



Comhairle Cathrach
& Contae **Luimnigh**

Limerick City
& County Council

Airgeadas,
Comhairle Cathrach agus Contae Luimnigh,
Tuar an Daill,
Luimneach

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19th September 2018

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

Re: Local Property Tax – Local Adjustment Factor 2019

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 2018 €	Budget 2019 €
INCOME		
Commercial Rates/NPPR	55,310,700	55,310,700
Local Property Tax *	18,730,914	19,124,604
Grants and Subsidies	344,142,561	431,063,623
Other income	143,138,377	173,754,410
Total Income	561,322,552	679,253,337
EXPENDITURE		
Payroll Expenses	78,019,910	81,820,000
Loan interest and Principal repaid	5,033,197	5,330,000
Social Benefits (transfer payments to households)	7,298,500	7,298,500
Capital Grants Paid	1,269,236	1,270,000
Other Expenditure	469,701,709	583,534,838
Total Expenditure	561,322,552	679,253,337

It must be noted that the above projections for 2019 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

2019, compared to 2018. We have balanced the Budget 2019 estimation on the proviso that expenditure will have to match income and this shortfall will be addressed during the Budget 2019 review and adoption process.

2. FINANCIAL POSITION

A summary of the Financial Position of Limerick City and County Council as at 30th June 2018 is set out in the table below:

SCHEDULE 2 FINANCIAL POSITION OF LIMERICK CITY AND COUNTY COUNCIL

	As at 30 June 2018
ASSETS	€
Current assets (including cash and investments)	97,480,774
General revenue reserve (if surplus)	806,623
Loans Receivable	69,679,045
	167,966,442
LIABILITIES	
Current liabilities (including overdraft)	60,055,476
General revenue reserve (if deficit)	
Loans payable:	
Voluntary housing/Mortgage Loans/L2030	65,624,424
Non mortgage loans	22,355,059
	148,034,959
INDICATORS	
Ratio of loans payable to revenue income	13%
Ratio of current assets to current liabilities	1.62:1
1.	

The General Revenue Reserve as at the end of December 2017 was a surplus of €812,260, however for the 6 months January to June 2018, Limerick City and County Council reported a revenue loss of €5,637 resulting in a general revenue reserve surplus of €806,623 at 30th June 2018.

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 04/2018, 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.

LPT2018 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	34.1%	31.5%	22.5%	6.8%	2.8%	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 2019, 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 2019, 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 and in Budget 2018, Limerick City & County Council adjusted the LPT Rate upwards by 7.5% equating to an increase of €1,176,450.

The 2019 allocation from the Local Property Tax and the basis of this allocation is set out in the table below:

Limerick City & County Council — 2019 LPT Allocation (pending any decision to vary the basic rate)

LPT 100%	<u>€15,701,369</u>
LPT 20% to Equalisation Fund	<u>€ 3,140,274</u>
2019 LPT Baseline	€17,554,464
LPT retained locally (80%)	<u>€12,561,095</u>
2019 Shortfall	-€4,993,368
Distribution of Equalisation Fund	€4,993,368
LPT Allocation 2019	<u>€17,554,464</u>

Any 1% increase or decrease in 2019 LPT allocation is valued at €157,014

The value of a potential increase or decrease in 2019 LPT allocation if maximum variation of 15% implemented by Limerick City and County Council is €2,355,210.

4. REPORT ON PUBLIC SUBMISSIONS

Two submissions from the public were received as follows:

No of valid submissions received:	2
No of submissions requesting a reduction :	1
No of submissions requesting no change :	1

5. POTENTIAL IMPACT ON SERVICE DELIVERY PLANS OF LOCAL AUTHORITY

Based on Preliminary projections for Budget 2019, the Council has additional unfunded demands.

The main items contributing to this on the income side are

- No Commercial Rates buoyancy
- 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 €157,014.



Sean Coughlan

Director of Support Services

Finance, HR, ICT and Corporate