

13th July, 2021.

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

RE: LOCAL PROPERTY TAX (LPT) – BUDGET 2022

Dear Councillor,

The Elected Members will be required to adopt the 2022 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 by Section 5 of Finance (*Local Property Tax*) Act 2013. 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 31st August and the Local Adjustment Factor (*LAF*) must be notified to Revenue by this date in order that it can have effect from 1st November (*the liability date*) and therefore determine the LPT liability for taxpayers for 2022.

Challenges:

The Budget process for the 2021 Budget was challenging with the scale of uncertainty caused by the Covid 19 virus. The year continues to be challenging as many of our businesses and communities continue to be affected by the impact of the virus. The hospitality sector nationally has had a very challenging 16 months. The hospitality sector provides significant employment in Kilkenny and Covid is having a very significant impact on local businesses in that sector in particular. 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 the pandemic economic impact receives almost daily media coverage but the long term impact has yet to be realised.

National Government provided significant support to the Local Government sector in 2020 to meet the short fall in income and the additional costs of providing much needed local services with Covid restrictions impacting work practices. Our budget for 2021 was based on the principle that the level of National Government financial support for Local Government in 2020 would continue in 2021.

The scale of reductions in income streams will continue to have a significant impact on our budget for 2022. The Local Government Sector will require National Government support to make up the short fall in 2021 income and the additional costs incurred. Further national financial support will be required in 2022 to avoid severe cuts to local authorities services.

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 the Ministers letter of the 12th of November 2020 he stated *“it is critical that services continue to be delivered to our citizens, that those citizens can maintain confidence in the local government system”*.

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 as the impact of the pandemic 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 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 2021 and 2022. Similar to last year we will need early visibility of the level of national support to enable a palatable balanced budget for 2022 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 2022 budget we are advised to operate on a baseline of €10,673,913 similar to 2021. 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 14 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 provided compensation of €8.6m in 2020 to fund the rates waiver for businesses impacted. A more restricted rates waiver for nine months has been announced by Government for 2021. The estimated compensation for this waiver in 2021 is €5.1m. Further Government support will be required for 2022 as the impact of Covid-19 on affected businesses is likely to continue into 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 186 of these appeals have been dealt with resulting in a reduction in the annual rates income of €836k. 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 fourteen-day public consultation process commenced on 23rd June. The notice was published in the Kilkenny People newspaper on 23rd June and was also published on the Council website and on social media. No submissions were received by the end of the consultation period on 7th July last.

2. Estimate Expenditure

A schedule setting out the estimated Expenditure for 2021 and 2022 is set out in *Appendix 1*. The forecast expenditure for 2021 is now €97m compared with the adopted budget estimate of €89.9m.

The preliminary estimate of expenditure for 2022 shows a projected spend of €95m. The final projections for 2022 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, 2021 is set out in the attached *Appendix 2*. The total value of current assets was €38.5m and current liabilities amounted to €22m giving a ratio of 1.7. The total value of loans receivable on mortgage debt was €61.6m compared with a balance payable of €59.2m. The total amount of non mortgage loans outstanding at June 2021 was €16.0m.

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 for Kilkenny in 2020 was 36,100 with a 95.6% 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 €4.63m which includes €1.32m of compensation for the loss of pension levy income.

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

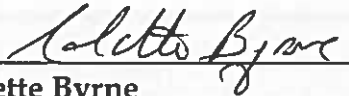
	Current Band Structure		Proposed Band Structure	
	Band €	Charge €	Band €	Charge €
1.	0 - 100,000	90	0 - 200,000	90
2.	100,000 - 150,000	225	200,000 - 262,500	225
3.	150,000 - 200,000	315	262,501 - 350,000	315

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

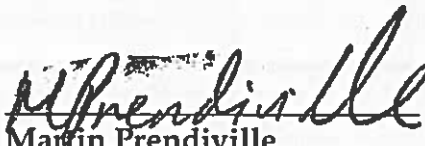
Recommendation:

Taking account of all factors, the level of uncertainty facing Kilkenny Council and the risk to all our income streams, we recommend that the Elected Members maintain the LPT as at 2021 level and that the local adjustment factor remain the same as that which applied from November 2020 to November 2021.

Signed:


Colette Byrne
Chief Executive
Kilkenny County Council

Signed:


Martin Prendiville
Head of Finance
Kilkenny County Council

Estimated Expenditure (2021 & 2022)

Appendix 1

	2021 Estimated	
	Outturn	2022 Budget
	€m	€m
INCOME		
Commercial Rates	20.8	20.8
Local Property Tax	7.1	7.1
Grants and Subsidies	44.0	43.0
Other Income	25.1	24.1
Total Income	97.0	95.0
EXPENDITURE		
	€m	€m
Payroll Expenses	37.1	37.5
Loan interest and principal repaid	5.2	5.6
Social benefits (transfer to households)	10.6	10.6
Capital Grants paid.	2.7	2.7
Other Expenditure	41.4	38.6
Total Expenditure	97.0	95.0

Kilkenny County Council
Financial Position as at June 2021

APPENDIX 2

<u>Assets</u>	€m
Current Assets (including cash and investments)	38.5
General revenue reserve (if surplus)	0.0
Loans Receivable	61.6
<u>Liabilities</u>	
Current Liabilities (including overdraft)	22.0
General Reserve (if Deficit)	0.0
Loans Payable	
Voluntary housing / mortgage loans	43.2
Non mortgage loans	16.0
<u>Indicators</u>	
Ratio of loans to payable to revenue income	0.6
Ratio of current assets to current liabilities	1.7



17 June 2021

Circular Fin 15/2021

Chief Executive

cc. Head of Finance

Provisional Local Property Tax Allocations 2022 – 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 2022 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 €496.5m post-variation in 2021 (as set out in **Appendix B** to this document). On a pre-variation basis, the full 2021 net declared liability amounts to €493.7m and this is the estimate applied to the provisional LPT allocations process for 2022.

This approach differs from previous years given that a revaluation of LPT is expected to take place later this year, which will lead to changes in both the overall LPT yield and to the yield in each local authority area. When detailed information on the 2022 yield is available, the matter will be reviewed.

Notwithstanding that, for the purpose of the provisional/pre-variation allocation, all other elements must also be based on the 2021 figures, including the LPT baselines, the equalisation contribution, and self-funding of housing and roads from surplus LPT.

It is recognised that the financial information required to support the decision of elected members will be preliminary and estimated given the timelines that apply to the process this year.

2022 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 2022 is €10,673,913.

Equalisation

The local retention mechanism will continue in 2022. 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 2022 LPT receipts are compared to the 2022 Baseline, Kilkenny County Council will be in receipt of equalisation funding in 2022.

Self-Funding

Some local authorities will receive greater levels of funding in 2022 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 2022 LPT receipts are compared to the 2022 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 2022

The LPT allocation for Kilkenny County Council for 2022 (pending any decision to locally vary the basic rate) is €10,673,913. As a local authority where 80% of the expected 2022 LPT yield is less than the Baseline, this allocation includes €4,618,260 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 2022; 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 2022, 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) and the Local Property Tax (Local Adjustment Factor)(Amendment) Regulations 2021 (S.I. No. 285 /2021) which take account of relevant provisions in the Finance (Local Property Tax) Acts. Previous guidance circular Fin 08/2014 also refers.

2021 LPT Statistics and Property Valuation Bands

2021 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 2022 LPT.

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

- 2021 LPT Exempt (additional to declared liabilities)
- 2021 LPT Amounts Declared
- 2021 LPT Amounts Deferred
- 2021 Net LPT Position

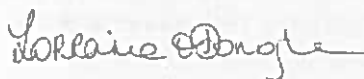
The projected amounts for 2021 LPT reflect any local decision to lower/increase the basic rate by the local adjustment factor in 2021, i.e. data provided is post-variation.

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 - 2022 LPT Allocation (Pending any decision to vary the basic rate)

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LPT 100%	<u>7,569,565</u>
LPT 20% towards Equalisation funding	<u>1,513,913</u>
2022 Baseline	10,673,913
LPT Retained Locally (80%)	<u>6,055,652</u>
2022 Shortfall (LPT Retained Locally – 2022 Baseline)	<u>-4,618,260</u>
Distribution of Equalisation funding	4,618,260
Total LPT Funding to be provided in 2022	<u>10,673,913</u>
Value of potential increase or decrease in 2022 LPT Allocation <u>for every 1%</u> of variation implemented	+/- <u>75,695</u>

Appendix B – 2021 LPT Preliminary Statistics, post application of the 2021 Local Adjustment Factor as provided by the Revenue Commissioners

Local Authority	LPT 2021 Exempt	LPT 2021 Declared	LPT 2021 Deferred	Net LPT 2021 Post Variation
Carlow County Council	€133,000	€4,358,000	€101,000	€4,257,000
Cavan County Council	€167,000	€5,360,000	€127,000	€5,232,000
Clare County Council	€257,000	€11,909,000	€205,000	€11,704,000
Cork City Council	€690,000	€22,992,000	€327,000	€22,665,000
Cork County Council	€919,000	€34,827,000	€521,000	€34,306,000
Donegal County Council	€301,000	€13,286,000	€333,000	€12,954,000
Dublin City Council	€2,457,000	€70,801,000	€1,060,000	€69,741,000
Dún Laoghaire-Rathdown CC	€1,693,000	€52,523,000	€604,000	€51,918,000
Fingal County Council	€1,081,000	€34,901,000	€563,000	€34,338,000
Galway City Council	€163,000	€8,431,000	€89,000	€8,342,000
Galway County Council	€381,000	€14,990,000	€253,000	€14,737,000
Kerry County Council	€401,000	€15,590,000	€226,000	€15,364,000
Kildare County Council	€601,000	€23,818,000	€407,000	€23,411,000
Kilkenny County Council	€334,000	€8,863,000	€159,000	€8,705,000
Laois County Council	€159,000	€5,698,000	€129,000	€5,569,000
Leitrim County Council	€95,000	€2,559,000	€46,000	€2,512,000
Limerick City and Co.Council	€557,000	€18,729,000	€344,000	€18,385,000
Longford County Council	€101,000	€2,652,000	€62,000	€2,590,000
Louth County Council	€258,000	€10,004,000	€269,000	€9,736,000
Mayo County Council	€246,000	€11,716,000	€209,000	€11,507,000
Meath County Council	€496,000	€17,999,000	€384,000	€17,616,000
Monaghan County Council	€104,000	€4,558,000	€107,000	€4,451,000
Offaly County Council	€134,000	€5,864,000	€149,000	€5,715,000
Roscommon County Council	€157,000	€4,763,000	€91,000	€4,673,000
Sligo County Council	€237,000	€6,261,000	€95,000	€6,167,000
South Dublin County Council	€614,000	€27,742,000	€570,000	€27,172,000
Tipperary County Council	€398,000	€13,535,000	€254,000	€13,281,000
Waterford City and Co.Council	€293,000	€11,095,000	€210,000	€10,885,000
Westmeath County Council	€188,000	€7,625,000	€158,000	€7,467,000
Wexford County Council	€361,000	€13,994,000	€338,000	€13,656,000
Wicklow County Council	€464,000	€17,717,000	€326,000	€17,391,000
Totals	€14,440,000	€505,160,000	€8,716,000	€496,447,000

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 2021 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	40.3%	37.2%	17.3%	3.2%	1.0%	1.0%
Cavan County Council	53.8%	37.2%	6.7%	1.4%	0.4%	0.4%
Clare County Council	39.4%	35.1%	17.6%	4.9%	1.7%	1.3%
Cork City Council	22.6%	28.9%	25.8%	12.8%	4.7%	5.3%
Cork County Council	29.5%	27.0%	26.7%	10.1%	3.3%	3.3%
Donegal County Council	51.5%	39.0%	6.6%	1.8%	0.6%	0.5%
Dublin City Council	14.1%	19.7%	20.3%	15.9%	8.7%	21.3%
Dún Laoghaire-Rathdown CC	6.6%	2.9%	10.2%	13.4%	11.8%	55.1%
Fingal County Council	14.5%	17.3%	24.1%	15.8%	10.0%	18.2%
Galway City Council	20.8%	31.9%	26.6%	10.8%	4.2%	5.7%
Galway County Council	37.7%	31.3%	22.0%	5.1%	1.9%	2.0%
Kerry County Council	32.8%	32.4%	26.4%	5.1%	1.8%	1.5%
Kildare County Council	21.8%	22.6%	28.0%	16.1%	5.7%	5.8%
Kilkenny County Council	31.7%	35.7%	23.1%	5.6%	1.7%	2.2%
Laois County Council	43.7%	41.7%	10.3%	2.6%	0.9%	0.9%
Leitrim County Council	61.1%	33.8%	3.8%	0.9%	0.2%	0.2%
Limerick City & County Council	37.0%	31.7%	20.9%	6.0%	2.4%	2.0%
Longford County Council	62.6%	31.9%	4.2%	0.8%	0.3%	0.2%
Louth County Council	37.8%	31.5%	20.9%	5.9%	2.0%	1.8%
Mayo County Council	44.9%	37.8%	13.2%	2.4%	0.8%	0.9%
Meath County Council	23.8%	27.7%	26.8%	12.3%	4.9%	4.6%
Monaghan County Council	43.7%	41.6%	11.4%	2.2%	0.7%	0.5%
Offaly County Council	41.0%	37.6%	16.9%	2.6%	0.9%	1.0%
Roscommon County Council	57.7%	34.5%	5.6%	1.3%	0.4%	0.5%
Sligo County Council	45.1%	32.5%	15.8%	3.9%	1.3%	1.4%
South Dublin County Council	17.4%	17.0%	24.9%	16.6%	8.6%	15.6%
Tipperary County Council	39.5%	35.6%	18.5%	4.0%	1.4%	1.1%
Waterford City & County Council	41.1%	30.3%	19.6%	5.0%	2.1%	2.0%
Westmeath County Council	41.4%	36.2%	16.4%	3.5%	1.3%	1.2%
Wexford County Council	35.5%	36.5%	21.5%	3.8%	1.4%	1.3%
Wicklow County Council	16.2%	18.4%	26.1%	18.3%	8.3%	12.7%