



12<sup>th</sup> September, 2022

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

**RE: LOCAL PROPERTY TAX (LPT) - BUDGET 2023**

Dear Councillor,

The Elected Members will be required to adopt the 2023 Statutory Budget in 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. The decision to vary the basic rate of LPT for 2023 must be taken before 15<sup>th</sup> October, 2022 and the Local Adjustment Factor (LAF) must be notified to Revenue by this date.

**Challenges:**

The Budget process for the previous two years has been extremely challenging due to the scale of the uncertainty caused by Covid-19. The level of support provided by National Government ensured that cuts to local authority services were avoided during this period. While Covid-19 has not gone away its impact has been reduced. However, we are now faced with another very serious challenge of very high inflation, the level of which has not been seen for almost 40 years.

Inflation is having a significant impact on all of the Council's service areas. Energy costs to run all of Council Buildings in particular, have increased dramatically and we expect further increases in the coming months. The energy cost for the full year of 2023 is expected to be in excess of €900k higher than the full year of 2021. This is despite the significant efforts the Council have made in recent years in relation to energy efficiency: we met our 2020 public sector energy efficiency target a year ahead of target and last year we achieved the globally recognised energy management standard, ISO 50001 and we successfully retained the standard earlier this year following audit. Notwithstanding our commitment to continual improvement of energy management, the aforementioned energy cost increases are beyond our control. We are also seeing significant inflation in other areas such as roads and housing maintenance, fuel to name just a few.

While it is difficult to predict the full impact with accuracy at the moment due to the volatile nature of markets we do expect cost increases due to inflation to exceed €1.6m for 2023.

In preparing the 2022 Budget, an assumption was made that the cost of salaries and overheads incurred in administering the RAS Scheme would be recovered from the Department. This issue has not been resolved and will leave a shortfall of €650k in both 2022 and 2023.

The Housing Team renovate approximately 80 voids each year. This cost per unit has increased significantly due to inflation resulting in a shortfall of approximately €14k per unit compared with the grant available. The Council cannot continue to fund this level of shortfall and the number and scope of works will have to be cut for 2023.

The recently announced national pay proposal will result in additional payroll costs for the Council in 2023 of €331k assuming Government will continue to fund 80% of the increase, similar to the funding provided for the restoration of pay cuts in recent years.

The new library at the Mayfair will be completed early in 2023. Additional funding of €250k will be required to run the facility.

In 2022, the car parking income has been running 10% below pre-Covid levels. The Budget for 2022 assumed that this income stream would return to pre-Covid levels which has not happened. This will result in a shortfall of €230k for 2023.

Government provided compensation for changes to Elected Members pay for 2021 and 2022. The Department has now advised that no further compensation will be provided in 2023, leaving a shortfall of €170k.

Council has to continue investing in IT to support all of the services provided by the Council to the public. The ongoing cyber threats and the introduction of hybrid working are just two of the areas that have placed increased demands on the IT Team. Additional funding of €150k at a minimum will be required for 2023.

The total amount of all of these issues amounts to a funding shortfall of €3.3m for 2023. A net increase of €700k is projected from commercial rates buoyancy and reserve reduction. The projected net shortfall is €2.6m for 2023.

It is critical therefore that no change is made to the local adjustment factor for the Local Property Tax (LPT) for 2023. The decision made 3 years ago yields an additional income of €1.07m each year for the Council. Reducing the base rate by 10% would result in a loss of income from this source of €1.78m. The Council simply cannot sustain this level of income reduction on top of the funding shortfall of €2.6m already outlined.

Assuming no change to the current LPT rate, cuts to funding allocations may be required for 2023 in the absence of any additional income from Council's own sources or additional compensation from Government.

The impact of cuts, if necessary, would be significant on local communities and the wider public, in particular the more vulnerable in our society. In addition to impact on our own services any loss of income will impact on Kilkenny County Council's discretionary spend. This funding as the Elected Members are aware supports a huge range of community and voluntary projects including:

- Watergate Theatre,
- Rothe House,
- Medieval Mile Museum,
- 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,
- Dáil na nÓg,
- Public Partnership Network,
- Local Enterprise Start-up Programme,

The services provided by these organisations are so important and have sustained our communities and people during the Covid crisis. Many of these organisations/projects will struggle to survive as their other sources of income and local fundraising continue to be challenged as the impact of inflation continues.

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 and grants in the delivery of local projects and the importance of these projects in providing hope and sustaining communities in these very challenging times. You will fully appreciate the impact cuts in Kilkenny County Council's 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 2022 and 2023 Budgets. Similar to last year we will need early visibility of the level of national support to enable a palatable balanced budget for 2023 to be presented to Council later this year.

#### Limited Sources of Income

Since the Local Property Tax was introduced in 2014 there has been no increase in the baseline for Kilkenny and for the purpose of the 2023 budget we are advised to operate on a baseline of €10,673,913 similar to 2022. 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 on commercial rates in 15 years. LPT and commercial rates account for just under 35 percent of our income on an annual basis.

#### Commercial Rates

Commercial rates were the income source most severely impacted by the Covid crisis. The Government provided significant compensation for the years 2020 and 2021 with a smaller amount provided for 2022.

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 191 of these appeals have been dealt with resulting in a reduction in the annual rates income of €841k. The full loss in rates income is expected to exceed €1m. The Council has no role in the valuation of properties for rates. The Elected 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 2023 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 base rate, the Members must have regard to the following matters:

- (i) Feedback from the Public Consultation Process.
- (ii) Estimation of Income and Expenditure for the period for which the varied rate is to have effect.
- (iii) The financial position of the Local Authority.
- (iv) The financial effect of the varied rate.

(i) **Public Consultation**

The prescribed fourteen-day public consultation process commenced on July 13<sup>th</sup>. The notice was published in the Kilkenny People newspaper on 13<sup>th</sup> July. No submissions were received by the end of the consultation period on August 12<sup>th</sup>.

(ii) **Estimate Expenditure**

A schedule setting out the estimated Expenditure for 2022 and 2023 is set out in *Appendix 1*. The forecast expenditure for 2022 is now €97m compared with the adopted budget estimate of €94m.

The preliminary estimate of expenditure for 2023 shows a projected spend of €96.3m. The final projections for 2023 will be known once the detailed budget is completed in November.

(iii) **The Financial Position of the Local Authority**

The Financial position of Kilkenny County Council as at 30<sup>th</sup> June, 2022 is set out in the attached *Appendix 2*. The total value of current assets was €46.1m and current liabilities amounted to €17.4m giving a ratio of 2.6. The total value of loans receivable on mortgage debt was €61.1m compared with a balance payable of €39.9m. The total amount of non-mortgage loans outstanding at June 2022 was €14.7m.

(iv) **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 in 2022 was 36,700 of which exemptions were claimed for 700. 90% of properties in the county are valued at €350,000 or less. The projected base Local Property Tax Income for Kilkenny for 2023 is €7.1m a reduction of €400k from the previous year. The total distribution to Kilkenny from the equalisation fund is €3.5m.

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

<i>Band - €</i>	<i>No of Properties</i>	<i>Base Rate per €/annum</i>
0-200,000.....	15,400.....	90
200,001-262,500.....	10,548.....	225
262,501-350,000.....	6,372.....	315

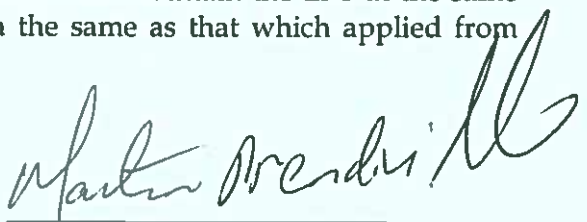
**Recommendation:**

Taking account of all factors, the level of uncertainty facing Kilkenny County Council and the risk to all of our income streams, we recommend the Elected Members maintain the LPT at the same level as 2022 and that the local adjustment factor remain the same as that which applied from November 2021 to November 2022.

Signed:

  
Sean McKeown  
A/Chief Executive  
Kilkenny County Council

Signed:

  
Martin Prendiville  
Head of Finance  
Kilkenny County Council

**Kilkenny County Council**  
**Estimated Expenditure (2022 & 2023)**

*Appendix 1*

	<b>2022 Estimated</b>	
	<b>Outturn</b>	<b>2023 Budget</b>
	<b>€m</b>	<b>€m</b>
<b>INCOME</b>		
Commercial Rates	20.8	21.2
Local Property Tax	7.1	7.1
Grants and Subsidies	44.0	43.0
Other Income	25.1	25.0
<b>Total Income</b>	<b>97.0</b>	<b>96.3</b>
<b>EXPENDITURE</b>	<b>€m</b>	<b>€m</b>
Payroll Expenses	38.6	39.3
Loan interest and principal repaid	4.5	4.8
Social benefits (transfer to households)	12.6	13.0
Capital Grants paid.	2.3	2.4
Other Expenditure	39.0	36.8
<b>Total Expenditure</b>	<b>97.0</b>	<b>96.3</b>

**Kilkenny County Council**  
**Financial Position as at June 2022**

**APPENDIX 2**

	Jun-22
<b><u>Assets</u></b>	<b>€m</b>
Current Assets (including cash and investments)	46.1
General revenue reserve (if surplus)	0
Loans Receivable	61.1
<b><u>Liabilities</u></b>	
Current Liabilities (including overdraft)	17.4
General Reserve (if Deficit)	0
Loans Payable	
Voluntary housing / mortgage loans	39.9
Non mortgage loans	14.7
<b><u>Indicators</u></b>	
Ratio of loans to payable to revenue income	0.6
Ratio of current assets to current liabilities	2.6

An Roinn Tithíochta,  
Rialtais Áitiúil agus Oidhreachta  
Department of Housing,  
Local Government and Heritage



16 August 2022

**Circular Fin 08/2022 (Revised)**

Chief Executive

cc. Head of Finance

**Provisional Local Property Tax Allocations 2023 – Kilkenny County Council**

A Chara,

I am directed by the Minister for Housing, Local Government and Heritage to inform you that the provisional Local Property Tax (LPT) allocations from the Local Government Fund for 2023 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 the estimated yield of €490m for the 2022 LPT liability year, post-variation (as set out in **Appendix B** to this document). On a pre-variation basis, the full 2022 estimated yield amounts to €499m and this is the estimate applied to the provisional LPT allocations process for 2023.

The LPT allocation model for 2023 will change from previous years in the following key areas:

- The revaluation of LPT that took place in November 2021 has led to changes to the individual yield in each local authority area; however the overall yield has only marginally increased.
- From 2023, 100% of the estimated yield will be retained locally within the local authority area where it is collected.
- Equalisation funding will now be met by the Exchequer, to ensure that all authorities receive, at a minimum, an amount equivalent to their Baseline. Previously, all local authorities contributed 20% of their yield towards equalisation funding.
- The move to 100% local retention will lead to an increased surplus for those authorities with LPT income above their baseline. These authorities shall now retain a greater proportion of that surplus for their own use, equivalent to a maximum of 22.5% of the pre-variation yield (20% in 2022). The remainder of the increased surplus will be used to self-fund housing and/or roads services expenditure in the local area. Accordingly, all LPT collected locally will be spent on the provision of services in the local authority's area.

### **2023 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 2023 is €10,673,913.

### **Equalisation**

In line with the commitment in the Programme for Government – *Our Shared Future*; the allocation mechanism for LPT will change in 2023 to allow for 100% of the estimated yield to be retained locally within the local authority area where it is collected. Up to now, 80% of the estimated LPT yield before variation, is retained locally and 20% is used to provide equalisation funding to those local authorities with lower property tax bases. Under the new model, all equalisation funding will be met by the Exchequer, to ensure that all authorities receive, at a minimum, an amount equivalent to their Baseline. The equalisation funding requirement 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 2023 LPT receipts are compared to the 2023 Baseline, Kilkenny County Council will be in receipt of equalisation funding in 2023.

### **Self-Funding**

As outlined above, those local authorities with a surplus LPT yield above their baseline, will have that surplus allocated in two ways:

- Part of the surplus, up to the equivalent of 22.5% of total expected LPT income (or the full amount of the surplus if that is less than 22.5%), 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 self-funding requirement will be based on the total expected level of LPT in each local authority area before any application of a local variation decision and will not be adjusted if the basic rate of LPT is varied.

Based on its shortfall position when expected 2023 LPT receipts are compared to the 2023 Baseline, Kilkenny County Council will not be required to self-fund services in the Housing and/or Roads areas.



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.

### **Provisional LPT allocation to Kilkenny County Council in 2023**

The LPT allocation for Kilkenny County Council for 2023 (**pending any decision to locally vary the basic rate**) is **€10,673,913**. As a local authority where the expected 2023 yield is less than the Baseline, this allocation includes **€3,534,007** equalisation funding in order to ensure that 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 2023; 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 2023, the resultant loss in LPT income will be reflected in reduced LPT funding to the authority.

### **Local Property Tax (Local Adjustment Factor) Regulations 2022**

Local authorities are further reminded of their statutory obligations as set out in the Local Property Tax (Local Adjustment Factor) Regulations 2022 (S.I. 358 of 2022) which take account of relevant provisions in the Finance (Local Property Tax) Acts. These regulations provide the updated requirements for local authorities who may wish to vary their local property tax rates for a specified period, in accordance with section 20 of the Act.

Previous guidance circular Fin 08/2014 and Fin 06/2022 also refers.

### **2022 LPT Statistics and Property Valuation Bands**

2022 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.

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

- 2022 LPT Exempt
- 2022 LPT Amounts Deferred
- 2022 Net estimated LPT Yield (after local variation)

**The projected amounts for 2022 LPT reflect any local decision to lower/increase the basic rate by the local adjustment factor in 2022, 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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Sinéad O'Gorman  
Principal,  
Local Government Finance

**Appendix A****Kilkenny County Council - 2023 LPT Allocation (Pending any decision to vary the basic rate)**

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LPT Retained Locally 100%	7,139,906
2023 Baseline	10,673,913
2023 Shortfall (LPT Retained Locally – 2023 Baseline)	<u>-3,534,007</u>
<b>Distribution of equalisation funding</b>	<b>3,534,007</b>
<b>Total LPT Funding to be provided in 2023</b>	<b><u>10,673,913</u></b>
Value of potential increase or decrease in 2023 LPT Allocation <b><u>for every 1%</u></b> of variation implemented	<b>+/- 71,399</b>

**Appendix B – Estimate of LPT yield in respect of the 2022 Liability Year, post application of the 2022 Local Adjustment Factor as provided by the Revenue Commissioners**

<b>Local Authority</b>	<b>LPT 2022 Exempt</b>	<b>LPT 2022 Deferred</b>	<b>Net Estimated LPT Yield 2022 (excludes Exempt and Deferred) Post Variation</b>
Carlow County Council	€33,149	€22,436	€3,867,915
Cavan County Council	€61,028	€21,704	€4,312,884
Clare County Council	€123,470	€51,619	€10,508,177
Cork City Council	€196,414	€120,273	€23,063,872
Cork County Council	€289,812	€145,217	€33,534,369
Donegal County Council	€196,157	€40,899	€9,659,972
Dublin City Council	€1,005,300	€469,312	€80,373,318
Dún Laoghaire-Rathdown CC	€236,842	€272,647	€48,685,005
Fingal County Council	€321,154	€215,897	€36,480,163
Galway City Council	€69,004	€43,322	€8,527,592
Galway County Council	€93,105	€61,043	€14,362,329
Kerry County Council	€100,674	€45,238	€13,601,125
Kildare County Council	€172,838	€124,792	€25,477,803
Kilkenny County Council	€141,281	€36,978	€8,210,891
Laois County Council	€34,028	€22,599	€5,223,089
Leitrim County Council	€13,051	€9,666	€2,043,722
Limerick City and Co. Council	€237,549	€74,324	€16,380,720
Longford County Council	€33,015	€13,119	€2,295,422
Louth County Council	€87,452	€66,218	€9,276,293
Mayo County Council	€123,348	€39,270	€9,493,020
Meath County Council	€206,003	€108,631	€18,651,237
Monaghan County Council	€56,227	€15,415	€3,481,433
Offaly County Council	€111,611	€28,350	€5,071,538
Roscommon County Council	€41,294	€19,358	€4,143,081
Sligo County Council	€41,783	€22,488	€5,161,214
South Dublin County Council	€48,192	€209,877	€27,423,886
Tipperary County Council	€136,377	€50,619	€11,381,769
Waterford City and Co. Council	€118,666	€51,770	€10,875,229
Westmeath County Council	€72,015	€26,775	€6,168,243
Wexford County Council	€82,980	€75,616	€12,647,908
Wicklow County Council	€134,334	€126,553	€19,616,783
<b>Totals</b>	<b>€4,618,153</b>	<b>€2,632,017</b>	<b>€490,000,000</b>

**Appendix C – LPT 2022 Valuation Bands provided by the Revenue Commissioners**

<b>LPT 2022 Valuation Bands</b>	<b>0-200,000</b>	<b>200,001-262,500</b>	<b>262,501-350,000</b>	<b>Over 350,000</b>
Carlow County Council	55.3%	26.1%	13.3%	5.3%
Cavan County Council	75.3%	15.4%	7.1%	2.1%
Clare County Council	51.2%	26.9%	14.8%	7.2%
Cork City Council	33.1%	20.6%	24.3%	22.1%
Cork County Council	36.8%	23.2%	24.2%	15.8%
Donegal County Council	79.7%	12.4%	5.6%	2.3%
Dublin City Council	22.8%	13.9%	21.3%	41.9%
Dún Laoghaire-Rathdown CC	7.5%	2.3%	10.4%	79.9%
Fingal County Council	13.5%	16.1%	25.2%	45.3%
Galway City Council	28.1%	23.9%	26.8%	21.3%
Galway County Council	42.6%	29.0%	18.0%	10.4%
Kerry County Council	49.3%	27.0%	16.2%	7.5%
Kildare County Council	23.7%	17.7%	28.9%	29.8%
Kilkenny County Council	42.8%	29.3%	17.7%	10.3%
Laois County Council	55.7%	28.3%	11.5%	4.4%
Leitrim County Council	83.0%	11.8%	4.3%	1.0%
Limerick City & County Council	49.3%	25.9%	15.7%	9.2%
Longford County Council	77.8%	17.0%	4.1%	1.2%
Louth County Council	47.9%	24.0%	18.0%	10.1%
Mayo County Council	65.3%	21.4%	9.5%	3.8%
Meath County Council	24.1%	22.9%	28.9%	24.0%
Monaghan County Council	70.6%	17.4%	9.3%	2.7%
Offaly County Council	61.3%	24.1%	10.3%	4.2%
Roscommon County Council	73.2%	18.4%	6.2%	2.2%
Sligo County Council	67.1%	14.7%	11.1%	7.2%
South Dublin County Council	9.9%	16.5%	29.7%	44.0%
Tipperary County Council	61.4%	22.7%	11.0%	4.9%
Waterford City & County Council	52.2%	23.4%	14.7%	9.7%
Westmeath County Council	49.3%	28.9%	14.5%	7.2%
Wexford County Council	49.3%	27.4%	16.3%	7.1%
Wicklow County Council	22.0%	14.1%	22.8%	41.1%