



15th September, 2020

**TO: AN CATHAOIRLEACH
& EACH MEMBER OF KILKENNY COUNTY COUNCIL**

RE: LOCAL PROPERTY TAX (LPT) - BUDGET 2021

Dear Councillor,

The Elected Members will be required to adopt the 2021 Statutory Budget in late November. In advance of preparing the Budget the Elected Members are required to make a decision on the Local Property Tax as Per Section 20 of the Finance (Local Property Tax) Act 2012 as amended by Section 5 of Finance (Local Property Tax) Act 2013. The statutory deadline for making this decision is September 30th.

Challenges:

Each year this Council faces challenges in balancing the expenditure demands with income available but the challenge facing the Council for budget 2021 is unprecedented. The Covid 19 pandemic has and continues to cause uncertainties on a scale not seen in previous recessions in living memory. The scale and enormity of economic impacts receives almost daily media coverage.

Kilkenny County Council is not immune to the economic impact of this crisis. All of the Councils income streams are under pressure and at risk, whilst we are incurring on going additional costs in delivering our services in the Covid environment and restrictions. It is the perfect storm.

The scale of reductions in income streams will have a significant impact on our budget. As you are aware the Local Government Sector has made detailed cases for Government support to make up the short fall in 2020 income from commercial rates, other goods and services and the additional costs incurred to date. Further national financial support will be required in 2021 to avoid severe cuts to local authorities services, the impact of which would be significant on local communities and the wider public, in particular the more vulnerable in our society.

In addition to our own services the loss of income will impact on Kilkenny County Councils discretionary spend. This funding as the Elected Members are aware, supports a huge range of community and voluntary projects including:

- Watergate Theatre,
- Rothe House,
- Castlecomer Discovery Park,
- Castlecomer Enterprise Centre,
- Drum Youth Centre,
- Kilkenny Tourism,
- Kilkenny Archives,



- Butler Gallery,
- Kilkenny Festivals, the length and breadth of the county including the Arts Festival, Savour Kilkenny, Town of Books in Graiguenamanagh, Kilkenny Animates,
- Keep Kilkenny Beautiful,
- Kilkenny Energy Agency,
- Kilkenny Recreation and Sports Partnership,
- Garda Youth Programme,
- Ossory Youth,
- Rural Transport,
- Dail na Nog,
- Public Partnership Network,
- Local Enterprise Start-up Programme,

Many of these organisations/projects will struggle to survive as their other sources of income and local fundraising are also challenged at this time.

The Council also uses its discretionary spend to provide match funding for many national funding streams and assistance for local schemes. These include :

- | | |
|--|-------------------------------|
| ▪ Town & Village Scheme | ▪ Anti-Litter & Anti-Graffiti |
| ▪ CLAR | ▪ Tidy Towns |
| ▪ LIS | ▪ Graveyard Grants |
| ▪ CIR | ▪ Estate Management |
| ▪ Outdoor Rural Recreation Grants [ORIS] | ▪ Paint Scheme |
| ▪ Rural Regeneration Development Fund | ▪ Festival & Events Grants |
| ▪ Heritage Grants | ▪ Housing Grant Schemes |

As Elected Members you are well placed to understand the importance of these schemes in the delivery of local priority projects. You will fully appreciate the impact cuts in Kilkenny County Council expenditure will have on the communities you serve.

We will continue to make the case that additional national support is critical and the need to have clarity on the level of support for the 2020 and 2021. We need early visibility of the level of support for 2021 to enable the preparation of a palatable balanced budget for 2021.

Limited Sources of Income

Since the Local Property Tax was introduced in 2014 there has been no increase in the national allocation to Kilkenny. Other than a small increase to the former County rate payers, as part of the harmonisation process, the Council has not increased the Rate in the Pound/Multiplier in 13 years. LPT and rates account for just under 40 percent of our income on an annual basis.

Commercial Rates

Commercial rates is the income source most severely impacted by the covid crisis. The Government are providing compensation in 2020 to cover the six month rates waiver for impacted businesses.

It is very difficult to predict with accuracy at this stage what the impact will be in 2021 or what additional Government compensation will be available to the sector. However, it is reasonable to assume that all income streams will continue to be impacted as the crisis takes hold in the economy.

The revaluation of commercial rates on all properties in the County was completed by the Valuation Office in 2017 and came into effect for the 2018 financial year. This process did not result in any additional income for the Council, it is designed to be income neutral. The valuation on 196 properties has been appealed to the Valuation Tribunal. A total of 154 of these appeals have been dealt with resulting in a reduction in the annual rates income of €715k. There exists a significant risk of further losses of income for the Council in 2020 from this appeal process. The full loss in rates income is expected to exceed €1m. The Council has no role in the valuation of properties for rates, the Council Members role is in the adoption of the multiplier as part of the annual budget process.

Local Property Tax

The Local Property Tax allocation for 2020 has been confirmed at €10.67m (*See Appendix 3 attached*). The Local Property Tax funding model replaced the previous General Purpose Grant and has not resulted in any additional income for the Council since its introduction. The Local Property Tax allocation is capped at the General Purpose Grant allocation for 2014 and has not changed since then.

Decision on LPT:

In taking a decision to pass a resolution to vary the basic rate, the members must have regard to the following matters:

1. Feedback from the public consultation process.
2. Estimation of income and expenditure for the period for which the varied rate is to have effect.
3. The financial position of the Local Authority.
4. The financial effect of the varied rate.

1. Public Consultation

The prescribed thirty-day public consultation process commenced on July 17th. The notice was published in the *Kilkenny People* newspaper on July 17th and was also published on the Council website and on social media. No submissions were received by the end of the consultation period.

2. Estimate Expenditure

A schedule setting out the estimated Expenditure for 2020 and 2021 is set out in Appendix 1. The forecast expenditure for 2020 is now €85.4m compared with the adopted budget estimate of €83.56m.

The preliminary estimate of expenditure for 2021 shows a projected spend of €84m. The final projections for 2021 will be known once the detailed budget is completed in November.

3. The Financial Position of the Local Authority

The Financial position of Kilkenny County Council as at 30th June 2020 is set out in the attached Appendix 2. The total value of current assets was €35.9m and current liabilities amounted to €28.2m giving a ratio of 1.3. The Capital reserves available to the Council has reduced by over €25m since the end of 2011. The total value of loans receivable on mortgage debt was €56.9m compared with a balance payable of €41.7m. The total amount of non mortgage loans outstanding at June 2020 was €16.4m.

4. The Financial Effect of the Varied Rate

Information on the LPT for Kilkenny is included in Appendix 3. The total number of properties declared to date for Kilkenny is 35,700 with a 92.2% compliance rate for payment. 90% of properties in the county are valued at €200,000 or less. The projected base Local Property Tax Income for Kilkenny is €7.5m. 80% of this will be retained locally amounting to €6.0m. The total distribution to Kilkenny from the equalisation fund is €4.633m which includes €1.32m of compensation for the loss of pension levy income.

The current rate of Local Property Tax applicable to residential properties in Kilkenny is as follows:

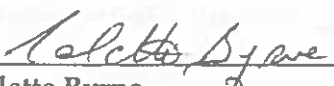
		Annual Charge €
Valuation Band 1	€ 0k to €100k	104
Valuation Band 2	€100k to €150k	259
Valuation Band 3	€150k to 200k	362

These three valuation bands account for 90% of all residential properties in Kilkenny.

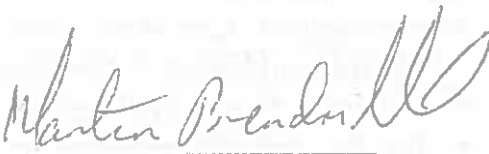
Recommendation:

Taking account of all factors, the level of uncertainty facing Kilkenny Council and the risk to all our income streams, I recommend that the Elected Members maintain the LPT as at 2020 level and that the local adjustment factor remain the same as that which applied from November, 2019 to November, 2020.

Signed:


Colette Byrne
Chief Executive
Kilkenny County Council

Signed:


Martin Prendiville
Head of Finance
Kilkenny County Council

Estimated Expenditure (2020 & 2021)

Appendix 1

EXPENDITURE	2020 Estimated	
	Outturn	2021 Budget
	€m	€m
Payroll Expenses	37.2	37.5
Loan interest and principal repaid	5.2	5.3
Social benefits (transfer to households)	8.6	8.6
Capital Grants paid.	2.2	2.2
Other Expenditure	32.3	30.6
Total Expenditure	85.4	84.2

Kilkenny County Council
Financial Position as at June 2020

APPENDIX 2

<u>Assets</u>	€m
Current Assets (including cash and investments)	35.9
General revenue reserve (if surplus)	0.0
Loans Receivable	56.9
<u>Liabilities</u>	
Current Liabilities (including overdraft)	28.2
General Reserve (if Deficit)	0.0
Loans Payable	
Voluntary housing / mortgage loans	41.7
Non mortgage loans	16.4
<u>Indicators</u>	
Ratio of loans to payable to revenue income	0.7
Ratio of current assets to current liabilities	1.3

An Roinn Tithíochta,
Pleanála agus Rialtais Áitiúil
Department of Housing,
Planning and Local Government



28 July 2020

Circular Fin 12/2020

Chief Executive

cc. Head of Finance

Provisional Local Property Tax Allocations 2021 – Kilkenny County Council

A Chara,

I am directed by the Minister for Housing, Planning, and Local Government to inform you that the provisional Local Property Tax (LPT) allocations from the Local Government Fund for 2021 have been agreed and Kilkenny County Council's allocation is set out below and in **Appendix A** to this document. LPT allocations have been calculated using the Revenue Commissioners' data on net declared liabilities of €483m post-variation in 2020 (as set out in **Appendix B** to this document). On a pre-variation basis, the full 2020 net declared liability amounts to €492m and this is the estimate applied to the provisional LPT allocations process for 2021.

2021 Baseline

Every local authority is entitled to receive a minimum amount of funding under the LPT allocation process, known as the Baseline. Kilkenny County Council's Baseline for 2021 is **€10,673,913**.

Equalisation

The local retention mechanism will continue in 2021. 80% of all LPT receipts will be retained within the local authority area where the Tax is raised. The remaining 20% of the Tax collected nationally will be re-distributed on an equalised basis to local authorities, within the context of the annual allocations of LPT, to ensure that all authorities receive, at a minimum, an amount equivalent to their Baseline. This 20% for equalisation will be based on the total expected level of LPT in each local authority area and will not be adjusted if the basic rate of LPT is varied. Based on its shortfall position when expected 2021 LPT receipts are compared to the 2021 Baseline, Kilkenny County Council will be in receipt of equalisation funding in 2021.

Self-Funding

Some local authorities will receive greater levels of funding in 2021 from the Local Government Fund as a result of local retention of LPT compared to their Baseline. Local authorities will have the surplus allocated in two ways:

- Part of the surplus up to the equivalent of 20% of total expected LPT income (or the full amount of the surplus if that is less than 20%) can be used as additional income by local authorities for the authority's own use as part of their normal budgetary process; and
- The remainder of the surplus, if any, will then be available to the local authority to fund services in the housing and/or roads areas thereby replacing Central Government funding for some of these services. Authorities are expected to continue providing such services regardless of the changed approach to funding.

The specific detail of the level of Central Government Voted grants funding to be provided to local authorities is a matter that will be considered, as normal, as part of the Estimates process.

Based on its shortfall position when expected 2021 LPT receipts are compared to the 2021 Baseline, Kilkenny County Council will not be required to self-fund services in the Housing and/or Roads areas.

Provisional LPT allocation to Kilkenny County Council in 2021

The LPT allocation for Kilkenny County Council for 2021 (pending any decision to locally vary the basic rate) is €10,673,913. As a local authority where 80% of the expected 2020 LPT yield is less than the Baseline, this allocation includes €4,633,478 equalisation funding in order to ensure the allocation is at least matched to the Baseline.

Please refer to the table in **Appendix A**, which sets out the basis for the allocation.

Variation

Every local authority has the power to vary the basic rate of LPT by up to 15%. It should be noted that if Kilkenny County Council decides to vary the LPT basic rate upwards in 2021; 100% of the resultant additional income will be available for the authorities' own use. Similarly, if Kilkenny County Council decides to vary the LPT basic rate downwards (by up to 15%) in 2021, the resultant loss in LPT income will be reflected in reduced LPT funding to the authority.

Local authorities are further reminded of their statutory obligations as set out in the Local Property Tax (Local Adjustment Factor) Regulations 2014 (S.I. Nos. 296 & 439/2014) which take account of relevant provisions in the Finance (Local Property Tax) Acts. Previous guidance circular Fin 08/2014 also refers.

2020 LPT Statistics and Property Valuation Bands

2020 LPT Preliminary Statistics and Property Valuation Bands were provided to this Department by the Revenue Commissioners. This information is being provided for statistical purposes only to assist in the consideration of the local adjustment factor for 2021 LPT.

LPT statistics set out in **Appendix B** to this document outline the following:

- 2020 LPT Exempt (additional to declared liabilities)
- 2020 LPT Amounts Declared
- 2020 LPT Amounts Deferred
- 2020 Net LPT Position

The projected amounts for 2020 LPT reflect any local decision to lower/increase the basic rate by the local adjustment factor in 2020, i.e. data provided is post-variation.

This is of course subject to normal fluctuations that may be caused by transfers in property ownership and the on-going compliance campaign in operation by the Revenue Commissioners.

In accordance with section 152 of the Finance (Local Property Tax) Act 2012, the Department also requested information in relation to property valuation bands for each local authority area from the Revenue Commissioners as set out in **Appendix C** to this document.

Local Authorities will be advised of any further information once it becomes available.

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Lorraine O'Donoghue

Principal

Local Government Finance

Appendix A**Kilkenny County Council - 2021 LPT Allocation (pending any decision to vary the basic rate)**

	€
LPT 100%	7,550,543
LPT 20% towards Equalisation funding	<u>1,510,109</u>
2021 Baseline	10,673,913
LPT Retained Locally (80%)	<u>6,040,435</u>
2021 Shortfall (LPT Retained Locally – 2021 Baseline)	<u>-4,633,478</u>
Distribution of Equalisation funding	4,633,478
Total LPT Funding to be provided in 2021	<u>10,673,913</u>
Value of potential increase or decrease in 2021 LPT Allocation <u>for every 1%</u> of variation implemented	+/- 75,505

Appendix B – 2020 LPT Preliminary Statistics, post application of the 2020 Local Adjustment Factor as provided by the Revenue Commissioners

Local Authority	LPT 2020 Exempt	LPT 2020 Declared	LPT 2020 Deferred	Net LPT 2020 Post Variation
Carlow County Council	€133,804	€4,346,344	€105,043	€4,241,302
Cavan County Council	€152,125	€4,659,628	€119,655	€4,539,973
Clare County Council	€262,801	€11,878,452	€218,628	€11,659,825
Cork City Council	€647,118	€21,388,158	€325,553	€21,062,606
Cork County Council	€912,664	€33,965,387	€543,922	€33,421,466
Donegal County Council	€313,334	€13,218,775	€354,846	€12,863,929
Dublin City Council	€2,507,464	€70,562,219	€1,155,859	€69,406,360
Dún Laoghaire-Rathdown CC	€1,412,908	€44,596,077	€554,369	€44,041,708
Fingal County Council	€1,071,560	€34,847,753	€605,613	€34,242,141
Galway City Council	€162,040	€8,408,777	€94,680	€8,314,097
Galway County Council	€383,993	€14,943,035	€267,446	€14,675,590
Kerry County Council	€417,852	€15,958,929	€248,150	€15,710,780
Kildare County Council	€614,503	€23,780,409	€439,744	€23,340,666
Kilkenny County Council	€339,172	€8,852,523	€169,398	€8,683,125
Laois County Council	€162,554	€5,685,236	€139,014	€5,546,222
Leitrim County Council	€98,666	€2,551,657	€49,014	€2,502,644
Limerick City and County Council	€573,800	€18,688,225	€365,564	€18,322,661
Longford County Council	€102,172	€2,645,388	€67,249	€2,578,140
Louth County Council	€254,510	€9,950,122	€286,628	€9,663,495
Mayo County Council	€232,965	€10,648,065	€202,455	€10,445,610
Meath County Council	€467,830	€17,943,050	€414,540	€17,528,510
Monaghan County Council	€109,837	€4,547,465	€110,309	€4,437,156
Offaly County Council	€410,461	€5,853,398	€157,933	€5,695,466
Roscommon County Council	€135,493	€4,769,128	€96,598	€4,672,530
Sligo County Council	€158,945	€6,254,129	€102,810	€6,151,320
South Dublin County Council	€241,155	€27,692,019	€604,077	€27,087,942
Tipperary County Council	€625,471	€13,530,338	€274,648	€13,255,690
Waterford City and County Council	€283,659	€10,317,667	€210,703	€10,106,964
Westmeath County Council	€167,073	€6,629,150	€144,968	€6,484,183
Wexford County Council	€374,735	€13,949,444	€361,332	€13,588,113
Wicklow County Council	€508,163	€19,424,170	€396,088	€19,028,082
Totals	€14,238,827	€492,485,117	€9,186,828	€483,298,289

Note 1: This analysis is preliminary; there is a small element of estimation in regard to the distribution of amounts by Local Authority.

Note 2: The LPT Declared amount includes declared amounts from returns filed to date, deferred amounts and amounts due on foot of instructions sent to employers and pension providers to collect LPT by way of mandatory deduction at source.

Note 3: The figures include LPT amounts for properties owned by Local Authorities and Approved Housing Bodies.

Note 4: The exemption amounts set out above are based on claims made and will be subject to certain verification checks. In addition, the full effects of exemptions are not reflected in the statistics as where an exemption was claimed, the property owner was not always required to value their property.

Appendix C – LPT Valuation Bands provided by the Revenue Commissioners

LPT 2020 Valuation Bands	0-100,000	100,001-150,000	150,001-200,000	200,001-250,000	250,001-300,000	Over 300,000
Carlow County Council	39.8%	37.5%	17.5%	3.2%	1.0%	1.0%
Cavan County Council	53.5%	37.5%	6.8%	1.4%	0.4%	0.4%
Clare County Council	39.0%	35.3%	17.7%	4.9%	1.7%	1.3%
Cork City Council	22.0%	29.1%	26.0%	12.8%	4.7%	5.3%
Cork County Council	28.8%	27.3%	27.0%	10.2%	3.3%	3.3%
Donegal County Council	51.1%	39.4%	6.7%	1.8%	0.6%	0.5%
Dublin City Council	13.3%	19.9%	20.6%	16.1%	8.8%	21.3%
Dún Laoghaire-Rathdown CC	5.9%	3.0%	10.3%	13.5%	11.9%	55.5%
Fingal County Council	13.2%	17.7%	24.5%	16.0%	10.2%	18.4%
Galway City Council	20.2%	32.1%	26.8%	10.9%	4.2%	5.7%
Galway County Council	37.0%	31.7%	22.2%	5.1%	1.9%	2.0%
Kerry County Council	32.3%	32.7%	26.6%	5.2%	1.8%	1.5%
Kildare County Council	20.5%	23.0%	28.4%	16.4%	5.8%	5.9%
Kilkenny County Council	31.3%	35.9%	23.2%	5.6%	1.7%	2.2%
Laois County Council	43.3%	42.1%	10.3%	2.5%	0.9%	0.9%
Leitrim County Council	60.8%	34.1%	3.8%	0.9%	0.2%	0.2%
Limerick City & County Council	36.5%	32.0%	21.1%	6.0%	2.4%	2.0%
Longford County Council	62.1%	32.4%	4.2%	0.8%	0.3%	0.2%
Louth County Council	37.2%	31.9%	21.1%	6.0%	2.0%	1.8%
Mayo County Council	44.4%	38.1%	13.3%	2.4%	0.9%	0.9%
Meath County Council	22.5%	28.2%	27.2%	12.5%	5.0%	4.6%
Monaghan County Council	43.1%	42.0%	11.6%	2.2%	0.7%	0.5%
Offaly County Council	41.0%	37.6%	17.0%	2.6%	0.9%	1.0%
Roscommon County Council	57.4%	34.8%	5.7%	1.2%	0.4%	0.5%
Sligo County Council	44.7%	32.7%	16.0%	3.9%	1.3%	1.4%
South Dublin County Council	16.3%	17.3%	25.2%	16.8%	8.7%	15.7%
Tipperary County Council	39.3%	35.7%	18.6%	4.0%	1.4%	1.1%
Waterford City & County Council	40.6%	30.5%	19.8%	5.0%	2.1%	2.0%
Westmeath County Council	41.0%	36.5%	16.6%	3.5%	1.3%	1.2%
Wexford County Council	35.1%	36.7%	21.7%	3.8%	1.4%	1.3%
Wicklow County Council	15.2%	18.7%	26.4%	18.6%	8.4%	12.7%

