

LOCAL GOVERNMENT FUND

ACCOUNT 2015



Local Government Fund

Account 2015

Contents	Page
Statement on Internal Financial Control	1-2
Statement of Accounting Policies	3-5
Statement of Income and Expenditure Account	6
Statement of Financial Position	7
Statement of Cash Flows	8
Notes to the Account	9 -17
Comptroller and Auditor General Report	18

Local Government Fund Account 2015 Statement by Accounting Officer on Internal Financial Control

Responsibility for System of Internal Financial Control

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Department. This responsibility is exercised in the context of the resources available to me and my other obligations as Secretary General. Also, any system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely manner. Maintaining the system of internal financial controls is a continuous process and the system and its effectiveness are kept under on-going review.

The position in regard to the financial control environment, the framework of administrative procedures, managing reporting and internal audit is as follows:

Financial Control Environment

I confirm that a control environment containing the following elements is in place:

- financial responsibilities have been assigned at management level with corresponding accountability;
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned;
- formal procedures have been established for reporting significant control failures and ensuring appropriate corrective action;
- there is an Audit Committee to advise me in discharging my responsibilities for the internal financial control system.

Administrative Controls and Management Reporting

I confirm that a framework of administrative procedures and regular management reporting is in place including segregation of duties and a system of delegation and accountability and, in particular, that:


- there is an appropriate budgeting system with an annual budget which is kept under review by senior management;
- there are regular reviews by senior management of periodic and annual financial reports which indicate financial performances against forecasts;
- a risk management system operates within the Department;
- there are systems aimed at ensuring the security of the ICT systems.

Statement by Accounting Officer on Internal Financial Control (continued)

Internal Audit

I confirm that the Department has an internal audit function with appropriately trained personnel, which operates in accordance with an approved written charter. Its work is informed by analysis of the financial risks to which the Department is exposed and its annual internal audit plans, approved by me, are based on this analysis. These plans aim to cover the key controls, on a rolling basis, over a reasonable period. The internal audit function is reviewed periodically by me and the Audit Committee. I am satisfied that there are procedures in place to ensure that the reports of the internal audit function are followed up.

Signed


John McCarthy
Secretary General

Date



Local Government Fund Account 2015 Statement of Accounting Policies

1. Basis of Accounts

The Local Government Fund (LGF) was established by the Local Government Act 1998 with effect from 1 January 1999. The proceeds of motor tax (net of refunds) and the household charge collected to 30 June 2013 (see note 3) are paid into the Fund; an amount equivalent to the Local Property Tax (including any interest paid thereon) paid into the Central Fund during the year in accordance with Section 157 of the Finance (Local Property Tax) Act 2012 is paid into the Local Government Fund by the Minister for Finance.

The LGF comprises of two bank accounts and an investment account which are managed and controlled by the Minister for the Environment, Community and Local Government. The LGF is managed by the Department of the Environment, Community and Local Government¹ and the associated administration costs are charged to Vote 34.

The accounts have been prepared for the year ending 31 December 2015 in a form and manner approved by the Minister for the Environment, Community and Local Government. The accounts have been prepared on an accruals basis in accordance with the accounting policies set out below.

¹The Department was renamed, Department of Housing, Planning, Community and Local Government on 23 July 2016 under S.I. No. 394 of 2016

2. Funding Policy

The LGF is funded through receipts lodged into the receipts bank account (No. 1 account) by local authorities, the Minister for Finance and the Local Government Management Agency. The balance on this bank account is automatically transferred to the investment account on a daily basis. Sums payable from the LGF are paid out of the payables bank account (No. 2 account). The funds are transferred to the payables bank account from the investment account before payments are disbursed to the relevant payees.

Statement of Accounting Policies (continued)

3. Income

Income to the fund is recognised as follows:

- motor tax income represents amounts collected by Motor Tax Authorities and due to the Fund, in accordance with Section 5(2) of the Local Government Act 1998;
- income from the Household Charge represents the amount collected in the year by the Local Government Management Agency in accordance with Section 17 of the Local Government (Household Charge) Act 2011 and payable to the fund under the Section 5(2) of the Local Government Act 1998 as amended by Section 17 of the Local Government (Household Charge) Act 2011;
- Local Property Tax (LPT); in each financial year, commencing in 2014, the Minister for Finance shall pay into the Local Government Fund an amount equivalent to the local property tax (including any interest paid thereon) paid into the Central Fund during that year;
- receipts from investments are recognised on an accruals basis.
- exchequer funding from Vote 34, Department of the Environment, Community and Local Government is recognised on a cash receipts basis.

4. Expenditure

Expenditure from the Fund is in accordance with section 6 of the Local Government Act 1998 and subsequent amendments to this Act as outlined below:

- expenditure authorised by the Minister;
- allocations calculated to be due to local authorities in 2015;
- recoupments due to the Department of Transport, Tourism and Sport, (the Local Government (Roads Functions) Act 2007 and the Environment (Miscellaneous Provisions) Act 2011);

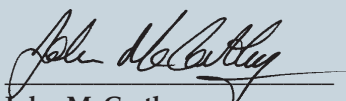
Statement of Accounting Policies (continued)

- recoupment of expenditure on approved schemes in respect of Group Water Schemes;
- payment to the Exchequer (Environment (Miscellaneous Provisions) Act 2015);
- payments to Irish Water and recoupment of local authority water services capital loans (the Local Government Reform Act 2014).

Local Government Fund Statement of Income and Expenditure for the Year ended 31 December 2015

	<u>Notes</u>	<u>2015</u> €	<u>2014</u> €
Income			
Motor Tax Income	1	1,121,969,557	1,157,566,430
Local Property Tax	2	469,192,000	491,351,000
Exchequer Funding	3	241,100,000	-
LANPAG Refund	4	235,923	-
Receipts from Investments		-	367,054
Household Charge		-	174,163
Total Income		<u>1,832,497,480</u>	<u>1,649,458,647</u>
Expenditure			
Local Authorities			
Local Property Tax Allocations	5	458,868,139	-
Recoupment of lost income from rates on Water Infrastructure	6	46,345,050	-
Water Services	7	19,555,487	21,669,308
Water Services Capital Loans Recoupment	8	15,120,073	47,377,881
Flood Clean-up costs	9	7,999,418	-
Public Participation Network	10	1,124,160	-
Social Inclusion Measures	11	515,038	499,230
Fire Services and Emergency Planning	12	434,049	183,012
Other funding to Local Authorities	13	358,611	275,183
General-Purpose Payments		-	281,250,000
Public Area Enhancement		-	2,867,888
Local Authority Customer Service		-	300,000
Village Enhancement		-	300,000
		<u>550,320,025</u>	<u>354,722,502</u>
Department of Transport, Tourism and Sport			
Roads and Public Service Infrastructure	14	355,543,000	361,943,000
Driver Licence and Vehicle Computer Services Division	15	12,500,000	12,500,000
		<u>368,043,000</u>	<u>374,443,000</u>
Local Government Management Agency			
Local Government Innovation and Reform	16	4,058,857	3,078,085
Household Charge Administration	17	136,972	186,926
Disability Services	18	5,000	5,000
		<u>4,200,829</u>	<u>3,270,011</u>
Other			
Exchequer	19	481,000,000	520,000,000
Irish Water Subvention	20	399,000,000	439,122,119
Fire Services and Emergency Planning	21	150,616	-
National Oversight and Audit Commission	22	116,865	47,192
Household Charge Administration	23	116,531	-
Local Partnership Initiatives	24	72,000	66,000
Miscellaneous	25	28,939	67,023
		<u>880,484,951</u>	<u>959,302,334</u>
Total Expenditure		<u>1,803,048,805</u>	<u>1,691,737,847</u>
(Deficit)/Surplus for the Year		<u><u>29,448,675</u></u>	<u><u>(42,279,200)</u></u>

The Statement of Accounting Policies on Pages 3 to 5 and Notes 1 to 29 form part of this Account.


Signed 
John McCarthy
Secretary General

Date 

Local Government Fund Statement of Financial Position as at 31 December 2015

		<u>2015</u>	<u>2014</u>
	<u>Notes</u>	€	€
<u>Financial Assets</u>			
Investments	26	57,948,283	27,271,540
<u>Current Assets</u>			
Bank		3,937,972	12,275,992
Motor Tax due	27	6,227,267	6,909,064
Local Property Tax due	28	<u>15,871,000</u>	<u>7,771,000</u>
		<u>83,984,522</u>	<u>54,227,596</u>
<u>Current Liabilities</u>			
Sundry Creditors	29	2,318,988	2,010,737
Net Assets		<u>81,665,534</u>	<u>52,216,859</u>
Represented by			
Reserves at 1 January		52,216,859	94,496,059
(Deficit)/Surplus for the Year		29,448,675	(42,279,200)
Reserves at 31 December		<u>81,665,534</u>	<u>52,216,859</u>

The Statement of Accounting Policies on Pages 3 to 5 and Notes 1 to 29 form part of this Account.


Signed 
John McCarthy
Secretary General

Date  _____

Local Government Fund Statement of Cash Flow as at 31 December 2015

	<u>2015</u>	<u>2014</u>
	€	€
<u>Reconciliation of surplus/deficit to net cash inflow from operating activities</u>		
(Deficit)/Surplus for the Year	29,448,675	(42,279,200)
Return on Investment	-	(367,054)
Decrease/(Increase) in Debtors	(7,418,203)	(9,142,421)
(Decrease)/Increase in Creditors	308,251	1,996,572
Net Cash Inflow from Operating Activities	<u><u>22,338,723</u></u>	<u><u>(49,792,103)</u></u>
Statement of Cash Flow		
Net Cash Flow from Operating Activities	22,338,723	(49,792,103)
Return on Investments and Servicing of Finance		
Return on Investment	-	367,054
(Decrease)/Increase in Cash	<u><u>22,338,723</u></u>	<u><u>(49,425,049)</u></u>
<u>Reconciliation of net cash flows to movement in net funds</u>		
Changes in Net Funds resulting from Cash Flow		
Net Funds at beginning of the Year	39,547,532	88,972,581
Net Funds at the end of the Year	61,886,255	39,547,532
(Decrease)/Increase in Cash in the Year	<u><u>22,338,723</u></u>	<u><u>(49,425,049)</u></u>

The Statement of Accounting Policies on Pages 3 to 5 and Notes 1 to 29 form part of this Account..

Signed 
John McCarthy
Secretary General

Date 

Notes to the Account

1. Motor Tax Income

This figure represents motor vehicle tax, and miscellaneous fees and duties collected by Motor Tax Authorities having allowed for refunds.

	2015	2014
	€	€
Gross income	1,123,980,677	1,159,020,636
Less Refunds	<u>(2,011,120)</u>	<u>(1,454,206)</u>
Net income	<u>1,121,969,557</u>	<u>1,157,566,430</u>

2. Local Property Tax

This figure represents a receipt into the Local Government Fund from the Exchequer, equivalent to the amount of Local Property Tax (including any interest paid thereon) paid into the Central Fund during 2015 in accordance with Section 157 of the Finance (Local Property Tax) Act 2012.

3. Exchequer Funding

This figure represents the moneys provided by the Oireachtas in accordance with Section 4 of the Local Government Act 1998 as amended by Section 17 of the Financial Emergency Measures in the Public Interest Act 2009. The amount is determined annually by the Minister for the Environment, Community and Local Government, with the consent of the Minister for Public Expenditure and Reform.

4. LANPAG Refund

The Local Authority National Partnership Advisory Group (LANPAG) was established in 1999, jointly by local authority management and unions, under the terms of the national partnership agreement – Partnership 2000. Over the past decade it has co-ordinated and supported the implementation of partnership programmes and initiatives designed to promote partnership as the preferred mechanism for dispute resolution and implementation of the change and modernisation agenda in all local authorities. LANPAG is in the process of transitioning to the Local Authority Information & Consultation Monitoring Group, which was endorsed by the Board of the LGMA in March 2016. Unused funding amounting to €235,923 was returned in accordance with the agreement of the operation of LANPAG.

Notes to the Account (continued)

5. Local Property Tax Allocations

This figure represents payments to local authorities in respect of the year ended 31 December 2015 in accordance with the Government Decision on local retention of Local Property Tax (LPT). The allocations were based on 2015 LPT forecasted income and the retention of €72.8m pension related deductions in 2015 by local authorities for general purposes (€74m in 2014) in agreement with the Department of Public Expenditure and Reform. Allocations also took into account the decisions by 14 councils to reduce the LPT rates in their respective areas. The LPT allocations to individual local authorities for 2015 are published on the Department of the Environment, Community and Local Government's website.

6. Recoupment of lost income from rates on Water Infrastructure

Section 12 of the Water Services Act 2014 states that public water services property is not rateable for the purposes of the Valuation Act 2001. Funding was provided in 2015 to compensate the local authorities for the respective shortfall in their budgets due to this legislative provision.

7. Water Services

This figure represents the recoupment of expenditure made by local authorities to group water schemes for the subsidy scheme towards the operational costs of providing water for domestic use. It also includes financial assistance provided towards meeting some of the costs incurred by the local authorities in the administration of the devolved Rural Water Programme. The cost of Group Water Schemes in 2015 amounted to €19.6m (€21.7m in 2014).

8. Water Services Capital Loans Recoupment

The Government decided in May 2014 that water related loans held by local authorities would not transfer to Irish Water and made provision that these loans would be met from the Local Government Fund. The amount recouped to local authorities in 2015 (€15.12m) was based on returns received from each local authority outlining all commercial water-related capital loans (i.e. excluding HFA loans), and the associated principle and interest payment in the year.

Notes to the Account (continued)

9. Flood Clean-up costs

In December 2015, the Government made arrangements for the funding and delivery of the necessary repair and restoration works following a period of flooding. In acknowledgement of the exceptional nature of the response activities carried out by the local authorities, and the fact that the costs of these activities could not be met from existing resources, €8m was made available to assist the local authorities in meeting the costs of the response, clean-up and necessary immediate works related to the flooding that occurred up to 19 December 2015.

10. Public Participation Network

The Local Government Reform Act 2014 provided the legislative basis which gave effect to the Framework for Public Participation and Public Participation Networks (PPN,s), and set out the mechanisms by which citizens and communities are encouraged and supported to participate in the decision making processes of the local authority.

PPNs are now established in all local authority areas. Where community representation is provided on appropriate committees of the local authority, such as Strategic Policy Committees (SPC,s), Local Community Development Committees (LCDC,s) etc., this must be sourced through the PPN.

In 2015, funding of up to €50,000 was provided by the Department to each PPN, provided this was supplemented by €30,000 from the local authority. This funding was provided to help local authorities to fully implement the new structures and allow for the employment of a resource worker in each local authority area to support the PPN secretariat and provide activities, training etc.

11. Social Inclusion Measures

This expenditure represents costs incurred and claimed by local authorities in respect of the provision of social inclusion units and for social inclusion measures in local authorities. The aims of the units are to ensure marginalised people and those living in poverty have a greater participation in decision making which affects their lives, and also to promote greater social inclusion and cohesion in collaboration with other stakeholders including, in particular, people experiencing and at risk of disadvantage.

Notes to the Account (continued)

12. Fire Services and Emergency Planning

This expenditure represents:

- (a) The cost of secondments from local authorities to the National Directorate for Fire and Emergency Management to work on priority projects. This model of collaborative approach is a key and cost effective method of harnessing the knowledge and experience of practitioners in the local authority sector to assist in policy implementation. It is seen as both necessary and appropriate to extend this arrangement to have local authority fire service personnel lead the implementation stage of significant projects.
- (b) The implementation of Alfresco software across fire authorities to facilitate document management in the Major Emergency Management and CAMP (Computer-Aided Mobilization Project)/ CTrí Project.

13. Other funding to Local Authorities

Assistance is provided to local authorities in meeting the costs of miscellaneous projects as follows:

	2015	2014
	€	€
Committee of the Regions	194,551	222,699
Local Government Boundary Costs	70,710	-
Dunmore Community CCTV Pilot Project	50,000	-
All-Island Steering Forum	43,350	52,484
Total	<u>358,611</u>	<u>275,183</u>

Notes to the Account (continued)

14. Road and Public Service Infrastructure

This represents payments made to the Minister for Transport, Tourism and Sport from the Fund to assist local authorities in meeting costs associated with a programme of works on regional and local roads (formerly known as the Non-National Roads Programme) and public transport infrastructure. The Minister is permitted to make payments from the Fund to the Minister for Transport, Tourism and Sport pursuant to the Local Government Act 1998, as amended by the Local Government (Roads Functions) Act 2007 and the Environment (Miscellaneous Provisions) Act 2011.

15. Driver Licence and Vehicle Computer Services Division

This represents the amount chargeable to the Fund in respect of expenditure incurred by the Department of Transport, Tourism and Sport on Vehicle and Driver Licensing in accordance with Section 6(2A)(c) of the Local Government Act 1998 as amended by the Local Government (Roads Functions) Act 2007.

16. Local Government Innovation and Reform

This represents expenditure incurred in respect of projects associated with the local government efficiency and reform agenda. It supports projects which incentivise innovation and promotes efficiencies in the operation and delivery of local government services and incentivises joint public service delivery at local level. These are delivered through the Project Management Office.

17. Household Charge Administration

The Household Charge Support Centre managed by the Local Government Management Agency is legally obliged to continue providing services in respect of Household Charge matters on behalf of local authorities. The 2015 Household Charge administration costs incurred by the Agency were principally comprised of staff, IT, banking and administrative overhead costs.

Notes to the Account (continued)

18. Disability Services

This represents a payment to the Local Government Management Agency in respect of funding for the dedicated 'Access Officers Network' that monitors the work of local authorities and helps to ensure compliance with the Disability Act and current best practice.

19. Exchequer

In accordance with Section 6 of the Local Government Act 1998, as amended by Section 44 of the Environment (Miscellaneous Provisions) Act 2015, an amount of €481m was paid to the Exchequer at the request of the Minister for Finance.

20. Irish Water Subvention

The Fund historically provided local authorities with finance for funding some of their day-to-day activities, including elements of water services costs, through General Purpose Grant allocations. As a result of the introduction of Local Property Tax in 2013 and the establishment of Irish Water, the local government funding model changed considerably in 2014. Following on from this, Irish Water received a Government approved subvention in 2015 in respect of child allowance, a product subsidy and the customer billing cap. The subvention was paid quarterly on receipt of relevant documentation from Irish Water and amounted to €399m in 2015.

21. Fire Services and Emergency Planning

The expenditure relates to on a "draw-down" facility held by a third party for the provision of temporary mortuary facilities and the training of local authorities in their roll out of the "National Mass Fatality Plan".

Notes to the Account (continued)

22. National Oversight and Audit Commission

This expenditure represents the cost of the operation of the National Oversight Audit Commission (NOAC) which was established in July 2014 under the Local Government Reform Act 2014 to provide independent oversight of performance by local government bodies in fulfilling national, regional and local mandates.

23. Household Charge Administration

This represents expenditure for the distribution of Household Charge information leaflets.

24. Local Partnership Initiatives

This expenditure represents costs incurred and claimed in respect of the IPA Leadership Programme. This programme was designed to identify and accelerate the development of high potential executives at middle management level in local authorities.

25. Miscellaneous

Funding is also provided to assist the costs of miscellaneous projects as follows:

	2015	2014
	€	€
Local Government Shared Service Advice	28,939	66,036
Putting People First - Implementation	-	987
Total	<u>28,939</u>	<u>67,023</u>

Notes to the Account (continued)

26. Investments

	2015	2014
	€	€
Balance at 1 January	27,271,540	83,269,515
Receipts		
Motor Tax	1,130,989,374	1,149,422,082
Local Property Tax	461,092,000	456,847,000
Exchequer Funding	241,100,000	-
LANPAG Refund	235,923	-
Household charge	-	374,163
	<u>1,833,417,297</u>	1,606,643,245
Return on Investment	-	367,054
	<u>1,860,688,837</u>	<u>1,690,279,814</u>
Payments		
Local Authorities	(550,011,774)	(354,722,502)
Department of Transport, Tourism and Sport	(368,043,000)	(372,443,000)
Local Government Management Agency	(4,200,829)	(3,270,011)
Exchequer	(481,000,000)	-
Irish Water Subvention	(399,000,000)	-
Other	(484,951)	(932,572,761)
	<u>(1,802,740,554)</u>	<u>(1,663,008,274)</u>
Balance at 31 December	<u><u>57,948,283</u></u>	<u><u>27,271,540</u></u>

The figures shown above represent the money transferred between the Local Government Fund bank accounts and its investment account. This is not necessarily the same as the amounts received into and paid from the Local Government Fund because of accrued income and expenditure and the timing of certain cash flows.

Notes to the Account (continued)

27. Motor Tax due

This represents Motor Tax Authorities' net liability to the Fund in respect of Motor Tax at 31 December 2015. It consists of:

	2015	2014
	€	€
Motor Tax owed at the year-end	3,262,435	5,775,833
Motor Tax cash in transit in the banking system at the year-end	2,964,832	1,133,231
Total	<u>6,227,267</u>	<u>6,909,064</u>

28. Local Property Tax due

In each financial year, the Minister for Finance shall pay into the Local Government Fund (LGF) an amount equivalent to the Local Property Tax (LPT) (including any interest paid thereon) paid into the Central Fund during that year. This figure represents an amount equivalent to the amount of LPT which remained to be paid over to the LGF from the Central Fund at 31 December 2015.

29. Sundry Creditors

This represents accrued liabilities as follows:

	2015	2014
	€	€
Flood Clean-up costs	2,236,324	-
Committee of the Regions	44,550	-
Professional Services Withholding Tax to be paid over to the Revenue Commissioners in respect of 2015	28,164	10,737
Local Government Innovation	9,950	-
Department of Transport, Tourism and Sport (Roads and Public Service Infrastructure)	-	2,000,000
Total	<u>2,318,988</u>	<u>2,010,737</u>



Comptroller and Auditor General Report for presentation to the Houses of the Oireachtas

Local Government Fund

I have audited the financial statements of the Local Government Fund for the year ended 31 December 2015. The financial statements, which have been prepared in accordance with the accounting policies set out therein, comprise the statement of accounting policies, the statement of income and expenditure, the statement of financial position, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is the format specified by the Minister for the Environment, Community and Local Government in accordance with Section 3 of the Local Government Act 1998.

Responsibilities of the Department of the Environment, Community and Local Government

The Department is responsible for the preparation of the financial statements in the specified format and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate and have been consistently applied and adequately disclosed

- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

Opinion on the financial statements

In my opinion, the financial statements properly reflect the balance of the Fund at 31 December 2015 and the transactions for 2015.

In my opinion, the accounting records of the Department were sufficient to permit the financial statements to be readily and properly audited. The financial statements are in agreement with the accounting records.

Matters on which I report by exception

I report by exception if I have not received all the information and explanations I required for my audit, or if I find

- any material instance where public money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the statement on internal financial control does not reflect the Department's compliance with the requirements for such statements set out in the Report of the Working Group on the Accountability of Secretaries General and Accounting Officers, or
- there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.

Seamus McCarthy
Comptroller and Auditor General
28 October 2016

