



Comhairle Chontae Chill Chainnigh

Halla an Chontae Sraid Eoin Cill Chainnigh
R95 A39T

Pobail agus Áiteanna Inbhuanaithe a Chruthú

Kilkenny County Council

County Hall John Street Kilkenny
R95 A39T

Creating Sustainable Communities and Places



12th September, 2023

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

RE: LOCAL PROPERTY TAX (LPT) - BUDGET 2024

Dear Councillor,

The Elected Members will be required to adopt the 2024 Statutory Budget in November. In advance of preparing the Budget the Elected Members are required to make a decision on the Local Property Tax (LPT), as Per Section 20 of the Finance (Local Property Tax) Act 2012 as amended. The decision to vary the basic rate of LPT for 2024 must be taken before 16th October, 2023 and the Local Adjustment Factor (LAF) must be notified to Revenue by this date.

Challenges:

Each year the Council faces different challenges in trying to prepare a balanced Budget to deliver services for the people of Kilkenny. 2024 will be no different.

Inflation has had a major impact on the cost of services in 2022 and is continuing to do so in 2023. It is difficult to provide an accurate estimate of what the full impact will be for 2024 but it is expected that additional costs of approximately €750k will be incurred.

The recent Workplace Relation Commission (WRC) recommendation on retained firefighters and the ongoing discussions with Waterford City and County Council regarding the contribution required to provide the callout service in the South of the County are estimated to cost an extra €1.0m per annum. The majority of this increase is related to the WRC proposal that has been accepted by retained firefighters. It is not clear if Central Government will provide any funding to offset this extra cost to the Council.

There has been no agreement yet on any National Pay Agreement for 2024. However, the full impact of the increases in 2023 and the projected increase for 2024 will cost the Council an extra €350k, assuming Central Government continue to fund 80% of the increase.

In preparing the 2023 Budget an assumption was made that a portion of the cost of salaries and overheads incurred in administering the RAS Scheme would be recovered from the Department. The additional cost in 2024 to be funded from the Council's own resources is €250k.

The Housing team renovate approximately 80 voids each year. The cost per unit has increased significantly due to inflation. There is an estimated shortfall of €9k per unit. The Council cannot continue to fund this level of shortfall, which is estimated at €700k in 2024

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 resources. Additional funding of €200k at a minimum will be required in 2024.

Council is currently in the process of preparing a climate action plan which has to be completed in early 2024. This plan will require a significant investment by the Council in the coming years in various climate change initiatives that must be implemented. A minimum of €300k of additional funding will be required in 2024 to provide match funding for some of these initiatives.

Council approved the latest three year capital programme last January. In July the Members also approved an additional equity investment in the Abbey Quarter Partnership. Additional loan finance of €5m will be required in 2024 at a cost of €250k.

The total preliminary estimated shortfall for 2024 is €3.8m. This is a provisional estimate of the shortfall in advance of preparing the detailed Budget:

Limited Sources of Income.

LPT and commercial rates account for approximately 37% of the Council's annual income. Since the Local Property Tax was introduced in 2014, there has been no increase in the baseline funding until this year. Following a national review of the LPT baseline, Kilkenny County Council were informed on 6th September, 2023 that the revised allocation for Kilkenny for 2024 is €12,173,915, which is an increase of €1.5m. This increase is welcome but equates to an average annual increase of just €150k since 2014.

The estimated net increase in commercial rates for 2024 is €300k. This is dependent on the Valuation Office completing new listings applications in a timely manner.

The total preliminary estimated additional income for 2024 €1.8m. The estimated net shortfall therefore for 2024 is €2.0m.

It is critical that no change is made to the Local Authority Tax base rate adjustment for 2024. The decision made 4 years ago yields an additional €1.14m each year for the Council. Council simply cannot sustain any income reduction in the context of an estimated funding shortfall of €2.0m.

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 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,
- 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,

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.

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 sustaining communities in these very challenging times. You will fully appreciate the impact cuts in Kilkenny County Council expenditure will have on the communities you serve.

Local Property Tax

The Local Property Tax allocation for 2024 has been confirmed at €12.174m (*See Appendix 3 attached*).

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 public consultation process commenced on July 28th last. The notice was published in the Kilkenny People newspaper and was also published on the Council website and on social media. No submissions were received by the end of the consultation period on 27th August 2023.

2. Estimate Expenditure

A schedule setting out the estimated Expenditure for 2023 and 2024 is set out in Appendix 1. The forecast expenditure for 2023 is €98.7m.

The preliminary estimate of expenditure for 2024 shows a projected spend of €99m. The final projections for 2024 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 2023 is set out in the attached Appendix 2. The total value of current assets was €47.4m and current liabilities amounted to €21.2m giving a ratio of 2.2. The total value of loans receivable on mortgage debt was €39m compared with a balance payable of €39.2m. The total amount of non-mortgage loans outstanding at June 2023 was €13.8m.

4. The Financial Effect of the Varied Rate

Information on the LPT for Kilkenny is included in Appendix 3. The projected base Local Property Tax Income for Kilkenny is €7.6m. The total distribution to Kilkenny from the equalisation fund is €4.54m.

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

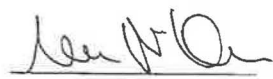
Band - €	% of Properties	Base Rate per €/annum
0-200,000	43.2	90
200,001-262,500	29.0	225
262,501-350,000	17.6	315
>350,001	10.2	Varies

89.8% of properties in Kilkenny are valued at €350,000 or less.

Recommendation:

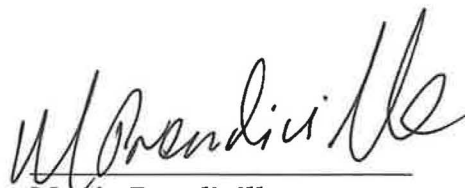
Taking account of all the factors outlined above, the level of uncertainty facing Kilkenny County Council, and the risk attaching to our various income streams, we recommend that the Elected Members maintain the LPT at the same level as 2023 and that the Local Adjustment Factor remain the same as that which applied from November 2022 to November 2023.

Signed:



Sean McKeown
Interim Chief Executive
Kilkenny County Council

Signed:



Martin Prendiville
Head of Finance
Kilkenny County Council

Estimated Expenditure (2023 & 2024)

Appendix 1

	<u>2023 Estimated</u>	
	<u>Outturn</u>	<u>2024 Budget</u>
	<u>€m</u>	<u>€m</u>
INCOME		
Commercial Rates	21.40	21.70
Local Property Tax	7.10	7.10
Grants and Subsidies	43.12	43.10
Other Income	27.08	27.08
Total Income	98.70	98.98
EXPENDITURE	€m	€m
Payroll Expenses	40.60	42.43
Loan interest and principal repaid	5.20	6.00
Social benefits (transfer to households)	12.60	12.60
Capital Grants paid.	2.30	2.30
Other Expenditure	38.00	35.65
Total Expenditure	98.70	98.98

Kilkenny County Council
Financial Position as at June 2023

APPENDIX 2

	Jun-23	Jun-22
<u>Assets</u>	€m	€m
Current Assets (including cash and investments)	47.4	46.1
General revenue reserve (if surplus)	0.0	0
Loans Receivable	60.4	61.1
 <u>Liabilities</u>		
Current Liabilities (including overdraft)	21.2	17.4
General Reserve (if Deficit)	0.0	0
Loans Payable		
Voluntary housing / mortgage loans	39.2	39.9
Non mortgage loans	13.8	14.7
 <u>Indicators</u>		
Ratio of loans to payable to revenue income	0.5	0.6
Ratio of current assets to current liabilities	2.2	2.6

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



06 September 2023

Circular Fin 07/2023

Chief Executive

cc. Head of Finance

Provisional Local Property Tax Allocations 2024 – 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 2024 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 based on an estimated yield (pre variation) for the 2024 LPT liability year of €528.8m, based on the latest 2022 LPT liabilities data as provided by the Revenue Commissioners, adjusted for deferrals and newly liable properties for 2023 (as set out in **Appendix B** to this document).

LPT Baseline Review and 2024 Baseline

Under the current LPT allocation model, every local authority is entitled to receive a minimum amount of funding under the LPT allocation process, known as the Baseline.

As you are aware, a working group, which included representatives from the local government sector, was set up earlier this year to review and establish a new model to determine LPT baseline funding levels. The work of the group has now concluded with the following recommendations:

1. That from 2024, funding would be distributed in accordance with the allocation model developed by the working group, according to the following indicators and weightings: population: 10%, area: 35%, deprivation levels: 20%, Local Authority locally raised Income: 27.5% and achievement of National Policy Priorities: 7.5%;
2. That no local authority should see a reduction in baseline funding upon the application of the above model; and
3. That this model is used to review local authority baselines every 5 years, following updated census data.

The Minister has approved the recommendations of the group, and, furthermore has committed to ensuring that every authority receives an increase in baseline funding in

2024 of at least €1.5m. Accordingly, the overall LPT Baselines of Local Authorities in 2024 will be increased from **€353m** to **€428.4m** (Local Authority 2024 LPT Baselines are set out in **Appendix C** to this document). As well as assisting local authorities to meet the costs of providing essential services, ensuring a minimum increase in baseline funding to each local authority enables a level of flexibility and discretion for each authority to address priority resource demands arising, such as those required to implement cyber security measures, to support the roll out of the new Code of Corporate Governance for Local Authorities and to support National Development Plan delivery generally.

It should be noted that the purpose of the review was to identify those authorities that needed to be brought up to par in terms of baseline funding, and therefore some authorities will see a greater increase in funding than others.

Kilkenny County Council's Baseline for 2024 is **€12,173,913**.

Equalisation

In line with the commitment in the Programme for Government – *Our Shared Future*; 100% of the estimated LPT yield is retained locally within the local authority area where it is collected. 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 2024 LPT receipts are compared to the 2024 Baseline, Kilkenny County Council will be in receipt of equalisation funding in 2024.

Self-Funding

As previously, 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 2024 LPT receipts are compared to the 2024 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 2024

The LPT allocation for Kilkenny County Council for 2024 (**pending any decision to locally vary the basic rate**) is **€12,173,913**. As a local authority where the expected 2024 yield is less than the Baseline, this allocation includes **€4,545,404** 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 a local authority decides to vary the LPT basic rate upwards in 2024; 100% of the resultant additional income will be available for the authorities' own use. Similarly, if an authority decides to vary the LPT basic rate downwards (by up to 15%) in 2024, 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 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.

Apart from the formal notification to the Minister of the passing of a resolution in accordance with the regulations, local authorities will be requested, as a procedural matter, to confirm with the Department, the local adjustment factor (or the basic rate, as the case may be) that should apply for the 2024 LPT liability year, on or before 15 October 2023.

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

2023 LPT Statistics and Property Valuation Bands

2023 LPT Preliminary Statistics and Property Valuation Bands are available on the Revenue Commissioners website at the following web link:

<https://www.revenue.ie/en/corporate/information-about-revenue/statistics/local-property-tax/lpt-stats/2023/index.aspx>

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

- Estimated Net LPT Liabilities for 2024 (Before the application of any local adjustment factor variation)
- 2023 LPT Deferrals (before local variation). Excluded from the estimated Net LPT Liabilities
- Properties Newly Liable in 2023 (before local variation). Included in estimated Net LPT Liabilities

The projected amounts for 2024 LPT do not reflect any local decision to lower/increase the basic rate by the local adjustment factor in 2024, i.e. data provided is pre-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.

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

Is mise, le meas,



Sinéad O'Gorman,
Principal,
Local Government Finance

Appendix A

Kilkenny County Council - 2024 LPT Allocation (pending any decision to vary the basic rate)

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LPT Retained Locally 100%	7,628,509
2024 Baseline	<u>12,173,913</u>
2024 Shortfall (LPT Retained Locally – 2024 Baseline)	<u>-4,545,404</u>
Distribution of equalisation funding	4,545,404

Total LPT Funding to be provided in 2024	<u>12,173,913</u>
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Value of potential increase or decrease in 2024 LPT Allocation <u>for every 1%</u> of variation implemented	+/- 76,285
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Appendix B – Estimate of LPT yield in respect of the 2024 Liability Year, before the application of any Local Adjustment Factor

Local Authority	Estimated Net LPT Liabilities for 2024 (Before the application of any local adjustment factor variation)	2023 Deferrals excluded	Properties newly liable in 2023 included
Carlow County Council	€3,998,227	€21,569	€26,302
Cavan County Council	€4,014,598	€19,770	€17,768
Clare County Council	€9,738,737	€40,666	€66,279
Cork City Council	€22,449,184	€106,318	€195,335
Cork County Council	€33,371,302	€133,497	€328,168
Donegal County Council	€9,049,469	€30,968	€34,536
Dublin City Council	€96,970,371	€543,099	€1,198,689
Dún Laoghaire-Rathdown CC	€60,095,759	€315,540	€1,158,645
Fingal County Council	€43,609,512	€237,892	€740,310
Galway City Council	€8,963,395	€38,565	€33,915
Galway County Council	€15,299,282	€52,875	€96,463
Kerry County Council	€13,366,016	€38,679	€56,940
Kildare County Council	€25,244,978	€116,167	€605,402
Kilkenny County Council	€7,628,509	€29,078	€41,430
Laois County Council	€5,241,795	€21,735	€51,716
Leitrim County Council	€1,878,503	€8,672	€3,303
Limerick City and County Council	€15,167,516	€66,425	€103,915
Longford County Council	€2,146,088	€11,541	€7,266
Louth County Council	€10,195,678	€64,485	€136,059
Mayo County Council	€9,178,425	€33,949	€48,659
Meath County Council	€20,323,607	€114,099	€340,193
Monaghan County Council	€3,244,442	€15,450	€21,427
Offaly County Council	€4,815,843	€23,892	€49,672
Roscommon County Council	€3,839,124	€13,917	€16,144
Sligo County Council	€4,780,540	€18,929	€26,107
South Dublin County Council	€34,447,779	€254,031	€423,001
Tipperary County Council	€11,052,375	€40,645	€23,795
Waterford City & County Council	€9,863,694	€48,365	€83,342
Westmeath County Council	€6,611,936	€28,238	€40,542
Wexford County Council	€12,394,385	€68,304	€116,411
Wicklow County Council	€19,824,676	€115,049	€364,707
	€528,805,743	€2,672,409	€6,456,442

Note: The estimated €528.8m (pre-variation) yield for the 2024 LPT liability year is based on the Revenue Commissioners' latest yield estimates of €513.4m (post-variation) for the 2022 liability year. The estimated yield includes newly liable properties for 2023, but excludes any deferrals for 2023. The effect of the application of any local adjustment factor is excluded in the table above.

Appendix C – Local Authority LPT Baselines 2024

Local Authority	LPT Baseline 2024
Carlow County Council	€8,914,470
Cavan County Council	€11,783,496
Clare County Council	€10,179,318
Cork City Council	€11,198,643
Cork County Council	€18,453,747
Donegal County Council	€26,619,850
Dublin City Council	€20,595,592
Dún Laoghaire-Rathdown County Council	€9,770,919
Fingal County Council	€5,824,881
Galway City Council	€4,099,723
Galway County Council	€20,309,071
Kerry County Council	€15,276,761
Kildare County Council	€13,255,790
Kilkenny County Council	€12,173,913
Laois County Council	€11,620,533
Leitrim County Council	€10,456,315
Limerick City & County Council	€19,054,464
Longford County Council	€10,406,648
Louth County Council	€11,366,198
Mayo County Council	€21,312,344
Meath County Council	€12,372,034
Monaghan County Council	€12,738,572
Offaly County Council	€11,252,214
Roscommon County Council	€11,993,634
Sligo County Council	€11,702,627
South Dublin County Council	€8,926,059
Tipperary County Council	€27,451,602
Waterford City and County Council	€20,178,971
Westmeath County Council	€12,705,507
Wexford County Council	€15,126,453
Wicklow County Council	€11,230,668
Total	€428,351,015

