

30<sup>th</sup> June 2021

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

**Re: Local Property Tax – Local Adjustment Factor 2022**

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.

As this is a Revaluation Year, the decision by a local authority to vary the basic rate of LPT for 2022 must be taken before the 31 August and the Local Adjustment Factor (LAF) must be notified to the Revenue by this date 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 listed in the Local Property Tax (Local Adjustment Factor) Regulations 2014 and updated in the Local Property Tax (Local Adjustment Factor) (Amendment) Regulations 2021.

**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.
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**

	<b>Budget 2021</b>	<b>Draft Budget</b>
	<b>€</b>	<b>2022</b>
<b>INCOME</b>		
Commercial Rates/NPPR	59,629,419	59,879,419
Local Property Tax *	19,944,377	19,952,499
Grants and Subsidies	567,512,349	661,694,099
Other income	210,147,451	243,301,202
<b>Total Income</b>	<b>857,233,596</b>	<b>984,827,219</b>
<b>EXPENDITURE</b>		
Payroll Expenses	83,527,498	85,198,000
Loan interest and Principal repaid	6,735,666	7,135,000
Social Benefits (transfer payments to households)	12,105,080	12,105,080
Capital Grants Paid	1,270,000	1,270,000
Other Expenditure	753,595,352	879,119,139
<b>Total Expenditure</b>	<b>857,233,596</b>	<b>984,827,219</b>

It must be noted that the above projections for 2022 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 2022, compared to 2021. We have balanced the Budget 2022 estimation on the proviso that expenditure will have to match income and this shortfall will be addressed during the Budget 2022 review and adoption process.

## 2. FINANCIAL POSITION

An estimated summary of the Financial Position of Limerick City and County Council as at 30th June 2021 is set out in the table below:

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

	As at 30 June 2021
<b>ASSETS</b>	<b>€</b>
Current assets (including cash and investments)	146,116,613
General revenue reserve (if surplus)	1,387,563
Loans Receivable	75,025,955
<b>LIABILITIES</b>	
Current liabilities (including overdraft)	81,413,017
General revenue reserve (if deficit)	
Loans payable:	
Voluntary housing/Mortgage Loans	74,839,773
Non mortgage loans	53,353,833
<b>INDICATORS</b>	
Ratio of loans payable to revenue income	15%
Ratio of current assets to current liabilities	1.79

The General Revenue Reserve as at the end of December 2020 was a surplus of €887,563 and for the 6 months January to June 2021, Limerick City and County Council reported a revenue surplus of €50k resulting in a general revenue reserve surplus of €937,563 at 30<sup>th</sup> June 2021.

## 3. FINANCIAL EFFECT ON LOCAL ECONOMY

The Minister for Finance, Paschal Donohoe TD on 2nd June 2021 published the Heads of the Finance (Local Property Tax) (Amendment) Bill 2021 following approval from Government at the Cabinet meeting on 1st June 2021. The Bill will give effect to

a package of measures in line with the Programme for Government to address the future of the Local Property Tax. Under the proposed changes to the regime the majority of homeowners are likely to see no change or a decrease in the amount they pay in Local Property Tax (LPT). Where increases arise, the majority will be by a single band (€90), notwithstanding significant increases in property values since 2013.

The rate of the tax is to be cut and the bands will be widened to make the changes affordable and to maintain the overall structure of the LPT.

Circular Fin 15/2021, provided information in relation to the current property valuation bands for each local authority area from the Revenue Commissioners as follows:

LPT2021 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	37%	31.70%	20.9%	6.0%	2.4%	2.0%

89.6% 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 2022, 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 2022, 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 Budgets 2020 and 2021, Limerick City & County Council decided to adjust the LPT Rate upwards by 15% equating to an increase of €2.36m.

The 2022 allocation from the Local Property Tax and the basis of this allocation is set out in the table below:

**Limerick City & County Council — 2022 LPT Allocation (pending any decision to vary the basic rate)**

LPT 100%	<u>€15,986,957</u>
LPT 20% to Equalisation Fund	<u>€ 3,197,391</u>
2022 LPT Baseline	€17,554,464
LPT retained locally (80%)	<u>€12,789,565</u>
2022 Shortfall	-€4,764,899
Distribution of Equalisation Fund	€4,764,899
<b>LPT Allocation 2022</b>	<b><u>€17,554,464</u></b>

Any 1% increase or decrease in 2022 LPT allocation is valued at €159,869

The value of a potential increase or decrease in 2022 LPT allocation if maximum variation of 15% implemented by Limerick City and County Council is €2,398,035

**4. REPORT ON PUBLIC SUBMISSIONS**

1 submission was received from the public as follows:

No of valid submissions received:	1
No of submissions requesting a decrease :	0
No of submissions requesting an increase :	1
No of submissions requesting no change :	0

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

Based on Preliminary projections for Budget 2022, the Council has additional unfunded demands.

The main items contributing to this on the income side are

- limited Commercial Rates buoyancy
- impact of Covid-19 & Brexit on collections
- continued appeals to the revaluation process

On the expenditures side, the following are the main variances:

- Loan charges
- Insurance
- Covid-19 – Economic & Public Realm Revitalisation

The impact of every 1% increase in the rate of LPT is €159,869.



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**Finance, HR, ICT and Corporate**