,455	586,898

Scenario 1: 10% increased assumed for LPT and no change to Baseline

- In summary in scenario 1 (detail table noted in Appendix 2), no Council requiring Equalisation under the Base Case would be in a position where it no longer needs additional funding to meet its Baseline. By using the model, we can see that would require a 22.2% increase in LPT before a recipient of Equalisation – namely Kerry (see Appendix 2 for detail) – would move into a surplus situation.
- The outcome from this scenario is that the 21 recipient Councils would still have combined Baselines of €274.0 million; and would still require Equalisation Funding. The requirement would be reduced from €138.9 million to €125.4 million as a result of the LPT increase;
- However, the funds available as for “Own Use” over their Baseline amounts amongst the 10 self-sufficient Councils would increase from €63.3 million in the Base Case to €77.7 million in this scenario. We have allowed for a 10% increase in the funds directed to Roads and Housing amongst these Councils. Hence, even with a Baseline increase, Councils in surplus end up with greater surpluses in cash terms.
- An item to note is that in the Base Case, there is a total distribution of €527.3 million whereas the LPT collection is €485.6 million. This difference of €41.8 million is equal to the difference between the 20% Equalisation Fund amount (€97.1 million) and the amount by which the 21

recipient authorities are underfunded when compared to their Baselines (€138.9 million). We carry this principle forward in our analyses. In this scenario 1, the increase in LPT combined with no increase in the Baseline would result in a reduction in this balancing amount to €18.5 million.

The 21 Recipient Councils would receive no benefit from any increases in LPT receipts, if the Baselines remained unaltered.

Scenario 1 shows clearly that the model for distribution has to be reconsidered.

One way to do this is to direct a larger amount to the Roads and Housing Division in the 10 Councils with surpluses; however, this would not directly benefit any of the 21 recipient Councils.

We suggest that an easier, more transparent, and more equitable way would be simply to raise the Baselines. We now examine this approach in a scenario where the Baseline is increased by an amount equal to the expected change in LPT receipts. This is scenario 2.

Scenario 2: 10% increases in LPT Receipts and in the both the Baselines and LPT directed to Roads and Housing Divisions

The outcomes for this scenario are shown in table 4 in Appendix 2 (summarised in Table A above). In summary, these are that:

- The LPT collection is the same as scenario 1; i.e. €534.1 million;
- The Total Baseline increases to €390.7 million;
- The “top-up” referred to above – i.e. the difference between the 20% Equalisation Fund and the Money needed to bring the 21 Councils (Recipient Councils) up to their Baselines – increases to €45.9 million, or €4.1 million than the original 2018 Base Case;
- When the distribution is complete, Recipient Councils receive €301.4 million, an increase of €27.4 million over the Base Case;
- Contributor Councils receive €158.9 for their Own Use, also an increase, this time of €14.4 million;
- Both these increases amount to 10% of the amounts shown in the Base Case, which is consistent with the overall increase in LPT.

However, two key issues remain:

1. Councils needing equalisation still receive just their Baseline amounts, whereas the Contributing Councils receive €69.6 million more than their Baselines for their own use. This amount does not include any “directed” expenditure on Roads and Housing; and
2. This approach (Scenario 2) does not incentivise Councils to exercise more control over their variation powers, and we suggest that it would be more likely that the Contributing Councils would apply reductions in the LPT rate, thereby reducing the overall LPT yield - a loss to the State.

We therefore propose to evaluate a further scenario, Scenario 3, which assumes an uplift in the Baseline that is marginally greater than the anticipated LPT increase. We use an LPT increase of 10% and we propose a Baseline increase for each Council of 12.5%.

Scenario 3: A 10% increase in LPT Receipts and a 12.5% increase in the Baseline Amount and LPT directed to Roads and Housing Divisions.

In this scenario, we provide for a Baseline that is increased marginally greater than the expected increase in LPT receipts. The outcomes are shown in table 5 in Appendix 2 (summarised in Table A above).

The outcomes for Scenario 3 are that:

- The LPT collection amount and the 20% retention remain the same as scenario 2; i.e. €534.1 million and €106.8 million respectively;
- The Total Baseline increases to €399.6 million, marginally higher than that of Scenario 2;
- The amount needed to meet the Baseline in the Recipient Councils is €159.6 million. Therefore the “top-up” referred to previously increases from €41.8 million in the Base Case to €52.8 million, or €11.0 million more than the Base Case;
- In this scenario, we have increased the “Directed Funding” by 12.5% as well and this provides an additional amount under this heading of €13.6 million when compared to the Base Case. This could potentially more than match the additional “top-up” required;
- Recipient Councils now receive €308.2 million for their “own use”, an increase of €34.2 million over the Base Case; while Contributor Councils receive €156.2, an increase of €11.7 million over the Base Case;
- The increases received by Recipient Councils in funding for “own use” is 12.5% over the Base Case; and for Contributing Councils, it is 10%.

In summary, *this approach would provide Recipient Councils with a slightly larger share of the additional funding generated from an increase in LPT; and it would ease the pressure on Councils to increase the LPT rates. We believe that at the same time it would reduce the incentive for Contributing Councils to reduce their LPT rates and thus maintain the overall State revenue.*

3. Underlying Principles and Proposals

3.1 Principles of Local Government Funding and applicability to LPT

Some principals of local government funding inform our submission on how the LPT fund should be managed, and how the Equalisation Fund should be administered. These are:

1. Accountability

A key principal is that those who have responsibility for determining the level of local government expenditure and for determining priorities for that expenditure should be accountable for raising the revenues needed to fund that level of expenditure. However, local government cannot have a free hand and it is right and proper that central government has some measure of control over overall taxation yields.

The LPT may appear to some to meet this criterion; however, we contend that currently the LPT does not provide a sufficient measure of equalisation. A limited number of local authorities have capacity to reduce the tax burden in their administrative areas, whereas a majority of Councils are provided with just their Baseline amounts and/or have to raise extra funds by way of variations to the tax rate.

The geographic balance of economic activity in Ireland is severely skewed, and thus an on-going redistribution of resources is required to provide a reasonably balanced national standard of living. We contend that a more equitable redistribution is possible, without reducing the potential to allow local discretion and accountability.

2. Practicality

We submit that the LPT is reasonably easy to understand; is clear and unambiguous and cost-effective to collect and distribute. Our recommended approach is to adapt the current distribution model to remove any latent bias, and to make a once-off adjustment to bring about changes in the distribution processes in which all Councils would benefit, though those with the greater relative needs would benefit marginally over the Contributors.

3. Equity

Our proposal aims to bring about greater equity. Our view is that the LPT is a national tax, albeit with local variations, and as such it should be distributed nationally. Equalisation as a principle of local government funding has been practiced for many years and should continue.

We consider that proposals that Councils should retain all their LPT are not viable. From our examination of the current distribution, this approach would simply lead to a greater reliance on the part of Recipients for funding from the Exchequer, to the extent of some €105 million. At the same time, the Contributors would have an additional €63 million available to them, before any direction to spending some of this on Roads, Housing or other operational area.

4. Revenue Yield

We submit the view that the current process of distribution incentivises Councils with a surplus to reduce their local rates and thus, while providing some relief to some citizens; other Councils that rely on receipt of equalisation funding do not generally have such an option in reality. The current distribution process therefore reduces the revenue yield and a process of amending the distribution process may generate more revenue in overall terms.

5. Local variability

Notwithstanding the comment made above, we do believe that the option of local variability should be maintained.

However, we recommend that while the variation should be within parameters defined by central Government, the base tax rate for each Council should not revert to the standard rate each year, with Councillors having to vote for a variation. We propose that once set, a variation should remain in force until the Council amends it further.

6. Buoyancy

The LPT has a particularly advantage in that it should normally demonstrate buoyancy. This would arise as the national housing stock increases annually and the values of properties should increase steadily over the long term. Recent fluctuations in property values in Ireland would have a substantial influence in the tax yield over time, and some parameters other than valuation that don't fluctuate with the market values might be more appropriate. That is an issue for the current review.

7. Promote Efficiency

We believe that carrying out an independent assessment of expenditures and income and basing the LPT distribution on such measures would promote efficiencies in local government operations.

8. Aligning decision on varying the rate of the LPT with Local Authority Statutory Budget Meeting date

We believe that the current situation is causing difficulties in the budget process for local authorities where the decision on varying the rate of LPT is not aligned with the other decisions adopted as part of the budget process. It would make the budget process more effective if the decision on LPT was made during the prescribed budget periods and therefore could be included as a decision during the statutory budget meeting.

9. Audit spot checks:

We recommend that data used for new Local property tax baseline distribution model should be subject to audit spot checks by Local Government Auditors to ensure consistency and quality of data submitted.

4. Conclusions

We propose that:

1. The DHPLG should ensure that centralised functions, such as the HAP Service Centre, Regional Design Office, Regional Waste Management Office, Regional Fire Control Centre, other Shared Services functions that are fully funded, should not be a consideration in the LPT distribution;
2. Consideration should be given to defining pensions and gratuities as a central “Need that Must be Met”, and be funded from the LPT by way of a deduction from the top of overall LPT receipts.
3. The ***Baseline amount for each council should be reviewed*** by way of a once-off exercise with a basis for future amendments being adopted. The Baseline should be developed using a range of indicators more appropriate to Councils current expenditure needs than the current practice of carrying forward the Baseline from the old Local Government Fund (LGF) allocations.
4. We recommend that the funding needs set by the newly established Baselines should be done on the basis of Net Effective Valuation (adjusted to common comparable denominator) rather than rates income. When the original Needs & Resources model was developed, Councils that had a relatively high commercial rates income were provided with a relatively low LGF allocation – in effect, the LGF was the balancing amount in a Council’s budget. This anomaly has been carried forward in the LPT distribution.
5. In our view, the broad thrust of the current distribution process could be maintained, with one particular adjustment. The total increase in Councils’ baselines should be marginally greater than any increased yield from total LPT receipts in future (as illustrated in Scenario 3). In these circumstances, the distribution of increased LPT revenues would favour those Councils that are currently in receipt of Equalisation funding. This would be a beneficial outcome from the national perspective, as at present, only Councils that require Equalisation funding need increases in the local LPT rate; whereas only Councils that do not require Equalisation funding provide a reduction in their LPT rates. Increasing the Baseline total at a rate greater than the LPT receipts should lead to an overall increase in total national LPT receipts.
6. We believe that the approach recommended would also provide a mechanism whereby the DHPLG could adjust Baselines to take account of “shocks”, , such as the closure of a

major plant or element of infrastructure, NPPR, Irish Water Commercial Rates loss, Irish Water possible reduction in contribution towards Central Management Charge.

Appendix 1: Local Property Tax 2018 (Current) Distribution “Base Case”

Table 1: 2018 LPT Distribution

		2018 LPT 100%	20% to Equalisation	80% Retained	2018 Baseline	2018 Surplus/ Shortfall	2018 Distribution	Surplus for Own Use	Self Funding for Housing and Roads	LPT for LA Own Use	Total LPT for 2018
		€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s
1	Carlow	3,970	794	3,176	6,139	-2,963	2,963			6,139	6,139
2	Cavan	4,424	885	3,539	9,481	-5,942	5,942			9,481	9,481
3	Cork City	11,060	2,212	8,848	11,927	-3,079	3,079			11,927	11,927
4	Donegal	10,915	2,183	8,732	25,120	-16,388	16,388			25,120	25,120
5	Galway	14,569	2,914	11,655	14,518	-2,863	2,863			14,518	14,518
6	Kerry	14,082	2,816	11,266	13,777	-2,511	2,511			13,777	13,777
7	Kilkenny	7,449	1,490	5,959	10,674	-4,715	4,715			10,674	10,674
8	Laois	4,928	986	3,942	8,559	-4,617	4,617			8,559	8,559
9	Leitrim	2,128	426	1,702	8,956	-7,254	7,254			8,956	8,956
10	Limerick	15,686	3,137	12,549	17,554	-5,005	5,005			17,554	17,554
11	Longford	2,112	422	1,690	8,907	-7,217	7,217			8,907	8,907
12	Louth	9,513	1,903	7,610	9,866	-2,256	2,256			9,866	9,866
13	Mayo	10,404	2,081	8,323	19,812	-11,489	11,489			19,812	19,812
14	Monaghan	3,806	761	3,045	11,239	-8,194	8,194			11,239	11,239
15	Offaly	4,918	984	3,934	7,656	-3,722	3,722			7,656	7,656
16	Roscommon	3,987	797	3,190	10,216	-7,026	7,026			10,216	10,216
17	Sligo	5,245	1,049	4,196	10,203	-6,007	6,007			10,203	10,203
18	Tipperary	11,829	2,366	9,463	25,952	-16,489	16,489			25,952	25,952
19	Waterford	9,302	1,860	7,442	18,679	-11,237	11,237			18,679	18,679
20	Westmeath	6,391	1,278	5,113	11,206	-6,093	6,093			11,206	11,206
21	Wexford	12,185	2,437	9,748	13,548	-3,800	3,800			13,548	13,548
22	Meath	17,490	3,498	13,992	10,536	3,456		3,456		13,992	13,992
23	Clare	10,079	2,016	8,063	4,435	3,628		2,016	1,612	6,451	8,063
24	Cork County	40,843	8,169	32,674	8,403	24,271		8,168	16,103	16,571	32,674
25	Dun Laoghaire	51,825	10,365	41,460	8,271	33,189		10,365	22,824	18,636	41,460
26	Dublin	79,790	15,958	63,832	19,096	44,736		15,958	28,778	35,054	63,832
27	Fingal	38,221	7,644	30,577	3,699	26,878		7,645	19,233	11,344	30,577
28	Galway City	8,161	1,632	6,529	2,599	3,930		1,633	2,297	4,232	6,529
29	Kildare	21,619	4,324	17,295	11,756	5,539		4,323	1,216	16,079	17,295
30	South Dublin	31,509	6,302	25,207	3,856	21,351		6,302	15,049	10,158	25,207
31	Wicklow	17,122	3,424	13,698	8,547	5,151		3,425	1,726	11,972	13,698
		485,562	97,112	388,450	355,187	33,263	138,867	63,291	108,838	418,478	527,316
	Recipients	168,903	33,781	135,122	273,989	-138,867				273,989	273,989
	Contributors	316,659	63,332	253,327	81,198	172,129				144,489	253,327
	Check for 0	0	0	0							
	Recipients	35%			77%					65%	52%
	Contributors	65%			23%					35%	48%

Appendix 2:

Scenario 1: Assume a 10% increase in LPT Receipts and No Change to the Distribution Approach

We now show what would happen to the Base Case, which was shown in table 1, if there were to be a 10% increase in LPT receipts and no other change in the Distribution Model as used by the DHPLG. The outcome is as shown in table 3:

Table 3: Scenario 1; 10% LPT increase with no other changes

		2018 LPT 100%	20% to Equalisation	80% Retained	2018 Baseline	2018 Surplus/ Shortfall	2018 Distribution	Surplus for Own Use	Self Funding for Housing and Roads	LPT for LA Own Use	Total LPT for 2018
		€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s
1	Carlow	4,367	873	3,494	6,139	-2,645	2,645			6,139	6,139
2	Cavan	4,866	973	3,893	9,481	-5,588	5,588			9,481	9,481
3	Cork City	12,166	2,433	9,733	11,927	-2,194	2,194			11,927	11,927
4	Donegal	12,007	2,401	9,605	25,120	-15,515	15,515			25,120	25,120
5	Galway	16,026	3,205	12,821	14,518	-1,697	1,697			14,518	14,518
6	Kerry	15,490	3,098	12,392	13,777	-1,385	1,385			13,777	13,777
7	Kilkenny	8,194	1,639	6,555	10,674	-4,119	4,119			10,674	10,674
8	Laois	5,421	1,084	4,337	8,559	-4,222	4,222			8,559	8,559
9	Leitrim	2,341	468	1,873	8,956	-7,083	7,083			8,956	8,956
10	Limerick	17,255	3,451	13,804	17,554	-3,750	3,750			17,554	17,554
11	Longford	2,323	465	1,859	8,907	-7,048	7,048			8,907	8,907
12	Louth	10,464	2,093	8,371	9,866	-1,495	1,495			9,866	9,866
13	Mayo	11,444	2,289	9,156	19,812	-10,656	10,656			19,812	19,812
14	Monaghan	4,187	837	3,349	11,239	-7,890	7,890			11,239	11,239
15	Offaly	5,410	1,082	4,328	7,656	-3,328	3,328			7,656	7,656
16	Roscommon	4,386	877	3,509	10,216	-6,707	6,707			10,216	10,216
17	Sligo	5,770	1,154	4,616	10,203	-5,587	5,587			10,203	10,203
18	Tipperary	13,012	2,602	10,410	25,952	-15,542	15,542			25,952	25,952
19	Waterford	10,232	2,046	8,186	18,679	-10,493	10,493			18,679	18,679
20	Westmeath	7,030	1,406	5,624	11,206	-5,582	5,582			11,206	11,206
21	Wexford	13,404	2,681	10,723	13,548	-2,825	2,825			13,548	13,548
22	Meath	19,239	3,848	15,391	10,536	4,855		4,855		15,391	15,391
23	Clare	11,087	2,217	8,870	4,435	4,435		2,661	1,773	7,096	8,870
24	Cork County	44,927	8,985	35,942	8,403	27,539		9,826	17,713	18,229	35,942
25	Dun Laoghaire	57,008	11,402	45,606	8,271	37,335		12,229	25,106	20,500	45,606
26	Dublin	87,769	17,554	70,215	19,096	51,119		19,463	31,656	38,559	70,215
27	Fingal	42,043	8,409	33,634	3,699	29,935		8,779	21,156	12,478	33,634
28	Galway City	8,977	1,795	7,182	2,599	4,583		2,056	2,527	4,655	7,182
29	Kildare	23,781	4,756	19,025	11,756	7,269		5,931	1,338	17,687	19,025
30	South Dublin	34,660	6,932	27,728	3,856	23,872		7,318	16,554	11,174	27,728
31	Wicklow	18,834	3,767	15,067	8,547	6,520		4,622	1,899	13,169	15,067
		534,118	106,824	427,295	355,187	72,108	125,354	77,740	119,722	432,927	552,649
	Recipients	185,793	37,159	148,635	273,989	-125,354	125,354		322,816	273,989	273,989
	Contributors	348,325	69,665	278,660	81,198	197,462				158,938	278,660

In summary:

- In summary in scenario 1 (detail table noted in Appendix 2), no Council requiring Equalisation under the Base Case would be in a position where it no longer needs additional funding to meet its Baseline. By using the model, we can see that would require a 22.2% increase in LPT before a recipient of Equalisation – namely Kerry – would move into a surplus situation.

- The outcome from this scenario is that the 21 recipient Councils would still have combined Baselines of €274.0 million; and would still require Equalisation Funding. The requirement would be reduced from €138.9 million to €125.4 million as a result of the LPT increase;
- However, the funds available as for “Own Use” over their Baseline amounts amongst the 10 self-sufficient Councils would increase from €63.3 million in the Base Case to €77.7 million in this scenario. We have allowed for a 10% increase in the funds directed to Roads and Housing amongst these Councils. Hence, even with a Baseline increase, Councils in surplus end up with greater surpluses in cash terms.
- An item to note is that in the Base Case, there is a total distribution of €527.3 million whereas the LPT collection is €485.6 million. This difference of €41.8 million is equal to the difference between the 20% Equalisation Fund amount (€97.1 million) and the amount by which the 21 recipient authorities are underfunded when compared to their Baselines (€138.9 million). We carry this principle forward in our analyses. In this scenario 1, the increase in LPT combined with no increase in the Baseline would result in a reduction in this balancing amount to €18.5 million.

The outcome would be that any additional LPT revenues would be used in two ways; the first would be to reduce this balancing amount as described immediately above and the remainder of the overall LPT increase be retained by the Contributor Councils. The 21 Recipient Councils would receive no benefit from any increases in LPT receipts, if the Baselines remained unaltered.

Scenario 1 shows clearly that the model for distribution has to be reconsidered.

One way to do this is to direct a larger amount to the Roads and Housing Division in the 10 Councils with surpluses; however, this would not directly benefit any of the 21 recipient Councils.

Appendix 2.....continued

Scenario 2: 10% increases in LPT Receipts and in the both the Baselines and LPT directed to Roads and Housing Divisions.

Table 4: Scenario 2; 10% LPT increase and 10% increase in Baseline and Funds directed to Roads and Housing

		2018 LPT 100%	20% to Equalisation	80% Retained	2018 Baseline	2018 Surplus/ Shortfall	2018 Distribution	Surplus for Own Use	Self Funding for Housing and Roads	LPT for LA Own Use	Total LPT for 2018
		€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s
1	Carlow	4,367	873	3,494	6,753	-3,259	3,259			6,753	6,753
2	Cavan	4,866	973	3,893	10,429	-6,536	6,536			10,429	10,429
3	Cork City	12,166	2,433	9,733	13,120	-3,387	3,387			13,120	13,120
4	Donegal	12,007	2,401	9,605	27,632	-18,027	18,027			27,632	27,632
5	Galway	16,026	3,205	12,821	15,970	-3,149	3,149			15,970	15,970
6	Kerry	15,490	3,098	12,392	15,155	-2,763	2,763			15,155	15,155
7	Kilkenny	8,194	1,639	6,555	11,741	-5,186	5,186			11,741	11,741
8	Laois	5,421	1,084	4,337	9,415	-5,078	5,078			9,415	9,415
9	Leitrim	2,341	468	1,873	9,852	-7,979	7,979			9,852	9,852
10	Limerick	17,255	3,451	13,804	19,309	-5,506	5,506			19,309	19,309
11	Longford	2,323	465	1,859	9,798	-7,939	7,939			9,798	9,798
12	Louth	10,464	2,093	8,371	10,853	-2,481	2,481			10,853	10,853
13	Mayo	11,444	2,289	9,156	21,793	-12,638	12,638			21,793	21,793
14	Monaghan	4,187	837	3,349	12,363	-9,014	9,014			12,363	12,363
15	Offaly	5,410	1,082	4,328	8,422	-4,094	4,094			8,422	8,422
16	Roscommon	4,386	877	3,509	11,238	-7,729	7,729			11,238	11,238
17	Sligo	5,770	1,154	4,616	11,223	-6,608	6,608			11,223	11,223
18	Tipperary	13,012	2,602	10,410	28,547	-18,138	18,138			28,547	28,547
19	Waterford	10,232	2,046	8,186	20,547	-12,361	12,361			20,547	20,547
20	Westmeath	7,030	1,406	5,624	12,327	-6,703	6,703			12,327	12,327
21	Wexford	13,404	2,681	10,723	14,903	-4,180	4,180			14,903	14,903
22	Meath	19,239	3,848	15,391	11,590	3,802		3,802		15,391	15,391
23	Clare	11,087	2,217	8,870	4,879	3,991		2,218	1,773	7,096	8,870
24	Cork County	44,927	8,985	35,942	9,243	26,699		8,985	17,713	18,229	35,942
25	Dun Laoghaire	57,008	11,402	45,606	9,098	36,508		11,402	25,106	20,500	45,606
26	Dublin	87,769	17,554	70,215	21,006	49,210		17,554	31,656	38,559	70,215
27	Fingal	42,043	8,409	33,634	4,069	29,566		8,409	21,156	12,478	33,634
28	Galway City	8,977	1,795	7,182	2,859	4,323		1,796	2,527	4,655	7,182
29	Kildare	23,781	4,756	19,025	12,932	6,093		4,756	1,338	17,687	19,025
30	South Dublin	34,660	6,932	27,728	4,242	23,486		6,932	16,554	11,174	27,728
31	Wicklow	18,834	3,767	15,067	9,402	5,666		3,767	1,899	13,169	15,067
		534,118	106,824	427,295	390,706	36,589	152,753	69,620	119,722	460,326	580,048
	Recipients	185,793	37,159	148,635	301,388	-152,753				301,388	301,388
	Contributors	348,325	69,665	278,660	89,318	189,342				158,938	278,660
	Recipients	35%			77%					65.5%	52%
	Contributors	65%			23%					34.5%	48%

The outcomes for this scenario are shown in table 4 overleaf. In summary, these are that:

- The LPT collection is the same as scenario 1; i.e. €534.1 million;
- The Total Baseline increases to €390.7 million;
- The “top-up” referred to above – i.e. the difference between the 20% Equalisation Fund and the Money needed to bring the 21 Councils (Recipient Councils) up to their Baselines – increases to €45.9 million, or €4.1 million than the original 2018 Base Case;

- When the distribution is complete, Recipient Councils receive €301.4 million, an increase of €27.4 million over the Base Case;
- Contributor Councils receive €158.9 for their Own Use, also an increase, this time of €14.4 million;
- Both these increases amount to 10% of the amounts shown in the Base Case, which is consistent with the overall increase in LPT.

However, two key issues remain:

1. Councils needing equalisation still receive just their Baseline amounts, whereas the Contributing Councils receive €69.6 million more than their Baselines for their own use. This amount does not include any “directed” expenditure on Roads and Housing; and
2. This approach does not incentivise Councils to exercise more control over their variation powers, and we suggest that it would be more likely that the Contributing Councils would apply reductions in the LPT rate, thereby reducing the overall LPT yield - a loss to the State.

Appendix 2.....continued

Scenario 3: A 10% increase in LPT Receipts and a 12.5% increase in the Baseline Amount and LPT directed to Roads and Housing Divisions.

Table 5: Scenario 3; 10% LPT increase and a 12.5% increase in the Baseline Amount

		2018 LPT 100%	20% to Equalisation	80% Retained	2018 Baseline	2018 Surplus/ Shortfall	2018 Distribution	Surplus for Own Use	Self Funding for Housing and Roads	LPT for LA Own Use	Total LPT for 2018
		€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s
1	Carlow	4,367	873	3,494	6,906	-3,413	3,413			6,906	6,906
2	Cavan	4,866	973	3,893	10,666	-6,773	6,773			10,666	10,666
3	Cork City	12,166	2,433	9,733	13,418	-3,685	3,685			13,418	13,418
4	Donegal	12,007	2,401	9,605	28,260	-18,655	18,655			28,260	28,260
5	Galway	16,026	3,205	12,821	16,333	-3,512	3,512			16,333	16,333
6	Kerry	15,490	3,098	12,392	15,499	-3,107	3,107			15,499	15,499
7	Kilkenny	8,194	1,639	6,555	12,008	-5,453	5,453			12,008	12,008
8	Laois	5,421	1,084	4,337	9,629	-5,292	5,292			9,629	9,629
9	Leitrim	2,341	468	1,873	10,076	-8,203	8,203			10,076	10,076
10	Limerick	17,255	3,451	13,804	19,748	-5,945	5,945			19,748	19,748
11	Longford	2,323	465	1,859	10,020	-8,162	8,162			10,020	10,020
12	Louth	10,464	2,093	8,371	11,099	-2,728	2,728			11,099	11,099
13	Mayo	11,444	2,289	9,156	22,289	-13,133	13,133			22,289	22,289
14	Monaghan	4,187	837	3,349	12,644	-9,295	9,295			12,644	12,644
15	Offaly	5,410	1,082	4,328	8,613	-4,285	4,285			8,613	8,613
16	Roscommon	4,386	877	3,509	11,493	-7,984	7,984			11,493	11,493
17	Sligo	5,770	1,154	4,616	11,478	-6,863	6,863			11,478	11,478
18	Tipperary	13,012	2,602	10,410	29,196	-18,786	18,786			29,196	29,196
19	Waterford	10,232	2,046	8,186	21,014	-12,828	12,828			21,014	21,014
20	Westmeath	7,030	1,406	5,624	12,607	-6,983	6,983			12,607	12,607
21	Wexford	13,404	2,681	10,723	15,242	-4,519	4,519			15,242	15,242
22	Meath	19,239	3,848	15,391	11,853	3,538		3,538		15,391	15,391
23	Clare	11,087	2,217	8,870	4,989	3,880		2,067	1,814	7,056	8,870
24	Cork County	44,927	8,985	35,942	9,453	26,488		8,373	18,116	17,826	35,942
25	Dun Laoghaire	57,008	11,402	45,606	9,305	36,301		10,624	25,677	19,929	45,606
26	Dublin	87,769	17,554	70,215	21,483	48,732		16,357	32,375	37,840	70,215
27	Fingal	42,043	8,409	33,634	4,161	29,473		7,836	21,637	11,997	33,634
28	Galway City	8,977	1,795	7,182	2,924	4,258		1,674	2,584	4,598	7,182
29	Kildare	23,781	4,756	19,025	13,226	5,799		4,431	1,368	17,657	19,025
30	South Dublin	34,660	6,932	27,728	4,338	23,390		6,460	16,930	10,798	27,728
31	Wicklow	18,834	3,767	15,067	9,615	5,452		3,510	1,942	13,126	15,067
		534,118	106,824	427,295	399,585	27,709	159,603	64,869	122,443	464,455	586,898
	Recipients	185,793	37,159	148,635	308,238	-159,603				308,238	308,238
	Contributors	348,325	69,665	278,660	91,348	187,312				156,217	278,660
	Recipients	35%			77%					66%	53%
	Contributors	65%			23%					34%	47%

In this scenario, we provide for a Baseline that is increased marginally greater than the expected increase in LPT receipts. The outcomes are shown in table 5 overleaf.

The outcomes for Scenario 3 are that:

- The LPT collection amount and the 20% retention remain the same as scenario 2; i.e. €534.1 million and €106.8 million respectively;
- The Total Baseline increases to €399.6 million, marginally higher than that of Scenario 2;

- The amount needed to meet the Baseline in the Recipient Councils is €159.6 million. Therefore the “top-up” referred to previously increases from €41.8 million in the Base Case to €52.8 million, or €11.0 million more than the Base Case;
- In this scenario, we have increased the “Directed Funding” by 12.5% as well and this provides an additional amount under this heading of €13.6 million when compared to the Base Case. This could potentially more than match the additional “top-up” required;
- Recipient Councils now receive €308.2 million for their “own use”, an increase of €34.2 million over the Base Case; while Contributor Councils receive €156.2, an increase of €11.7 million over the Base Case;
- The increases received by Recipient Councils in funding for “own use” is 12.5% over the Base Case; and for Contributing Councils, it is 10%.

In summary, this approach would provide Recipient Councils with a slightly larger share of the additional funding generated from an increase in LPT; and it would ease the pressure on Councils to increase the LPT rates. We believe that at the same time it would reduce the incentive for Contributing Councils to reduce their LPT rates and thus maintain the overall State revenue.