

POLICY PAPER

An Analysis of Local Public Finances and the 2014 Local Government Reforms

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Abstract: In this paper we set out to analyse changes in local government expenditures and income in the context of central government austerity measures, local government budgetary adjustments and, most especially, the 2014 local government reforms. More specifically we outline the effect of the local government reforms, and, in particular, the redesign of intergovernmental fiscal relations (namely, territorial rescaling, expenditure and revenue re-assignment, changes in central government transfers) on the local public finances. Using data from the Local Authority Budgets we examine changes to the main service divisions, income sources and cross-council variations in expenditures and income, pre and post the 2014 reforms. Our results show that local government fiscal changes and recovery lag central government patterns, a general shift from central grants to local own-source revenues, and cross-council differences with respect to dependency and self-reliance persist. The establishment of Irish Water and the Local Property Tax have, at least initially, made the local government fiscal accounts, and in particular the Local Government Fund, less transparent and more complex, making an objective and accurate assessment of local authority budgets more difficult than before the reforms. Earlier publication of the consolidated Annual Financial Statements of the local authorities is called for so as to ensure continued scrutiny of the local public finances.

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I INTRODUCTION

The fiscal performance of local government over the past decade or so, both during the boom era but also the subsequent years of bust and austerity, has recently been analysed (Turley and Flannery, 2013, Robbins *et al.*, 2014, Considine and Reidy, 2015). What is missing from this research is an account of the 2014 local government reforms and the impact of these reforms on local public finances. Writing at the time of the reforms, Murphy (2014) remarked, “In practice, the budgetary position and funding model for Irish local authorities for 2014 were exceedingly complex and to some extent unprecedented. This is in part due to the need to identify the funding requirements of Irish Water and the introduction of a new property tax for the first time.” Although still early days, this paper sets out to analyse the effects of the 2014 reforms on local government expenditures and income. As economists and scholars of public finance we are particularly interested in assessing the performance of local government relative to central government’s fiscal performance, measuring the changes in local government expenditures and income, and, finally, identifying the differences in local authorities’ expenditures and income sources. The 2012-2015 period under review is a particularly important period for the local government system in Ireland, given the economic circumstances and policies of the time (namely, post bailout, stabilisation of the public finances, economic recovery, and the wider public sector reforms) and the 2014 local government reforms culminating in the consolidation of the local authorities (from 114 to 31 local government units), the transfer of water services to Irish Water and the introduction of the Local Property Tax (LPT). The purpose and contribution of the paper is in identifying the impact of the local government reforms on the public finances of the local authorities, and, in particular, on local government expenditures and revenues, both own-source income (user charges, commercial rates and the LPT) and central transfers (general purpose and specific purpose grants).

The paper begins with a brief outline of the reforms, using the theory of intergovernmental fiscal relations as the overarching framework. In Section III, using local authority revenue budgets we report the local government expenditure and income changes, both over time (by covering the period 2007-2015 we capture both the boom to bust period but also the austerity and reform years) and against central government. Section IV outlines the cross-council differences in expenditures and income for the shorter period under review, namely the three-year period 2012-2015, allowing the reader to assess the changes pre and post the 2014 reforms. Greater attention is given to the funding side of the local public finances, most notably the central versus local income sources. We also report the yearly changes in the Annual Rate on

Valuation (ARV), and in the accounts of the Local Government Fund (LGF). The paper ends with some brief conclusions and identifies areas for further research.

II INTERGOVERNMENTAL FISCAL RELATIONS AND THE 2014 LOCAL GOVERNMENT REFORMS

Amongst the many strands to the local government economics and fiscal decentralisation literature is the recognition of the importance of a well-designed and comprehensive system of intergovernmental fiscal relations (Bailey, 1999; Ahmad and Brosio, 2006). Although there are many components or pillars of intergovernmental fiscal relations (see below), it should be viewed as a coherent and comprehensive system with the recognition that even for mature market economies (federal or unitary) the system is always in transition, and in need of reform, and no more so that in the case of Ireland which is highly centralised (Bahl, 1999; Callanan and Keogan, 2003). This paper sets out to frame the recent local government reforms in Ireland in the context of this broader fiscal federalism and intergovernmental fiscal relations literature (Ter-Minassian, 1997; OECD 2013). Although one could argue, based on the grounds of economies of scale, allocative efficiency and fiscal autonomy respectively, that the reforms of recent times relating to council mergers, re-assignment of water services and introduction of residential property tax assigned to local government with rate-setting powers at the margin, have all improved the design of Ireland's system of local government, our objective in this paper is more modest, namely setting out to establish the impact of these local government reforms on the public finances and most especially the funding of the local authorities.

As alluded to above, the main reforms of the local government system in Ireland, culminating in the 2014 *Local Government Reform Act*, can be analysed using the framework of intergovernmental fiscal relations and, in particular, its five pillars, namely the institutional and structural arrangements, expenditure assignment, revenue assignment, intergovernmental transfers/grants, and finally, borrowing and debt (Bird and Vaillancourt, 2006).¹ With

¹ The *Local Government Reform Act 2014* was largely based on the 2012 *Putting People First* Report, dealing with issues of structures, functions, funding, efficiency and service, and governance and accountability. For an account of the *Putting People First* action programme, see I.P.A. (2012). Earlier reforms, focusing on efficiency gains and cost savings arising from staff reductions, shared services, procurement, etc. arose from the recommendations of the Local Government Efficiency Review Group. These are not the focus of this paper which concentrates on the 2014 reforms which were more of a structural, functional and funding nature.

respect to local government territorial structures (largely unchanged since 1898) the 2014 reforms saw the abolition of the borough and town governments, the establishment of country-wide municipal districts (with reserved functions, albeit limited), and the amalgamation of certain local authorities into three unified councils, namely Tipperary County Council, Limerick City and County Council and Waterford City and County Council. In terms of expenditure assignment, the fiscal federalism literature argues that pure public goods with high economies of scale and goods that produce large externalities are better produced by central government, while public goods whose benefits are limited geographically are best provided by subnational governments, which typically have more information on local preferences. The main changes to expenditure assignment were the loss of water services to Irish Water but the added responsibility for local and community development, in addition to an enterprise support and economic development role. Prior to the establishment of Irish Water the local authorities had already lost several minor functions, including the administration of third-level grants and driver licenses. While the loss of water services appears to be fiscal recentralisation, planned cost savings from economies of scale in a single utility means this policy seems to be economically sensible.

In respect of revenue assignment, the normative theory of fiscal federalism argues that funding of subnational government spending should be by own-source taxes in which the subnational government sets the tax rate, at least at the margin. This implies that own-source taxes (and user charges) should be their primary revenue, with intergovernmental transfers viewed as a supplementary source of income (Charbit, 2010). This is based on the idea that subnational financing of decentralised goods and services by user charges and local taxes provides the proper incentives to induce efficient spending decisions. The main change to revenue assignment has been the introduction of the LPT with rate-setting powers for the local councils. Again, this change is more in line with the theory and best practice of intergovernmental fiscal relations and funding of local government. Finally, with respect to intergovernmental transfers, general purpose payments from the LGF were replaced with LPT payments, with local authorities retaining 80 per cent of the revenue collected locally and the remaining 20 per cent centrally pooled and distributed as an equalisation fund.² Using the framework of intergovernmental fiscal relations as depicted above, a list of local government reforms are outlined in Table 1.

² With respect to the final pillar of intergovernmental fiscal relations, namely borrowing and debt, there were no major changes in the 2014 legislation. Local authorities are still required to adopt balanced revenue budgets, must seek permission if they wish to borrow, and do not issue municipal bonds unlike local councils in many other jurisdictions.

Table 1: *Local Government Reforms*

<i>Pillar of Intergovernmental Fiscal Relations</i>	<i>Reform</i>
Institutional and structural arrangements	Abolition of town and borough councils Reduction in the number of councillors Amalgamation of certain local authorities Creation of municipal districts, with reserved functions Reconfiguration of the regional tier of administration Reform of councillor-manager relationship Continuation of shared services arrangements New Annual Service Plans National Oversight and Audit Commission established Audit committees on a full regulatory footing
Expenditure assignment	Reduction in local government staff, and loss of some specific functions (e.g. administration of third level grants, driver licences, etc.) Creation of Local Enterprise Offices (LEOs) and Local Community Development Committees (LCDCs) to deal with the new functions relating to economic, community and local development Transfer of water services (assets, functions, finance) to the newly established Irish Water, but with service-level agreements in place between the local authorities and Irish Water
Revenue assignment	New LPT, centrally collected with local authority rate-setting powers
Intergovernmental transfers/grants	General purpose grants from LGF to councils abolished, and replaced with a combination of LPT and subvention from LGF to Irish Water
Borrowing and debt	No changes. See Footnote 2.

Source: Adapted from Robbins *et al.*, 2016.

Although the 2014 *Local Government Reform Act* was primarily about territorial and structural reforms, the establishment of Irish Water and the introduction of the LPT make for a period in which the local government system in Ireland has witnessed significant change. Whether these changes amount to real reform of local government and better outcomes for local residents and users of local public services is an altogether separate question, and for a different paper. Although it is probably too early to assess the impact of these reforms on local public service delivery and, ultimately, on the welfare of

citizens, we can analyse the effects of these changes on local government expenditures and income, and, in turn, the state of the local public finances.

We now turn to the fiscal accounts of the local governments and assess the changes in local authority expenditures and income, both over time and across councils.

III EXPENDITURE AND INCOME 2007-2015

Our analysis covers only revenue income and expenditure, and does not include capital income and expenditure. With day-to-day expenditure at €3.9 billion in 2015, this accounts for over 80 per cent of total local government expenditure. As for the data, they are budget figures (from the adopted Local Authority Budgets) as actual outturns from the audited and consolidated Annual Financial Statements (AFS) for 2014 and 2015 were not available at the time of writing.³ The differences between the adopted estimates as per the local authority budgets and the actual outturns as per the audited AFS vary, in respect of both expenditure and income categories.⁴

We begin with central versus local government differences.

Table 2: *Central vs. Local Government Revenue and Expenditure 2007-2015*

	2007-12 % Change	2013	2014 % Change	2015	2015 €m	2012-15 % Change
<i>Local Government</i>						
Revenue ¹	-8	-3.8	-0.4	-6.5	3,881	-10
Expenditure	-8	-4.0	-0.2	-6.3	3,911	-10
<i>Central Government²</i>						
Revenue	-23	5.2	4.2	7.7	45,255	18
Expenditure	19	0.9	-1.6	-0.3	48,985	-1

Notes: ¹ On consolidation the county charge is excluded, as is the provision of debit/credit balances. ² Post-budget estimates.

Source: Local Authority Budgets, Budgets, Turley and Flannery (2013), authors' calculations.

³ The exception is Table 7 where we report *actual* general purpose grant payments and LPT payments as these outturns were readily available when we undertook this research.

⁴ In 2013 for example, over/under expenditures varied from a (gross) €28.7 million under budget for the agriculture, education, health and services division to a large (and not unusual) over budget (of €275 million) for the miscellaneous services division. In net terms, i.e. expenditure minus income for the eight service divisions, the over/under budget amounts are much smaller, amounting in 2013 to €37 million over budget for all eight service divisions as compared to a gross figure of over €340 million over budget. On the income side, while, for example, general purpose grants were over budget by €3 million, commercial rates were over budget by €31 million. In 2013 there was a deficit of €7 million. In earlier years (2009-2011, for example) surpluses were the norm, in the region of €17 million per annum (Source: AFS, Note 17).

As evident in Table 2 the local government budget was estimated to have shrunk again in 2015, after little or no change in 2014 following years of decline since 2009. During the five-year boom to bust period 2007-2012, budgeted expenditures fell by 8 per cent. This contrasts with a further 10 per cent fall in the three-year period 2012-2015. At the central government level, while budgeted expenditures have been flat since 2012, budgeted revenues have increased by 18 per cent over the same period. Again, this is more evidence of the lag in the local public finances that is a common feature of local government systems worldwide, where central government revenue sources (personal and corporate income tax, VAT, trade taxes) are very dependent on general economic conditions and changes in national income. As a result, the local public finances in Ireland deteriorated only after the national fiscal crisis emerged, and a similar pattern is emerging with respect to the recovery i.e. while the central Exchequer has witnessed a general recovery, local budgets have not seen any major recovery, with some councils faring reasonably well but others showing signs of financial distress (Robbins *et al.*, 2014, 2016).

We now examine local authority expenditures and income, by service division and revenue source, respectively. The figures for 2007-2015 are reported in Tables 3 and 4, with the largest changes identified and discussed below.

Table 3: *Local Government Expenditure, by Service Division 2007-15*

	2007-12	2013	2014	2015	2015	2012-15	Shares	Shares
	%		%		€m	%	2012	2015
	Change		Change			Change		
Housing & building	8	-1.0	1.3	8.7	840	9	0.18	0.21
Road transportation & safety	-31	-4.6	-0.2	-1.0	820	-6	0.20	0.21
Water services	9	-0.1	0.1	-39.6	430	-40	0.16	0.11
Development management	8	-1.5	5.9	4.9	300	9	0.06	0.08
Environmental services	-24	-3.7	-6.1	2.0	617	-8	0.15	0.16
Recreation & amenities	-8	-0.8	1.4	5.1	393	6	0.09	0.10
Agriculture, education, health & welfare	-17	-34.0	-29.2	-36.8	72	-70	0.06	0.02
Miscellaneous services	64	-2.7	11.5	-9.1	439	-1	0.10	0.11
Total	-8	-4.0	-0.2	-6.3	3,911	-10	1.00	1.00

Source: Local Authority Budgets, Turley and Flannery (2013), authors' calculations.

The two largest changes recorded were in the water services and agriculture, education, health and welfare services divisions, and this is reflected in the change in shares (reported in Table 3) during the period

2012-2015. The large change in the water services division in 2015 was due to the establishment of Irish Water and the transfer of responsibility for water and wastewater services from the local authorities to a new national water utility. The large fall in agriculture, education, health and welfare estimated spending was largely due to the reduction in educational support services as the responsibility for administering third-level grants changed from the local authorities to one government agency, namely SUSI (Student Universal Support Ireland). Budgeted spending on third level grants fell from over €300 million to less than €40 million by 2015. With the agriculture, education, health and welfare category amounting to only €72 million in 2015, combined with the large changes in some of the other categories it raises the issue of the need for a reclassification of expenditures, as already identified by Considine and Reidy (2015).

Table 4: *Local Government Income, by Revenue Source 2007-15*

	2007-12 % Change	2013	2014 % Change	2015	2015 €m	2012-15 % Change
Specific purpose grants	-9	-11.4	-4.6	-3.7	780	-19
General purpose grant/ local property tax*	-23	-2.3	-55.4	29.9	369	-43
Charges/fees	-20	-4.0	31.6	-21.7	1,167	-1
Commercial rates	17	0.5	1.4	0.1	1,491	2
Total†	-8	-3.8	-0.4	-6.5	3,881	-10
<i>of which (% change)</i>						
Central grants	-19	-7.7	-26.4	-28.7	780	-52
Local own-source revenues	-3	-1.5	14.6	1.5	3,027	15
<i>of which (in shares)</i>						
	<i>Shares</i> (2007-12)		<i>yearly shares</i>			<i>Shares</i> (2012-15)
Central grants	0.42	0.36	0.27	0.20		0.28
Local own-source revenues	0.58	0.64	0.73	0.80		0.72

Notes: * The €369 million amount in 2015 is the estimated LPT payments and, given the rate-setting powers of local councils this is classified for the purposes of our paper as a local own-source revenue. The amounts and changes for previous years relate to general purpose grant payments. † The Pension Related Deductions (PRD) is not reported as a line item in the table but is included in the total. It was introduced in 2009 and was approximately €75 million per annum for the period under review. The pre-2015 totals also incorporate income of miscellaneous bodies such as non-rating town councils and joint drainage boards. These miscellaneous bodies are not included in the income tables in Section IV.

Source: Local Authority Budgets, Turley and Flannery (2013), authors' calculations.

In the Irish local government system specific purpose grants are called government grants and subsidies, and charges and fees are termed goods and

services. In this paper we use the more internationally accepted terminology of specific purpose grants and charges/fees, respectively. The most noticeable feature of Table 4 is the difference between the change in central government grants (specific purpose and general purpose) and the change in local own-source revenues (charges/fees and commercial rates). Whereas central grants witnessed a decline of over 50 per cent, estimated own-source revenues (LPT amounts included) *increased* by 15 per cent over the same period. This has resulted in a big change in the shares of revenue income, with a 0.42/0.58 grants/own-source revenue ratio in 2007-2012 as against a 0.28/0.72 ratio in 2012-2015. The large change in 2014 in both general purpose grants and charges/fees was due to the reclassification of water charges arising from Irish Water's responsibility for water and wastewater services. Before 2014, income related to water services was incorporated into the general purpose grant whereas from 2014 on, income from Irish Water is classified as goods and services, in the charges and fees income category. Although charges/fees did fall significantly in 2015, it was offset by an increase in the general purpose grant/LPT payments. As indicated earlier, the net effect of these changes was a very small change in budgeted revenue in 2014 followed by a 6.5 per cent reduction in revenue income in 2015. In turn, this resulted in a similar reduction in planned spending, as earlier reported in Table 3.

We now examine cross-council changes in expenditures and income for the period 2012-2015, pre and post the 2014 reforms.

IV CROSS-COUNCIL EXPENDITURE AND INCOME 2012-2015

Borough and town councils were abolished in 2014. To make 2015 and pre-2015 data comparable, we have added the 2012-2014 revenue budgets of borough and rate-setting town councils to the respective 2012-2014 county council revenue budgets. With the figures for the new municipal districts already included in the 2015 local authority budgets, the 2012-2015 data in Tables 5-10 are now comparable.

In Tables 5-10 the Euro expenditure and income amounts for the unified Limerick, Tipperary and Waterford councils for the year 2012 are simply the sum of the expenditures and incomes for the respective city and county councils (that is, Limerick City Council and Limerick County Council, Waterford City Council and Waterford County Council) or the county councils (that is, North Tipperary County Council and South Tipperary County Council) for 2012. Although not perfect it gives some indication of the change over time, and even a possible *ex post* case (for or against) consolidation and amalgamation.

We begin by examining the cross-council changes in total day-to-day planned expenditure, as shown in Table 5.

Table 5: *Expenditure by Local Councils 2012-2015*

Local Authority	2012	2013	2014	2015	2012-15	2015
	€	% Change		% Change		€
Carlow County Council	54,317,360	-7.8	6.4	-4.0	-6	51,171,500
Cavan County Council	61,905,967	-3.1	-0.4	-9.1	-12	54,365,753
Clare County Council	112,918,210	-0.6	-3.0	-8.7	-12	99,350,123
Cork County Council	319,924,766	-4.0	5.6	-10.8	-10	289,176,248
Donegal County Council	158,867,798	-9.7	3.8	-11.9	-17	131,256,053
Dun Laoghaire Rathdown County Council	186,364,900	-3.9	-7.6	-0.8	-12	164,216,200
Fingal County Council	221,633,999	-1.4	-1.4	-4.1	-7	206,609,200
Galway County Council	139,672,135	-6.9	-4.0	-15.6	-25	105,278,107
Kerry County Council	147,130,515	-0.2	-15.3	-0.4	-16	123,854,078
Kildare County Council	145,628,495	-5.6	-1.5	0.5	-7	136,093,555
Kilkenny County Council	79,153,288	-9.6	-0.3	-8.1	-17	65,550,001
Laois County Council	65,687,999	-8.8	-10.0	2.2	-16	55,100,001
Leitrim County Council	38,950,568	-4.2	-8.8	1.3	-11	34,504,086
Limerick County Council	113,789,278	-3.0	-14.1	..	..	..
Longford County Council	45,250,603	-4.8	4.2	-15.0	-16	38,137,307
Louth County Council	115,583,303	-0.7	1.1	-19.8	-19	93,045,873
Mayo County Council	147,208,883	-6.9	1.8	-8.6	-13	127,539,007
Meath County Council	110,368,419	-1.8	-2.8	-7.1	-11	97,858,997
Monaghan County Council	66,591,719	-0.8	-10.5	-7.5	-18	54,701,250
North Tipperary County Council	72,719,420	-3.5	0.5	..	..	..
Offaly County Council	65,733,727	-2.7	-2.0	-9.8	-14	56,554,612
Roscommon County Council	65,005,501	-6.5	-0.2	-11.5	-17	53,638,300
Sligo County Council	78,418,969	-13.6	-8.4	-2.2	-23	60,657,822
South Dublin County Council	236,978,596	-2.7	-5.7	0.9	-7	219,295,400
South Tipperary County Council	95,523,275	-3.8	-4.6	..	..	..
Waterford County Council	74,139,484	-4.5	3.0	..	..	..
Westmeath County Council	72,542,567	-1.5	0.4	-10.3	-11	64,380,270
Wexford County Council	115,584,452	-6.2	2.0	-10.4	-14	99,033,771
Wicklow County Council	112,737,769	-1.3	-0.2	-11.3	-13	98,537,756
Cork City Council	166,968,900	-2.9	1.9	-7.8	-9	152,412,100
Dublin City Council	830,157,274	-2.2	-1.1	-3.7	-7	773,015,213
Galway City Council	81,272,676	-1.8	1.1	-6.0	-7	75,841,528
Limerick City Council	82,958,895	-3.7	-2.0	..	..	..
Waterford City Council	52,939,090	2.1	7.3	..	..	..
Limerick City & County Council	196,748,173	..	..	..	-21	155,872,109

Table 5: *Expenditure by Local Councils 2012-2015 (Contd.)*

<i>Local Authority</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2012-15</i>	<i>2015</i>
	€		% <i>Change</i>		% <i>Change</i>	€
Tipperary County Council	168,242,695	..	..	..	-18	138,663,824
Waterford City & County Council	127,078,574	..	..	..	-6	119,769,051
<i>County and City Councils, Total*</i>	4,534,628,800	-3.7	-1.7	-6.9	-12	3,995,479,095

Notes: * Before adjustment for inter-local authority contributions. This explains the differences between the total amounts in Table 5 and the equivalent expenditure figures in Tables 2 and 3.

Source: Local Authority Budgets, authors' calculations.

As evident from Table 5, some local authority budgets (as measured by estimated spending) have shrunk by over a fifth in the three-year period 2012-2015 as against an aggregate reduction for all local authorities of 12 per cent. Galway and Sligo County Councils witnessed the biggest reductions, of 25 per cent and 23 per cent respectively, followed closely by other rural county councils, including Monaghan, Donegal and Roscommon County Councils. Sligo County Council's expenditure reduction can be partly explained by the fact that it was the local authority that experienced the largest decline in (estimated) expenditure on water services in 2012-2015, amounting to a 70 per cent reduction over the three years (as against the aggregate fall for city and county councils of 40 per cent). In contrast, the reduction in water services spending by the neighbouring local authority, Roscommon County Council, was only 15 per cent.⁵ As alluded to earlier, the other expenditure function that witnessed a big decline was the agriculture, education, health and welfare service division which saw a 70 per cent decline in aggregate budgeted spending over the three years 2012-2015, largely due to the aforementioned cut in educational support services. In terms of cross-council differences in spending on this unusual mix of local services, whereas Carlow County Council witnessed a 94 per cent reduction in spending, Louth County Council's reduction was only 26 per cent.

⁵ The difference between these two neighbouring councils on water services is much smaller when the 2012-2015 change is expressed in net expenditure (i.e., gross expenditure – income) terms, with both of these net figures (not reported here) largely in line with the aggregate change (in excess of a 90 per cent reduction) for all local councils, for water services.

In contrast to the above, other local authorities witnessed much smaller reductions in total budgeted expenditure, in the region of 5-10 per cent. These were the more urban councils, including Dublin, Cork and Galway City Councils, but also Fingal, Kildare and South Dublin County Councils. These smaller reductions by urban councils were partly due to the fact that although they also witnessed big reductions in spending on water services and agriculture, education, health and welfare services, they were offset by increases in spending on housing and building. For example, both Dublin City Council and South Dublin County Council registered increases in the housing and building service division of 17 (with half of the increase in Dublin City Council's housing and building budget accounted for by extra planned spending on homeless services) and 14 per cent respectively during the period 2012-2015. In contrast, rural Galway County Council, for example, witnessed a 7 per cent reduction in estimated spending on housing and building services for the same period.

We now turn to cross-council variations in income, across the four sources of revenue, namely specific purpose grants, general purpose grants, charges/fees and commercial rates.

As evident from Table 6, estimated revenue income from specific purpose grants was almost one-fifth lower in 2015 compared to 2012. Again, the range is large, from a reduction of 37 per cent in Donegal County Council to an increase of 29 per cent in Sligo County Council. The majority of councils witnessed a fall in this source of revenue, as might be expected given the nature of this revenue income (much of it related to spending on housing and roads, both of which witnessed a large fall post the 2007/2008 crash) and the budgetary pressures faced by local and central government during this period. Variations across the councils can be partly explained by local circumstances and specific conditions (such as socio-economic profile and infrastructural legacy issues, local spending decisions, maintenance and improvement of regional/local roads, differences in local authority housing services related to homelessness and the Rental Accommodation Scheme, etc.), both at the outset in 2012 but also during the period under review.

The ratio of specific purpose grants income to total revenue income is a proxy measure for the level of transfer dependency on central government. As expected, the range in 2015 is wide, from an aggregate figure of 0.20 to as low as 0.09 in Fingal County Council to as high as 0.40 in Sligo County Council. Indeed, five county councils have a specific purpose grants/income ratio that is double or more the ratio for Galway City Council, the urban council with the largest dependency ratio, at 0.16. This illustrates the variation across urban and rural councils with respect to dependency on grants from central government.

Table 6: Specific Purpose Grants Income, by Local Councils 2012-2015

<i>Local Authority</i>	2012 €	2013	2014 % Change	2015 % Change	2012-15 % Change	2015 €	SP Grant/ Income 2015
Carlow County Council	17,735,280	-34.1	0.7	-3.2	-36	11,382,000	0.22
Cavan County Council	21,272,041	-6.3	-2.5	-1.1	-10	19,221,767	0.35
Clare County Council	27,826,776	-0.7	-16.5	-5.3	-21	21,854,723	0.22
Cork County Council	79,624,869	-6.5	2.6	-19.5	-23	61,479,639	0.21
Donegal County Council	43,918,359	-18.0	-20.6	-3.8	-37	27,507,423	0.21
Dun Laoghaire Rathdown County Council	22,821,600	-14.2	2.3	-20.9	-31	15,830,569	0.10
Fingal County Council	28,208,700	-4.0	-15.5	-18.0	-34	18,750,900	0.09
Galway County Council	50,977,843	-15.3	-13.3	-12.8	-36	32,674,990	0.31
Kerry County Council	37,801,797	-11.2	-18.9	-3.4	-30	26,283,723	0.21
Kildare County Council	30,438,467	-27.5	-6.5	-3.4	-35	19,916,695	0.15
Kilkenny County Council	23,176,800	-23.6	-5.4	0.5	-27	16,830,200	0.26
Laois County Council	16,242,825	-7.0	-6.2	9.2	-5	15,465,500	0.28
Leitrim County Council	14,383,829	-13.4	-3.0	-2.0	-18	11,847,567	0.34
Limerick County Council	27,857,830	-11.6	-15.4	..	..	..	..
Longford County Council	11,007,707	-8.5	-11.7	-1.3	-20	8,782,688	0.23
Louth County Council	20,916,014	1.2	4.2	4.7	10	23,084,876	0.25
Mayo County Council	51,450,403	-16.0	-3.5	1.3	-18	42,214,818	0.33
Meath County Council	22,685,150	-6.9	-1.1	-3.2	-11	20,208,726	0.21
Monaghan County Council	21,535,941	1.5	-0.3	-10.6	-10	19,474,192	0.36
North Tipperary County Council	23,420,936	-16.2	-4.1	..	..	..	..
Offaly County Council	13,749,233	-16.4	15.1	23.4	19	16,319,319	0.29
Roscommon County Council	20,288,600	-15.5	-1.7	-14.8	-29	14,348,900	0.27
Sligo County Council	18,914,950	2.6	22.2	2.6	29	24,352,324	0.40
South Dublin County Council	39,729,500	-4.6	1.5	-20.9	-23	30,421,700	0.14
South Tipperary County Council	27,401,218	-12.5	-5.8	..	..	..	..
Waterford County Council	23,652,001	-13.0	-14.2	..	..	..	..
Westmeath County Council	16,648,218	-8.9	-2.1	17.8	5	17,506,207	0.27

Table 6: Specific Purpose Grants Income, by Local Councils 2012-2015 (Contd..)

Local Authority	2012 €	2013 % Change	2014 % Change	2015 % Change	2012-15 % Change	2015 €	SP Grant/ Income 2015
Wexford County Council	30,442,527	-15.5	-6.7	-5.9	-26	22,580,950	0.23
Wicklow County Council	22,577,314	-17.2	1.7	-0.4	-16	18,945,782	0.19
Cork City Council	21,514,300	-13.1	-14.4	-8.6	-32	14,635,000	0.10
Dublin City Council	96,152,631	-10.8	-6.7	13.6	-5	90,901,501	0.12
Galway City Council	11,008,875	-0.7	36.6	-17.0	13	12,400,303	0.16
Limerick City Council	14,638,312	-7.4	-1.5	..	..	..	..
Waterford City Council	8,142,144	-1.0	18.5	..	..	..	..
Limerick City & County Council	42,496,142	..	..	..	-11	37,637,175	0.24
Tipperary County Council	50,822,154	..	..	..	-22	39,675,072	0.29
Waterford City & County Council	31,794,145	..	..	..	-12	27,823,618	0.23
<i>County and City Councils, Total</i>	958,162,990	-11.4	-4.7	-3.6	-19	780,358,847	0.20

Source: Local Authority Budgets, authors' calculations.

We now examine changes in the general purpose grants/LPT payments.

Table 7: *General Purpose Grants / Local Property Tax Income, by Local Councils 2012-2015**

<i>Local Authority</i>	<i>2012 GP Grant</i> €	<i>2015 LPT†</i> €	<i>2012-15</i> <i>% Change</i>
Carlow County Council	9,865,448	5,352,469	-46
Cavan County Council	14,854,931	8,458,415	-43
Clare County Council	12,372,506	8,324,802	-33
Cork County Council	38,900,594	33,465,400	-14
Donegal County Council	32,869,501	22,720,760	-31
Dun Laoghaire Rathdown County Council	25,780,316	42,778,039	66
Fingal County Council	20,455,071	31,259,800	53
Galway County Council	28,785,035	12,506,381	-57
Kerry County Council	23,073,286	11,659,186	-49
Kildare County Council	21,822,765	17,745,967	-19
Kilkenny County Council	16,379,600	9,356,019	-43
Laois County Council	13,189,788	7,631,324	-42
Leitrim County Council	11,809,261	8,282,319	-30
Limerick County Council	17,683,768	..	..
Longford County Council	12,126,650	8,119,493	-33
Louth County Council	15,928,387	8,243,835	-48
Mayo County Council	30,415,727	17,492,594	-42
Meath County Council	22,864,713	14,366,384	-37
Monaghan County Council	14,022,824	10,247,882	-27
North Tipperary County Council	16,350,651	..	..
Offaly County Council	13,711,364	6,663,642	-51
Roscommon County Council	15,967,965	9,107,439	-43
Sligo County Council	15,659,616	9,993,352	-36
South Dublin County Council	16,963,904	26,122,733	54
South Tipperary County Council	21,878,919	..	..
Waterford County Council	18,596,991	..	..
Westmeath County Council	17,313,127	10,115,479	-42
Wexford County Council	19,708,352	11,888,576	-40
Wicklow County Council	20,395,212	14,090,676	-31
Cork City Council	17,265,785	9,157,816	-47
Dublin City Council	54,805,761	66,127,439	21
Galway City Council	5,990,156	6,709,100	12
Limerick City Council	7,968,166	..	..
Waterford City Council	5,223,860	..	..
Limerick City & County Council	25,651,934	14,625,159	-43
Tipperary County Council	38,229,570	23,320,110	-39
Waterford City & County Council	23,820,851	16,524,431	-31
<i>County and City Councils, Total</i>	651,000,000	502,457,021	-23

Note: * These are actual (pre-variation) amounts as opposed to the estimated figures that we report in other tables. † Total LPT funding before any local variation of base rate, and reflective of the 80 per cent locally retained / 20 per cent centrally pooled (and distributed for equalisation purposes) split.

Source: Department of the Environment, Community and Local Government, authors' calculations.

Although the general purpose grant payments and the LPT payments are not directly comparable, the LPT allocations for 2015 were based on a decision by the Department of the Environment, Community and Local Government that no local authority would be worse off in 2015 with its LPT allocation compared to the baseline of general purpose grant payments in 2014.⁶ Councils where 2015 LPT receipts were less than the 2014 general purpose funding were allocated a Euro “top-up” contribution from the equalisation fund so as to ensure they received no less than the amounts allocated in 2014. Councils where 2015 LPT receipts exceeded the 2014 general purpose funding were allowed to retain a portion of the surplus as discretionary spending, where that portion is an amount equal to 20 per cent of the total expected LPT income (before any change in the LPT rate) or alternatively the full amount of the additional funding where that is less than the value of 20 per cent of LPT income (Department of the Environment, Community and Local Government, 2015). As expected, councils benefitting from the equalisation fund are the rural, less densely populated county councils with less economic activity and smaller tax bases, not identical to the BMW region but primarily comprising the local authorities in the border, midland and western areas of the country. In contrast, and recognising the variation in property values across the State with residents in the more urban and densely populated councils paying proportionately more LPT, the local authorities in surplus were the local authority areas with or close to large urban centres with greater levels of economic activity and bigger tax bases, comprising councils in the greater Dublin area (including Kildare, Meath and Wicklow County Councils) and in the South West of the country. The two groups of councils are listed in Table 8.

Table 8: *Local Councils, by LPT Classification*

<i>Councils in Shortfall, Requiring Equalisation Funding</i>	Carlow County, Cavan County, Donegal County, Galway County, Kilkenny County, Laois County, Leitrim County, Limerick City & County, Longford County, Louth County, Mayo County, Monaghan County, Offaly County, Roscommon County, Sligo County, Tipperary County, Waterford City & County, Westmeath County, Wexford County
<i>Councils in Surplus</i>	Clare County, Cork City, Cork County, Dublin City, Dun Laoghaire Rathdown County, Fingal County, Galway City, Kerry County, Kildare County, Meath County, South Dublin County, Wicklow County

Source: Department of the Environment, Community and Local Government.

⁶ The 2014 general purpose grant amounts, much reduced from earlier years as a result of the establishment of Irish Water and related income flows, are not reported here but are available on the website of the Department of the Environment, Community and Local Government.

Albeit evident in other 2012-2015 changes in revenue income sources, the cross-council variations as reported in Table 7 are very large, raising questions about the allocations of the pre-2015 general purpose grant payments, and their determinants (see Turley *et al.*, 2015b). Although the LPT as a local tax is a welcome development for the local government sector in Ireland, one drawback is the negative effect on fiscal disparities or, more precisely, the horizontal fiscal imbalances between councils with higher and lower tax capacities (more on the issue of equalisation later).

As reported in Table 9, the change in the estimated income from charges/fees over the three-year period varies widely from council to council, with a 53 per cent increase recorded for Carlow County Council as against a 55 per cent decline witnessed by Sligo County Council. The aggregate figure for all local authorities for the three-year period was a one per cent decline in budgeted income from charges and fees. Again, with local circumstances and conditions largely accounting for these cross-council differences, it illustrates the diversity in cross-council expenditures and income that have been highlighted elsewhere (Robbins *et al.*, 2014; Turley *et al.*, 2015a; Considine and Reidy, 2015). This cross-council variation is also evident, albeit to a lesser degree, in income from commercial rates, as reported in Table 10.

Table 9: *Charges and Fees Income, by Local Councils 2012-2015*

<i>Local Authority</i>	2012	2013	2014	2015	2012-15	2015
	€	% Change		% Change		€
Carlow County Council	12,440,573	16.3	31.3	0.3	53	19,065,030
Cavan County Council	11,376,945	-5.4	59.3	-28.1	8	12,326,764
Clare County Council	26,889,022	-0.1	40.3	-21.8	10	29,458,679
Cork County Council	83,337,789	-6.9	39.4	-29.6	-9	76,202,069
Donegal County Council	49,505,619	-15.0	48.9	-22.1	-1	48,843,766
Dun Laoghaire Rathdown County Council	43,667,102	-3.1	15.5	-10.9	0	43,577,200
Fingal County Council	45,256,400	0.7	55.7	-24.0	19	53,897,200
Galway County Council	23,552,830	-3.5	73.5	-36.7	6	24,954,874
Kerry County Council	45,457,403	1.1	-9.3	-0.7	-9	41,380,208
Kildare County Council	31,057,463	3.5	39.6	-7.6	33	41,461,697
Kilkenny County Council	19,706,978	-10.1	44.2	-22.7	0	19,749,200
Laois County Council	21,553,186	-20.1	6.3	-2.4	-17	17,861,700
Leitrim County Council	7,073,387	-2.1	11.0	9.8	19	8,442,631
Limerick County Council	37,347,922	-0.4	-0.7	..	..	..
Longford County Council	12,406,542	-10.9	63.3	-30.6	1	12,530,536
Louth County Council	34,417,362	-12.4	27.8	-29.9	-22	26,995,107
Mayo County Council	34,158,393	-2.8	54.8	-23.1	16	39,549,299
Meath County Council	28,634,995	-4.6	42.9	-27.1	-1	28,470,699
Monaghan County Council	11,590,960	-3.0	-8.2	7.3	-4	11,070,948

Table 9: *Charges and Fees Income, by Local Councils 2012-2015 (Contd.)*

<i>Local Authority</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2012-15</i>	<i>2015</i>
	€	% Change	% Change	% Change	% Change	€
North Tipperary County Council	15,969,533	-2.4	47.5	..	..	..
Offaly County Council	23,870,926	-6.5	15.3	-30.4	-25	17,922,925
Roscommon County Council	16,590,001	-8.0	47.3	-20.2	8	17,938,800
Sligo County Council	30,808,191	-34.3	-23.5	-11.1	-55	13,757,647
South Dublin County Council	47,324,006	-4.5	5.4	-5.9	-5	44,847,300
South Tipperary County Council	23,085,540	0.9	35.1	..	..	..
Waterford County Council	16,398,034	-5.7	67.2	..	..	..
Westmeath County Council	19,806,684	1.6	39.6	-27.8	2	20,277,727
Wexford County Council	33,727,606	-6.8	35.6	-24.1	-4	32,369,201
Wicklow County Council	38,516,465	1.7	36.7	-25.8	3	39,775,681
Cork City Council	56,216,300	-3.0	28.2	-16.3	4	58,541,500
Dublin City Council	209,816,114	0.3	36.9	-24.5	4	217,433,118
Galway City Council	27,698,252	-4.0	5.4	-19.9	-19	22,464,244
Limerick City Council	17,645,424	-2.8	46.6	..	..	..
Waterford City Council	19,397,200	5.0	12.5	..	..	..
Limerick City & County Council	54,993,346	..	..	..	-18	45,080,251
Tipperary County Council	39,055,073	..	..	..	7	41,745,757
Waterford City & County Council	35,795,234	..	..	..	6	37,992,717
<i>County and City Councils, Total</i>	1,176,301,147	-4.0	31.6	-21.6	-1	1,165,984,475

Source: Local Authority Budgets, authors' calculations.

A majority of councils have witnessed increases in estimated income from commercial rates during 2012-2015, with only three councils (Dun Laoghaire Rathdown County Council, Longford County Council and Dublin City Council) recording a fall in rates income during these three years, due in part to a reduction in the ARV levied by those local authorities. The ratio of commercial rates income to total revenue income is a proxy measure for the level of self-reliance, as opposed to our earlier dependency measure. Again, the spread is wide, from a high of 0.58 in Fingal County Council to a low of 0.15 in Leitrim County Council, the most rural local authority in the country. The aggregate commercial rates income/total revenue income ratio for the local authorities has increased from 0.32 in 2012 to 0.37 in 2015, reflecting a general increase in reliance on local revenue sources, namely commercial rates. With the addition of income from the LPT, this all translates into a general shift from central

government grants to local tax and non-tax sources of income, as evident in the shares reported earlier in Table 4. In terms of greater devolution and fiscal decentralisation this is a positive development given the level of autonomy local government has in Ireland. In a recent cross-country report on levels of local autonomy, Ireland was last out of 33 European countries (Ladner *et al.*, 2015).⁷

Notwithstanding this reduction in the vertical imbalance or fiscal gap, the horizontal fiscal imbalances in the Irish local government system continue. As noted in Tables 6 and 10, differences across councils with respect to transfer dependency on central government (as measured by the specific purpose grants/total revenue income ratio) versus self-reliance on local own-source revenues (as measured by the commercial rates income/total revenue income ratio) persist, and are exacerbated by the LPT and the higher residential property values in the urban councils as against the fewer properties and lower values in rural areas. The distributable pool for equalisation purposes was only a little over €100 million in 2015 and 2016, with no discernible pattern of new winners and losers among the councils requiring equalisation funding compared to pre-2015 levels.⁸ However, when councils benefitting from equalisation funding are compared to councils in surplus as identified in Table 8, the fiscal disparities have widened, with the largely rural county councils with less economic activity and smaller revenue bases witnessing a 15.6 per cent average reduction in budgets (as measured by the change in estimated expenditure) in 2012-2015, as against a 9.8 per cent average reduction for the largely urban councils where economic activity and tax capacity is higher.

These variations are also reflected in the different ARV levied by the local authorities (see Table 11). Whereas the changes in 2012-2015 were nearly all similar (that is, no change in rates during the period, except in a small number of councils, largely arising in 2015 because of rates harmonisation between county councils' ARV and former borough and town councils' ARV) the differences in the actual ARV continue, with the lowest ARV in Kilkenny

⁷ One of this paper's authors was the country expert for Ireland, and computed Ireland's local autonomy index, based on the scoring system devised by the report's leading authors. While the introduction of the LPT increases the financial/funding autonomy of Irish local authorities, the functions of subnational governments in Ireland remain very limited relative to local government competencies in other EU and OECD countries. The 2014 local government reforms have not changed this, and although local authorities now have a role to play in enterprise support and the socio-economic development of their area, it is offset by the loss of water and wastewater services.

⁸ Whereas some of the councils in shortfall (that is, the group categorised in Table 8 as requiring equalisation funding) received a relatively bigger share of the central government funding in 2015 as compared with their 2012 share, other councils in shortfall actually witnessed a decline in their share, both in absolute and relative terms. This is accounted for by the distribution of the equalisation fund in 2015 and 2016, which was based entirely on the shortfall between the yearly LPT retained locally and the 2014 general purpose grant baseline.

Table 10: Commercial Rates Income, by Local Councils 2012-2015

Local Authority	2012 €	2013 % Change	2014 % Change	2015 % Change	2012-15 % Change	2015 €	Rates/ Income 2015
Carlow County Council	10,715,348	-2.2	37.7	0.1	35	14,450,000	0.28
Cavan County Council	12,832,919	1.2	1.3	1.2	4	13,310,248	0.24
Clare County Council	42,377,441	-0.1	0.1	0.0	0	42,364,137	0.43
Cork County Council	108,076,150	3.7	11.3	1.7	17	126,817,274	0.44
Donegal County Council	27,834,539	0.5	0.8	5.8	7	29,834,104	0.23
Dun Laoghaire Rathdown County Council	86,191,998	-3.9	0.2	-1.7	-5	81,665,393	0.50
Fingal County Council	120,008,899	-1.2	-0.3	1.7	0	120,220,000	0.58
Galway County Council	25,540,931	0.3	0.2	0.0	1	25,675,595	0.24
Kerry County Council	35,759,755	12.1	0.9	1.8	15	41,169,214	0.33
Kildare County Council	56,638,252	0.3	1.8	-0.5	2	57,529,432	0.42
Kilkenny County Council	18,337,942	1.0	-1.2	-0.1	0	18,274,601	0.28
Laois County Council	12,023,999	0.0	0.0	0.0	0	12,024,001	0.22
Leitrim County Council	4,775,425	3.7	4.5	0.7	9	5,210,421	0.15
Limerick County Council	28,701,166	1.1	0.8	..	..	..	..
Longford County Council	8,005,832	-0.4	4.0	-5.6	-2	7,834,606	0.21
Louth County Council	33,287,152	0.5	-0.6	-0.1	0	33,230,367	0.36
Mayo County Council	24,288,762	-0.7	-0.1	8.2	7	26,053,905	0.20
Meath County Council	31,649,708	3.1	1.4	0.8	5	33,322,157	0.34
Monaghan County Council	12,450,725	0.1	-1.3	2.7	2	12,646,373	0.23
North Tipperary County Council	13,040,971	-2.2	0.7	..	..	..	..
Offaly County Council	11,891,445	24.3	-1.0	3.3	27	15,107,803	0.27
Roscommon County Council	10,528,500	5.1	0.1	0.4	6	11,114,200	0.21
Sligo County Council	11,231,481	2.2	-2.3	0.0	0	11,214,499	0.18
South Dublin County Council	122,795,990	-0.1	0.1	0.2	0	123,006,700	0.56
South Tipperary County Council	17,095,093	-0.1	0.1	..	..	..	..
Waterford County Council	10,801,647	-1.4	29.3	..	..	..	..
Westmeath County Council	15,311,910	0.7	-0.2	0.2	1	15,413,152	0.24

Table 10: Commercial Rates Income, by Local Councils 2012-2015 (Contd.)

<i>Local Authority</i>	2012 €	2013	2014	2015	2012-15 % Change	2015 €	Rates/ Income 2015
Wexford County Council	29,313,560	2.5	1.0	1.3	5	30,733,010	0.31
Wicklow County Council	27,487,124	3.2	1.4	4.1	9	29,940,346	0.30
Cork City Council	64,462,500	0.6	0.4	0.9	2	65,744,900	0.43
Dublin City Council	341,949,921	-0.4	0.5	-1.9	-2	335,783,017	0.43
Galway City Council	34,781,393	0.3	0.6	0.8	2	35,334,850	0.47
Limerick City Council	30,522,451	-4.9	-15.8	..	..	..	..
Waterford City Council	18,731,818	0.1	5.6	..	..	..	..
Limerick City & County Council	59,223,617	..	..	..	-11	52,973,065	0.34
Tipperary County Council	30,136,064	..	..	..	1	30,300,025	0.22
Waterford City & County Council	29,533,465	..	..	..	12	33,143,015	0.28
<i>County and City Councils, Total</i>	1,459,442,747	0.5	1.4	0.2	2	1,491,440,410	0.37

Source: Local Authority Budgets, authors' calculations.

County Council and Westmeath County Council (both below 55) as against the highest ARV of 79.25 in Kerry County Council, in 2015.⁹ Although these differences date back many years and do not reflect current local economic circumstances (including the new LPT and the powers to vary the rates), differences in the ARV across the local authorities are likely to persist, at least in the short term given the precarious financial position of some councils and the way the LPT payments and ARV are determined.

Table 11: *ARV, by Local Councils 2012-2015*

<i>Local Authority</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2012-15 % Change</i>
Carlow County Council	66.47	65.80	65.80	69.56	5
Cavan County Council	56.85	56.85	56.85	56.85	0
Clare County Council	72.99	72.99	72.99	72.99	0
Cork County Council	74.75	78.60	74.75	74.75	0
Donegal County Council	69.70	69.70	69.70	68.39	-2
Dun Laoghaire Rathdown County Council	0.17	0.17	0.17	0.16	-6
Fingal County Council	0.14	0.14	0.14	0.14	0
Galway County Council	66.59	66.59	66.59	66.59	0
Kerry County Council	80.35	80.35	80.35	79.25	-1
Kildare County Council	68.95	68.95	68.95	68.95	0
Kilkenny County Council	52.05	52.05	52.05	54.90	5
Laois County Council	64.63	64.63	64.63	64.63	0
Leitrim County Council	62.15	62.15	62.15	62.15	0
Limerick County Council	59.92	59.92	59.92	..	..
Longford County Council	66.01	65.35	65.35	65.35	-1
Louth County Council	55.08	55.08	55.36	60.00	9
Mayo County Council	68.76	68.76	68.76	68.76	0
Meath County Council	69.62	69.62	69.62	69.63	0
Monaghan County Council	56.20	56.20	56.20	59.61	6
North Tipperary County Council	59.53	57.74	56.77	..	..
Offaly County Council	56.77	56.77	56.77	66.00	16
Roscommon County Council	74.38	72.89	72.16	71.44	-4
Sligo County Council	64.43	64.43	64.43	66.95	4
South Dublin County Council	0.16	0.16	0.16	0.16	0
South Tipperary County Council	56.77	56.77	56.77	..	..
Waterford County Council	69.92	69.22	0.25	..	..
Westmeath County Council	52.27	52.27	52.27	54.54	4
Wexford County Council	71.52	71.52	71.52	71.52	0
Wicklow County Council	76.78	76.78	76.78	72.04	-6
Cork City Council	74.05	74.05	74.05	74.05	0

⁹ The revaluations that have taken place by the Central Valuation Office in a number of local councils in 2014 and 2015 have resulted in ARVs not comparable to pre-revaluation ARVs or to ARVs in councils where no revaluations have taken place.

Table 11: *ARV, by Local Councils 2012-2015 (Contd.)*

<i>Local Authority</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2012-15 % Change</i>
Dublin City Council	61.19	60.88	0.26	0.26	..
Galway City Council	65.46	65.46	65.46	65.46	0
Limerick City Council	74.93	71.19	59.92	..	..
Waterford City Council	66.22	66.22	0.25	..	..
Limerick City & County Council	..	..	..	0.24	..
Tipperary County Council	..	..	..	56.77	..
Waterford City & County Council	..	..	..	0.25	..

Source: Local Authority Budgets, authors' calculations.

Finally, we report changes in the funding and spending of the LGF, as reported in the LGF accounts and summarised in Table 12. We report for the years 2012-2015, with actual outturns reported up to 2014, and preliminary estimates for the year 2015 as the outturns were not available at the time of writing.

The LGF makes various payments to local councils to provide services. The Fund is financed by motor tax receipts, a contribution from central government, the Household Charge during 2012 and 2013, and since 2014, the proceeds of the LPT. During 2007-2015, the income of the Fund fluctuated, falling from €1.6 billion in 2008 to a low of €1.16 billion in 2012 and 2013, before increasing again in 2014-2015. Although motor tax revenues increased by €200 million since 2007, the contribution from central government fell from over €500 million in 2007 to €175 million in 2011, and was zero during 2012-2014. Receipts of nearly €500 million in LPT during 2014 helped the income of the LGF to surpass its previous peak, reaching €1.65 billion that year. During 2015, LGF income was expected to grow further, to nearly €1.85 billion, mainly due to a rise in the central government's contribution from zero to an estimated €233 million (Public Accounts Committee, 2015). On the expenditure side, the LGF makes general purpose grant payments, specific purpose roads grants, and some other minor payments to local councils. During 2007-2014, the two main grants payments generally fell, with the general purpose grants falling from a peak of €1 billion in 2008 to €281 million in 2014, and the local and regional roads grants falling from €550 million in 2008 to €362 million in 2014. As alluded to earlier, the dramatic drop in the general purpose grant payments in 2014 is related to the establishment of Irish Water, as some of the previous general purpose payments that were used by councils to provide water services are now paid as a subvention to Irish Water. This subvention was €439 million in 2014. During 2015, the general purpose grant payments were replaced with

Table 12: *LGF, Income and Expenditure 2012-2015*

	2012	2013	2014	2015
	€	€	€	€
<i>Income</i>	1,167,380,228	1,158,985,813	1,649,458,647	1,840,000,000
Motor tax	1,052,863,980	1,135,464,153	1,157,566,430	1,167,000,000
Exchequer contribution	–	–	–	233,000,000
LPT receipts	–	–	491,351,000	440,000,000
Household charge	113,914,055	23,340,945	174,163	
Receipts from investments	602,193	180,715	367,054	
<i>Expenditure</i>	1,148,145,567	1,207,342,527	1,691,737,847	1,828,300,000
General purpose payments	637,106,314	640,903,434	281,250,000	–
LPT allocations*	–	–	–	458,900,000
Roads and public service infrastructure	404,524,000	407,987,000	361,943,000	376,400,000
Payment to Exchequer	46,500,000	100,000,000	520,000,000	484,000,000
Water services	36,796,248	26,349,343	21,669,308	51,000,000
Irish Water subvention	–	–	439,122,119	399,000,000
Water services capital loans recoupment	–	–	47,377,881	
Rates payments	–	–	–	59,000,000
Others	23,219,005	32,102,750	20,375,539	

Note: * The 2015 amount reported here differs from the 2015 LPT total reported in Table 7 due to the local adjustment factor, where €458.9 million is the post-valuation allocation, whereas the €502 million reported in Table 7 is the pre-valuation amount.

Source: Local Government Fund Accounts, Public Accounts Committee minutes. The figures for 2015 are preliminary.

LPT payments to councils, expected to be nearly €460 million (Public Accounts Committee, 2015).

During the period under review 2012-2015, the scale and profile of LGF income and expenditure changed considerably. Total income grew by 58 per cent, the central government's contribution was abolished, then re-introduced, and the proceeds of the new LPT were paid into the Fund from 2014. On the expenditure side, growth was nearly 60 per cent, reflecting the introduction of a payment to central government, a subsidy to Irish Water and LPT payments to councils. With the establishment of Irish Water the LGF flows have become more complex, with payments to and from the central Exchequer, multiple water-related payments and both current and capital related LPT payments. In the interest of transparency and accountability, it is important that future flows to and from the LGF are easily accounted for, comprehensible and visible.

V CONCLUSIONS AND FURTHER RESEARCH

The contribution of this paper is in the analysis of the local public finances in the context of the 2014 local government reforms, and, in particular, measuring the cross-council variations in income and expenditures. Although local government is less reliant on central grants - that is, less vertical fiscal imbalance - the differences across councils with respect to dependency (on central government) and self-reliance (on local revenue sources) continue - that is, horizontal fiscal imbalances persist. As time passes and more quantitative and qualitative research is undertaken, a more complete assessment of the impact of the 2014 local government reforms on the fiscal accounts of the local authorities will be possible.

Although too early to definitely establish cause and effect, our paper clearly outlines the changes in local government expenditures and incomes, post the local government reforms. Although there are other contributing factors (such as the troika programme's structural reforms, fiscal consolidation, the prevailing economic climate, the wider public sector reforms, etc.), the changes and redesign to the system of intergovernmental fiscal relations in Ireland, beginning with the earlier fiscal adjustments arising from the 2008 economic crash and subsequent fiscal crisis, to the rescaling of local authority units, and the introduction and establishment of LPT and Irish Water respectively, have contributed to sizeable changes in local government expenditures, revenues and transfers, as evident from our presentation of the local authority data in Tables 5-12.

There are a number of interesting findings in the paper. For one, the large differences in central versus local government expenditure and revenue changes that were evident during the early years of the economic crash and recession persist, including a lag in a recovery to the local government finances. Secondly, there are large changes in some expenditure items, with a need to reclassify service divisions to more meaningful categories. Thirdly, there is a shift from central grants to local own-source revenues. Fourthly, the 2014 reforms have seen big changes in local authority expenditures and income, leading to less vertical fiscal imbalance, greater local autonomy but, in the case of the LGF, less transparency. Finally, the large cross-council variation in expenditures and income continue and, given local authority LPT incomes, these cross-council differences are likely to widen without sufficient *and* objectively determined equalisation transfers.

Further research is required on a number of fronts. In particular, there is a need to assess the effects of the territorial amalgamations that were introduced in 2014, especially given the possibility of further mergers and

rescaling (e.g. the two Galway and two Cork local authorities).¹⁰ We also wish to examine in more detail the impact of the LPT and the effects of the harmonisation of commercial rates (post local authority mergers and abolition of town and borough councils) on the public finances of the local governments, and most especially on the more urban county councils as against the most rural county councils. A similar exercise applies to the effect of Irish Water and the service-level agreements on the finances of the local councils. Given the lag in the publication of the consolidated AFS an analysis of the capital budgets and balance sheets of the local authorities, particularly in the context of the transfer of assets and liabilities to Irish Water, was not possible. To allow for a more up-to-date analysis of changes to the local public finances, earlier publication of the audited AFS for all 31 local authorities would be welcomed not only by the local government research community but also local taxpayers and residents interested in the performance of their local authorities, and neighbouring councils.

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¹⁰ For a review of local government arrangements in Cork, see Cork Local Government Review Committee (2015). A Case Study of the 2014 merged North Tipperary and South Tipperary County Councils is in O'Riordan and Boyle (2015). For a review of territorial reorganisations, amalgamations and economies of scale in local government, see Callanan *et al.* (2014).

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