

LOCAL GOVERNMENT FUND

ACCOUNT 2016



Local Government Fund

Account 2016

Contents	Page
Statement on Internal Financial Control	1-2
Statement of Accounting Policies	3-5
Statement of Income and Expenditure	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 2016 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


21/7/17

Local Government Fund Account 2016 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 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 Housing, Planning, Community and Local Government. The LGF is managed by the Department of Housing, Planning, Community and Local Government and the associated administration costs are charged to Vote 34.

The account has been prepared for the year ending 31 December 2016 in a form and manner approved by the Minister for Housing, Planning, Community and Local Government. The account has been prepared on an accruals basis in accordance with the accounting policies set out below.

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;
- Local Property Tax (LPT); 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;
- exchequer funding from Vote 34, Department of Housing, Planning, 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 2016;
- 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 2016

		<u>2016</u>	<u>2015</u>
<u>Income</u>	<u>Notes</u>	€	€
Motor Tax Income	1	1,049,954,112	1,121,969,557
Local Property Tax	2	463,398,000	469,192,000
Exchequer Funding (Vote 34)	3	396,555,000	241,100,000
LANPAG Refund		-	235,923
Total Income		<u>1,909,907,112</u>	<u>1,832,497,480</u>
 <u>Expenditure</u>			
Local Authorities			
Local Property Tax Allocations	4	453,264,953	458,868,139
Compensation for lost income from rates on Water Infrastructure	5	46,022,371	46,345,050
Lansdowne Road Agreement Compensation	6	25,380,333	-
Water Services Capital Loans Recoupment	7	18,282,474	15,120,073
Water Services	8	17,600,339	19,555,487
Global Valuations of Utilities Compensation	9	16,650,000	-
Flood Clean-up costs	10	9,610,695	7,999,418
Public Participation Network	11	1,294,794	1,124,160
Centenary Programme	12	999,998	-
Social Inclusion Measures	13	527,680	515,038
Fire Services and Emergency Planning	14	332,268	434,049
Other funding to Local Authorities	15	<u>108,661</u>	<u>358,611</u>
		590,074,566	550,320,025
 Department of Transport, Tourism and Sport			
Roads and Public Service Infrastructure	16	348,743,000	355,543,000
Driver Licence and Vehicle Computer Services Division	17	<u>12,500,000</u>	<u>12,500,000</u>
		361,243,000	368,043,000
 Local Government Management Agency			
Local Government Innovation and Reform	18	3,835,350	4,058,857
Household Charge Administration	19	88,152	136,972
Disability Services	20	<u>5,000</u>	<u>5,000</u>
		3,928,502	4,200,829
 Other			
Irish Water Subvention	21	652,100,000	399,000,000
Exchequer	22	317,900,000	481,000,000
Committee of the Regions (EU affairs Unit)	23	197,977	-
Miscellaneous	24	<u>368,039</u>	<u>484,951</u>
		970,566,016	880,484,951
Total Expenditure		<u>1,925,812,084</u>	<u>1,803,048,805</u>
 (Deficit)/Surplus for the Year		 <u>(15,904,972)</u>	 <u>29,448,675</u>

The Statement of Accounting Policies on Pages 3 to 5 and Notes 1 to 27 form part of this Account.

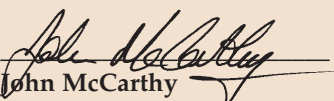
Signed 
John McCarthy
Secretary General

Date 21/7/17

Local Government Fund Statement of Financial Position as at 31 December 2016

		<u>2016</u>	<u>2015</u>
	<u>Notes</u>	€	€
<u>Financial Assets</u>			
Investment Account		44,959,516	57,948,283
<u>Current Assets</u>			
Bank		3,742,632	3,937,972
Motor Tax due	25	5,499,460	6,227,267
Local Property Tax due	26	<u>16,094,000</u>	<u>15,871,000</u>
		<u><u>70,295,608</u></u>	<u><u>83,984,522</u></u>
<u>Current Liabilities</u>			
Sundry Creditors	27	4,535,046	2,318,988
Net Assets		<u><u>65,760,562</u></u>	<u><u>81,665,534</u></u>
Represented by			
Reserves at 1 January		81,665,534	52,216,859
(Deficit)/Surplus for the Year		(15,904,972)	29,448,675
Reserves at 31 December		<u><u>65,760,562</u></u>	<u><u>81,665,534</u></u>

The Statement of Accounting Policies on Pages 3 to 5 and Notes 1 to 27 form part of this Account.

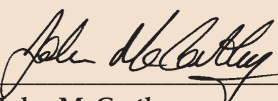
Signed 
John McCarthy
Secretary General

Date 21/7/17

Local Government Fund Statement of Cash Flows as at 31 December 2016

	<u>2016</u>	<u>2015</u>
	€	€
<u>Reconciliation of surplus/(deficit) to net cash inflow from operating activities</u>		
(Deficit)/Surplus for the Year	(15,904,972)	29,448,675
Decrease / (Increase) in Debtors	504,807	(7,418,203)
(Decrease)/Increase in Creditors	2,216,058	308,251
Net Cash Inflow from Operating Activities	<u>(13,184,107)</u>	<u>22,338,723</u>
Statement of Cash Flows		
Net Cash Flow from Operating Activities	<u>(13,184,107)</u>	<u>22,338,723</u>
(Decrease)/Increase in Cash	<u>(13,184,107)</u>	<u>22,338,723</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	61,886,255	39,547,532
Net Funds at the end of the Year	<u>48,702,148</u>	<u>61,886,255</u>
(Decrease)/Increase in Cash in the Year	<u>(13,184,107)</u>	<u>22,338,723</u>

The Statement of Accounting Policies on Pages 3 to 5 and Notes 1 to 27 form part of this Account.

Signed 
John McCarthy
Secretary General

Date 21/7/17

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.

	2016	2015
	€	€
Gross income	1,051,374,831	1,123,980,677
Less Refunds	<u>(1,420,719)</u>	<u>(2,011,120)</u>
Net income	<u>1,049,954,112</u>	<u>1,121,969,557</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 2016 in accordance with Section 157 of the Finance (Local Property Tax) Act 2012.

3. Exchequer Funding (Vote 34)

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 Housing, Planning, Community and Local Government, with the consent of the Minister for Public Expenditure and Reform.

4. Local Property Tax Allocations

This figure represents payments to local authorities in respect of the year ended 31 December 2016 in accordance with the Government Decision on local retention of Local Property Tax (LPT). The allocations were based on 2016 LPT forecasted income and took into account the decisions by 11 councils to reduce the LPT rates in their respective areas. The LPT allocations to individual local authorities for 2016 are published on the Department of Housing, Planning, Community and Local Government's website.

Notes to the Account (continued)

5. Compensation for 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 of €46.02m was provided in 2016 (€46.35m in 2015) to compensate the local authorities for the respective shortfall in their budgets due to this legislative provision.

6. Lansdowne Road Agreement Compensation

This figure represents payments to local authorities to ensure that they were not at a financial loss due to the implementation of the Lansdowne Road Agreement in 2016. The overall aim of the compensation was to ease the burden of reduced Pension Related Deduction (PRD) income and increased Pay and Pension costs in 2016 arising from the implementation of the Agreement.

7. 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. The amount recouped in respect of these loans to local authorities in 2016 €18.28m (€15.12m in 2015) was based on returns received from each local authority outlining all commercial water-related capital loans (i.e. excluding HFA loans), and the associated principal and interest payment in the year.

8. 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 2016 amounted to €17.6m (€19.6m in 2015).

Notes to the Account (continued)

9. Global Valuations of Utilities Compensation

Section 53 of the Valuation Act 2001, as amended, provides for global valuations of utility undertakings, to be carried out by the Valuation Office every five years and entered on the central valuation list. The Commissioner of Valuation has responsibility for valuation matters.

In 2015, global valuations were carried out by the Valuation Office in respect of Gas Networks Ireland, Iarnrod Eireann and telecommunications companies BT Ireland, Eircom, Vodafone, Three Ireland and Meteor. The previous valuation for these utilities had taken place in 2010. The Global Valuation Certificates showed a reduction in the combined valuations for these utilities of €112m. This impacted on the rates payable by the utilities in 2016 and beyond. Moreover, the reduction in the global valuation of the ESB, following an appeal to the Valuation Tribunal, reduced the rates payable by the ESB from 2016.

A once off adjustment of €16.65m in support from the Local Government Fund in 2016 to local authorities affected by the global valuations was agreed. The additional allocation provided was on an exceptional and once-off basis, solely for the 2016 budgetary period.

10. Flood Clean-up costs

Following extensive flooding in late 2015 which continued into early 2016 the Government provided funding for recovery / clean-up costs due to the prolonged nature of the flooding event. €10m was made available in 2016 of which €9.61m was spent for clean-up costs incurred in 2016 (Of the €8m made available in 2015 €7.99m was spent).

Notes to the Account (continued)

11. 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 (PPNs), 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 (SPCs), Local Community Development Committees (LCDCs) etc., this must be sourced through the PPN.

In 2016, funding of up to €1.3m was provided to PPNs. 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.

12. Centenary Programme

As part of the State's 2016 Centenary Programme all 31 Local Authorities were asked to coordinate the community participation strand of the programme. This engaged communities across the country and ensured the participation of grass roots organisations and the community and voluntary sectors. Each local authority received €32,258 to assist in this Programme.

13. 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)

14. 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.

15. Other funding to Local Authorities

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

	2016	2015
	€	€
All-Island Steering Forum	52,319	43,350
Local Government Boundary Costs ¹	31,342	70,710
Dunmore Community CCTV Pilot Project	25,000	50,000
Committee of the Regions (EU Affairs Unit) ²	-	194,551
Total	<u>108,661</u>	<u>358,611</u>

¹ Funding was also provided to the Institute of Public Administration under this heading in 2016, see Note 24.

² This was funded through the Eastern and Midland Regional Authority in 2016, see Note 23.

Notes to the Account (continued)

16. Roads 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.

17. 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.

18. 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 of the Local Government Management Agency.

19. 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 2016 Household Charge administration costs incurred by the Agency were principally comprised of staff, IT, banking and administrative overhead costs.

Notes to the Account (continued)

20. 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.

21. Irish Water Subvention

This expenditure represents the Government subvention for Irish Water's ongoing costs associated with the operation of the new utility to meet the objectives of Irish Water's Business Plan 2014 - 2021. The expenditure consists of the agreed 2016 subvention of €479m; plus an additional amount as a result of a Government Decision on 18 October 2016, in respect of replacement revenue following the suspension of domestic water charges. Following a review of Irish Water's cash receipts in Q4 2016 the actual amount of replacement revenue claimed as subvention was €173.1m. This comprised of €123m additional subvention to cover the suspension of water charges and €50.1m in respect of the conversion of the planned working capital loan to subvention.

22. Exchequer

In accordance with Section 6 of the Local Government Act 1998, as amended by Section 52 of the Planning and Development (Housing) and Residential Tenancies Act 2016, an amount of €317.9m was paid to the Exchequer following a request from the Minister for Finance. The payment was made back to the Exchequer to take account of changes to the funding model as a result of the introduction of LPT and to ensure that an appropriate contribution is being made to the Exchequer from the proceeds of motor tax.

Notes to the Account (continued)

23. Committee of the Regions (EU Affairs Unit)

Funding of €0.19m was provided in 2016 for servicing the Irish Delegation to the Committee of the Regions (CoR). Arising from the establishment of the three regional assembly structure under local government reforms with effect from 1 January 2016, an EU Affairs Unit was established and based in the Eastern and Midland Regional Assembly which now administers the funding for the Irish Delegation. The EU Affairs Unit has offices and staff in both Dublin and Brussels and supports the Irish delegation with local and regional government interests on the CoR. CoR is an EU assembly established under treaty with particular functions within the wider EU legislative structures, and consisting of delegates from the 28 EU countries. It represents local and regional government in the EU decision-making process. Previously the funding to meet the cost of the Irish Delegation was administered through Fingal County Council (2015 €0.19m).

24. Miscellaneous

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

	2016	2015
	€	€
Fire Services	148,168	150,616
National Oversight and Audit Commission	83,847	116,865
Local Government Boundary Costs ¹	71,024	-
Local Partnership Initiatives	65,000	72,000
Household Charge Administration	-	116,531
Local Government Shared Service Advice	-	28,939
Total	<u>368,039</u>	<u>484,951</u>

¹ Funding was also provided to local authorities under this heading, see Note 15.

Notes to the Account (continued)

25. Motor Tax due

This represents Motor Tax Authorities' net liability to the Fund in respect of Motor Tax at 31 December 2016. It consists of:

	2016	2015
	€	€
Motor Tax owed at the year-end	2,571,983	3,262,435
Motor Tax cash in transit in the banking system at the year-end	2,927,477	2,964,832
Total	<u>5,499,460</u>	<u>6,227,267</u>

26. 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 2016.

27. Sundry Creditors

This represents accrued liabilities as follows:

	2016	2015
	€	€
Water Services Capital Loans Recoupment	1,892,074	-
Water Services	1,836,863	-
Local Government Innovation and Reform Committee of the Regions	498,222	-
Local Government Innovation	197,978	44,550
National Oversight and Audit Commission	50,073	9,950
Payment due to the Revenue Commissioners in respect of 2016	32,130	-
Flood Clean-up costs	27,706	28,164
	-	2,236,324
Total	<u>4,535,046</u>	<u>2,318,988</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 2016. 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 Housing, Planning, Community and Local Government in accordance with Section 3 of the Local Government Act 1998.

Responsibilities of the Department of Housing, Planning, 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 2016 and the transactions for 2016.

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 Public Financial Procedures, 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
31 July 2017

