

17th September 2024

To: Príomh Chomhairleoir and Each Member of Limerick City and County Council

Re: Local Property Tax – Local Adjustment Factor 2025 - 2029

The authority to vary the base rate of Local Property Tax (LPT) is prescribed in the **Finance (Local Property Tax) Act, 2012 ("Act")** as amended by **Finance (Local Property Tax) (Amendment) Act, 2013** and the **Local Property Tax (Local Adjustment Factor) Regulations 2022**. 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 Local Property Tax (Local Adjustment Factor) Regulations 2022, allows for a local variation decision to apply for a period beyond one year. For example, Limerick City and County Council may decide to apply an upward variation decision of up to 15% for say five years without having to revisit the matter again until the five years have passed.

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 15th October 2024 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 and the Local Property Tax (Local Adjustment Factor) Regulations 2022, 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 2024 €	Draft Budget 2025 €
INCOME		
Commercial Rates/NPPR	64,381,299	66,848,551
Local Property Tax	21,329,589	21,405,939
Grants and Subsidies	637,079,146	618,217,579
Other income	219,999,638	219,766,621
Total Income	942,789,672	926,238,690
EXPENDITURE		
Payroll Expenses	108,252,126	112,568,828
Loan interest and Principal repaid	7,229,634	7,500,000
Social Benefits (transfer payments to households)	26,391,400	27,000,000
Capital Grants Paid	1,345,585	1,350,000
Other Expenditure	799,570,927	777,819,862
Total Expenditure	942,789,672	926,238,690

It must be noted that the above projections for 2025 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 draft Budget 2025, compared to 2024. We have balanced the Budget 2025 estimation on the proviso that expenditure will have to match income and this shortfall will be addressed during the Budget review and adoption process.

2. FINANCIAL POSITION

A summary of the Financial Position of Limerick City and County Council as at 30th June 2024 is set out in the table below:

SCHEDULE 2 FINANCIAL POSITION OF LIMERICK CITY AND COUNTY COUNCIL

	As at 30 June 2024
ASSETS	€
Current assets (including cash and investments)	222,273,130
General revenue reserve (if surplus)	1,059,278
Loans Receivable	127,498,419
LIABILITIES	
Current liabilities (including overdraft)	146,873,840
General revenue reserve (if deficit)	
Loans payable:	
Voluntary housing/Mortgage Loans/L2030	77,515,329
Non Mortgage loans	85,138,676
INDICATORS	
Ratio of loans payable to revenue income	17%
Ratio of current assets to current liabilities	1.51

The General Revenue Reserve as at the end of December 2023 was a surplus of €956,037, and for the 6 months January to June 2024, Limerick City and County Council reported a revenue surplus of €103,241 resulting in a general revenue reserve surplus of €1,059,278 at 30th June 2024.

3. FINANCIAL EFFECT ON LOCAL ECONOMY

The table below gives an indication of the rate of Local Property Tax for an average household in Limerick following a 15% decrease or increase on the “basic rate”/ charge.

	Band	Charge (“Basic Rate”)	Charge: -15%	Charge: +15%
1	1 – 200,000	€90	€76.50	€103.50
2	200,001 – 262,500	€225	€191.25	€258.75
3	262,501 – 350,000	€315	€267.75	€362.25
4	350,001 – 437,500	€405	€344.25	€465.75
5	437,501 – 525,000	€495	€420.75	€569.25
6	525,001-612,500	€585	€497.25	€672.75
7	612,501 - 700,000	€675	€573.75	€776.25
8	700,001- 787,500	€765	€650.25	€879.75
9	787,501 – 875,000	€855	€726.75	€983.25
10	875,001 – 962,500	€945	€803.25	€1,086.75
11	962,501 – 1,050,000	€1,035	€879.75	€1,190.25
12	1,050,001 – 1,137,500	€1,190	€1,011.50	€1,368.50
13	1,137,501 – 1,225,000	€1,409	€1,197.65	€1,620.35
14	1,225,001 – 1,312,000	€1,627	€1,382.95	€1,871.05
15	1,312,501 – 1,400,000	€1,846	€1,569.10	€2,122.90
16	1,400,001 – 1,487,500	€2,065	€1,755.25	€2,374.75
17	1,487,501 – 1,575,000	€2,284	€1,941.40	€2,626.60
18	1,575,001 – 1,662,500	€2,502	€2,126.70	€2,877.30
19	1,662,501 – 1,750,000	€2,721	€2,312.85	€3,129.15
20	1,750,001 +	€2,830 +		
	Rate = 0.1029% (fixed charge in first and second bands)			

The effect of varying the base rate by 1% would result in a change of €0.90 for the lowest valuation band and €27.21 for the highest band. Circular Fin 09/2024, provided information in relation to property valuation bands for each local authority area from the Revenue Commissioners. **91%** of the Limerick population with a max + / - 15% local adjustment factor would experience a difference of between €1.13 and €3.94 per month.

LPT2024 Valuation Bands	0- 200,000	200,001- 262,500	262,501 -350,000	Over 350.000
Limerick City and County Council	49.8%	25.5%	15.7%	9.0%

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%), 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%), 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 2023 and 2024, Limerick City & County Council decided to adjust the LPT Rate upwards by 15% equating to an increase of €2.36m.

The 2025 allocation from the Local Property Tax and the basis of this allocation is set out in the table below:

Limerick City & County Council 2025 LPT Allocation (pending any decision to vary the basic rate)

LPT 100%	<u>€15,676,454</u>
2025 Baseline	€19,054,464
2025 Shortfall (2025 Baseline)	-€3,378,010
Distribution of Equalisation Fund	€3,378,010
LPT Allocation 2025	<u>€19,054,464</u>

Any 1% increase or decrease in 2025 LPT allocation is valued at €156,765

The value of a potential increase or decrease in 2025 LPT allocation if maximum variation of 15% implemented by Limerick City and County Council is €2,351,475.

4. REPORT ON PUBLIC SUBMISSIONS

Following a public consultation process, four submissions were received as follows:

No of valid submissions received:	4
No of submissions requesting a decrease :	3
No of submissions requesting an increase :	0
No of submissions requesting no change from the Base Rate:	1

5. POTENTIAL IMPACT ON SERVICE DELIVERY PLANS OF LOCAL AUTHORITY

Based on Preliminary projections for draft Budget 2025, the Council has additional unfunded demands which include the following.

- Construction Related Inflation
- Increased Roads Own Resources Budget
- Increased Housing Maintenance Budget
- Public Sector Pay agreement
- Loan Charges
- Continued appeals to the revaluation process

If the rate is reduced and if funding is not available to replace this reduction, then a reduced level of income available to the Council will limit the range and extent of services and supports that can be provided.

If the rate is increased, then an increased level of income available to the Council will increase the capacity to deliver services and supports.

Recommendation:

The Council is therefore requested to consider whether to pass a resolution to vary the basic rate of Local Property Tax for the **five years ending 31st December 2025 to 31st December 2029** (inclusive) in accordance with Section 20 of the Finance (Local Property Tax) Act, 2012, as amended.

John Moran

Mayor