



**Rialtas na hÉireann**  
Government of Ireland

# **Local Government Fund Account 2018**

Prepared by the Department of Housing, Planning and Local Government

[housing.gov.ie](http://housing.gov.ie)



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## **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.

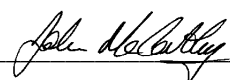
### **Significant financial risks**

The Department continues to have regard to significant financial and other business related risks in relation to the fund via the Departmental Risk Register. There are no significant financial risks or other business related risks in relation to the fund on the Departmental Risk Register. The Register is a living document and is updated to take account of new risks identified or of changes to existing risks.

### **Internal Audit**

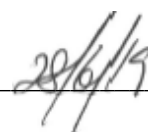
I confirm that the Department has an internal audit function with appropriately trained personnel, which operates in accordance with an approved written charter. Its work is informed by analysis of the financial risks to which the Department is exposed and its annual internal audit plans, approved by 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



## Statement of Accounting Policies

### 1. Basis of Accounting

The Local Government Fund (LGF) was established by the Local Government Act 1998 with effect from 1 January 1999. The proceeds of Local Property Tax (LPT) are paid directly into the Local Government Fund by the Office of the Revenue Commissioners.

The LGF comprises a current bank account and an investment account which are managed and controlled by the Minister for Housing, Planning and Local Government. The LGF is managed by the Department of Housing, Planning, and Local Government and the associated administration costs are charged to Vote 34.

The account has been prepared for the year ending 31 December 2018 in the form and manner approved by the Minister for Housing, Planning 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 substantially through LPT receipts lodged into the Investment Account by the Office of the Revenue Commissioners. Sums payable from the LGF are paid out of the commercial bank account. The funds are transferred to the payables bank account from the investment account before payments are disbursed to the relevant payees.

### 3. Income

Income to the fund is recognised as follows:

- Local Property Tax (LPT) is paid directly into the investment account by the Office of the Revenue Commissioners. The amount recognised in the year is the amount received by the Revenue Commissioners in the year of account.
- exchequer funding from Vote 34, Department of Housing, Planning, and Local Government is recognised on a cash receipts basis.

## **Statement of Accounting Policies (continued)**

### **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
- LPT allocations calculated to be due to local authorities in 2018

### **5. Changes to the Accounting Policies**

The 2018 accounting policies for the LGF are as outlined in points 1 to 4 overleaf. However, these accounting policies represent a significant change in the operation of the LGF from 2017. These changes are outlined below:

- LPT is now paid directly to the LGF by the Office of the Revenue Commissioners rather than it passing through the Exchequer
- Motor tax receipts are no longer paid into the LGF. They are instead paid to the Exchequer through the Department of Transport, Tourism and Sport (DTTaS)
- Payments to Irish Water for subvention and payments to local authorities for Group Water Schemes and recoupment of local authority water services capital loans are no longer made from the LGF (they are now paid from Vote 34 – Department of Housing, Planning and Local Government)
- Payments to DTTaS to fund regional and local roads and other public transport infrastructure are no longer made from the LGF. Instead, they are funded directly through DTTaS (Vote 31)
- There is no requirement for the LGF to make an Exchequer payment in 2018.

The Local Government Act 1998 was amended by Part 8 of the Water Services Act, 2017 to give effect to these changes.



## Statement of Income and Expenditure for the year ended 31 December 2018

		2018	2017
Income	Notes	€	€
Local Property Tax	1	482,450,215	476,525,000
Exchequer Funding (Vote 34, Subhead C.3)	2	124,800,000	365,300,000
LANPAG Refund	3	25,811	-
Motor Tax Income		-	1,019,909,033
<b>Total Income</b>		<b>607,276,026</b>	<b>1,861,734,033</b>
Expenditure			
<b>Local Authorities</b>			
Local Property Tax Payments	4	504,836,056	500,767,650
Pay and Pensions	5	59,600,000	20,343,015
Water Infrastructure	6	46,812,124	46,566,814
Local Government Boundary Review	7	1,277,160	27,171
Creative Ireland	8	999,724	999,855
Fire Services and Emergency Planning	9	566,198	610,765
International Events Supports	10	200,000	-
All-Island Steering Forum	11	70,458	63,530
Water Services		-	17,983,724
Water Services Capital Loans Recoupment		-	16,518,243
Severe Weather (Flood) Clean-up costs		-	9,002,166
Public Participation Network		-	1,469,942
Social Inclusion Measures		-	513,768
Economic Development Initiatives		-	300,000
		614,361,720	615,166,643
<b>Local Government Management Agency</b>			
Local Government Innovation and Reform	12	3,067,274	2,191,634
Household Charge Administration	13	77,381	104,381
Access Officers Network	14	5,000	5,000
		3,149,655	2,301,015
<b>Other</b>			
Committee of the Regions (EU Affairs Unit)	15	256,090	229,008
Miscellaneous	16	478,740	425,562
Irish Water Subvention		-	638,730,000
Exchequer		-	230,000,000
		734,830	869,384,570
<b>Department of Transport, Tourism and Sport</b>			
Roads and Public Service Infrastructure		-	333,000,000
Driver Licence and Vehicle Computer Services Division		-	12,500,000
		-	345,500,000
<b>Total Expenditure</b>		<b>618,246,205</b>	<b>1,832,352,228</b>
Surplus/(Deficit) for the Year		<b>(10,970,179)</b>	<b>29,381,805</b>

The Statement of Accounting Policies on Pages 3 & 4 and Notes 1 to 18 form part of this Account.

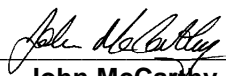
Signed   
**John McCarthy**  
 Secretary General

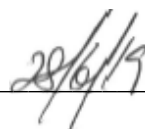
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## Statement of Financial Position as at 31 December 2018

		<u>2018</u>	<u>2017</u>
	<u>Notes</u>	€	€
<b><u>Financial Assets</u></b>			
Investment Account		84,838,174	77,698,903
<b><u>Current Assets</u></b>			
Bank		-	2,294,130
Local Property Tax due	17	104,137	12,179,000
Motor Tax due		-	4,043,586
		<u>84,942,311</u>	<u>96,215,619</u>
<b><u>Current Liabilities</u></b>			
Sundry Creditors	18	770,123	1,073,252
<b>Net Assets</b>		<u><b>84,172,188</b></u>	<u><b>95,142,367</b></u>
<b>Represented by</b>			
Reserves at 1 January		95,142,367	65,760,562
Surplus/(Deficit) for the Year		(10,970,179)	29,381,805
<b>Reserves at 31 December</b>		<u><b>84,172,188</b></u>	<u><b>95,142,367</b></u>

The Statement of Accounting Policies on Pages 3 & 4 and Notes 1 to 18 form part of this Account.

Signed   
**John McCarthy**  
**Secretary General**

Date 

## Statement of Cash Flows as at 31 December 2018

	2018 €	2017 €
<b><u>Reconciliation of surplus/(deficit) to net cash inflow from operating activities</u></b>		
Surplus/(Deficit) for the Year	(10,970,179)	29,381,805
Decrease in Debtors	16,118,449	5,370,874
(Decrease)/Increase in Creditors	(303,129)	(3,461,794)
Net Cash Inflow from Operating Activities	<u><u>4,845,141</u></u>	<u><u>31,290,885</u></u>

### Statement of Cash Flows

Net Cash Flow from Operating Activities	<u>4,845,141</u>	<u>31,290,885</u>
<b>Increase/(Decrease) in Cash</b>	<b><u><u>4,845,141</u></u></b>	<b><u><u>31,290,885</u></u></b>

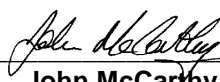
### Reconciliation of net cash flows to movement in net funds

#### Changes in Net Funds resulting from Cash Flow

Net Funds at beginning of the Year	79,993,033	48,702,148
Net Funds at the end of the Year	<u>84,838,174</u>	<u>79,993,033</u>
Increase/(Decrease) in Cash in the Year	<u><u>4,845,141</u></u>	<u><u>31,290,885</u></u>

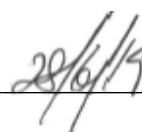
The Statement of Accounting Policies on Pages 3 & 4 and Notes 1 to 18 form part of this Account.

Signed



**John McCarthy**  
Secretary General

Date



## Notes to the Account

### 1. Local Property Tax

The method by which Local Property Tax (LPT) is paid into the Fund has changed in 2018 as outlined in the statement of accounting policies. LPT is received in accordance with section 157 of the Finance (Local Property Tax) Act 2012 (as amended by section 54 of the Water Services Act 2017) in each financial year commencing with the year 2018, the Revenue Commissioners shall pay into the Local Government Fund the LPT (including any interest or penalties paid thereon) received by them during that year.

### 2. Exchequer Funding (Vote 34, Subhead C.3)

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

### 3. 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. It 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 transferred to the Local Authority Information & Consultation Monitoring Group in 2016. Unused funding amounting to €25,811 was returned to the LGF in 2018 in accordance with the agreement of the operation of LANPAG.

### 4. Local Property Tax Payments

This figure represents payments to local authorities in respect of the year ended 31 December 2018 in accordance with the Government Decision on local retention of Local Property Tax (LPT). The allocations were based on 2018 LPT forecasted income and took into account the decisions by 11 councils to vary the LPT rates in their respective areas. The LPT allocations to individual local authorities for 2018 and the associated impact of any local variation decisions are published on the Department of Housing, Planning and Local Government's website.

## Notes to the Account (continued)

### 5. Pay and Pensions

This figure represents payments to local authorities to assist in meeting additional costs in 2018 associated with the unwinding of the Financial Emergency Measures in the Public Interest (FEMPI) legislation and the cumulative effect of implementing National Pay Agreements up to and including the Public Sector Stability Agreement (PSSA). The overall aim of this contribution was to ease the burden of increases in rates of pay for existing staff and changes to Public Sector Pension Reduction (PSPR) rates since the end of 2015 as a direct consequence of the unwinding of FEMPI.

### 6. 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 €46.81 million was provided in 2018 (€46.57 million in 2017) to compensate the local authorities for the respective shortfall in their budgets due to this legislative provision.

### 7. Local Government Boundary Review<sup>1</sup>

The Cork boundary alteration, the most significant of its kind undertaken in the State, represents a major reorganisation of local government in Cork with a population of 85,000 people in the relevant area transferring from Cork County Council to Cork City Council. The boundary alteration and transfer of local authority jurisdiction will take full legal effect on 31 May 2019. Support was provided from the LGF to both councils in respect of staff costs for their implementation teams and to the Cork Implementation Oversight Group for other administrative support. Expenditure was also incurred in respect of the Expert Advisory Group on Local Government in Galway.

<sup>1</sup> Funding was also provided to non-local authorities such as the Institute of Public Administration under this heading in 2018 (see Note 16).

## Notes to the Account (continued)

### 8. Creative Ireland

Creative Ireland is a five year all-of-Government initiative, from 2017 to 2022, to place creativity at the centre of public policy. It is a culture-based programme designed to promote individual, community and national wellbeing. The core proposition is that participation in cultural activity drives personal and collective creativity, with significant implications for individual and societal wellbeing and achievement. There are five pillars to the programme:

1. Creative Youth - Enabling the Creative Potential of Every Child
2. Creative Communities - Enabling Creativity in Every Community
3. Cultural Investment - Investing in our Creative and Cultural Infrastructure
4. Creative Industries - Ireland as a Centre of Creative Excellence
5. Global Reputation - A Creative and Cultural Nation

The fund contributed just under €1 million (just over €32,000 to each local authority) towards Pillar Two to support local community initiatives delivered through the local authorities and support the implementation of each local authority's Cultural and Creativity Strategy. Local authorities were requested to deliver the following outcomes:

- facilitate local community involvement in their Culture and Creativity Action Plan to the greatest extent possible
- support a variety of local cultural events/projects
- ensure that all events/projects are inclusive, appropriate, respectful, and engage people of all ages and backgrounds
- ensure that all events/projects are feasible and can be successfully completed within the timeframe, and
- ensure all events/projects represent value for money and all funding is used effectively and only in accordance with the objectives of the event/project.

The selection of events and projects such as art for children, supporting local history projects, creating digital archives of local photographs and support for traditional dance and Irish language classes for funding under the Creative Ireland Programme was a matter for each local authority to decide on, in accordance with pre-determined selection criteria, which were designed to maximise use of the funding available. Over 1,300 events and initiatives were funded across the country under Pillar Two in 2018.

## Notes to the Account (continued)

### 9. Fire Services and Emergency Planning<sup>1</sup>

This expenditure represents:

- 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
- The funding of implementation of Data Warehousing capabilities across Fire Authorities to facilitate nationally consistent document management and data analysis in the Major Emergency Management and Ctrí Project (Fire Service Command, Control and Communications) areas
- Funding towards national contingency emergency planning.

<sup>1</sup> Funding was also provided to non-local authorities under this heading in 2018 (see Note 16).

### 10. International Events Supports

In 2018 Cork City Council hosted the Unesco international conference on learning cities. The conference provided a platform for the exchange of good practice on building learning cities amongst the visiting 512 delegates from 80 countries.

### 11. All-Island Steering Forum

The All-Island Steering Forum is a strategic partnership comprising five Chief Executives from the Society of Local Authority Chief Executives, NI (SOLACE NI) and five from the County and City Management Association (CCMA). The Forum was established to encourage strategic, sustainable approaches to cross-border co-operation and to formalise relationships between its members.

## **Notes to the Account (continued)**

### **12. Local Government Innovation and Reform**

This represents vouched expenditure incurred in respect of projects associated with the Local Government efficiency and reform agenda as well as the broader Public Service agenda. It supports projects which incentivise innovation and promotes efficiencies in the operation and delivery of local government services and supports the establishment of shared services among local authorities. These are delivered through the Project Management Office (PMO) of the Local Government Management Agency. The role of the PMO is to support and guide the delivery of a credible and robust Shared Service and Reform Programme for local government. This is achieved by ensuring that any Shared Service or Reform Initiative project is correctly progressed through the PMO methodology, that the project team and project board are provided with assistance, support and templates through the Project Initiation Document (PID), Business Case development, Peer Review, Bidding, Evaluation and awarding process. Service delivery from a number of these shared models has broadened to include other parts of the public sector such as education (procurement) and environment (climate changes offices). The Department funding relates to the strategic, development and implementation phases of projects. Upon full implementation funding is expected to come from the Local Government sector itself.

### **13. 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 2018 Household Charge administration costs incurred by the Agency were principally comprised of staff, IT, banking and administrative overhead costs.

### **14. Access Officers Network**

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.



## Notes to the Account (continued)

### 15. Committee of the Regions (EU Affairs Unit)

Funding of €0.26 million (€0.23 million in 2017) was provided in 2018 for servicing the Irish Delegation to the Committee of the Regions (CoR), administered by an EU Affairs Unit which is based in the Eastern and Midland Regional Assembly. 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.

### 16. Miscellaneous

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

	2018	2017
	€	€
National Oversight and Audit Commission	138,773	86,949
Fire Services <sup>1</sup>	116,161	148,168
Local Partnership Initiatives	75,000	75,000
Women for Election	62,295	-
PAS LA Staff Recruitment	47,449	-
Bank Charges	25,125	-
Local Government Boundary Costs <sup>2</sup>	13,937	115,445
<b>Total</b>	<b>478,740</b>	<b>425,562</b>

<sup>1</sup> Funding was also provided to local authorities under this heading, (see Note 9).

<sup>2</sup> Funding was also provided to local authorities under this heading, (see Note 7).

## Notes to the Account (continued)

### 17. Local Property Tax due

In accordance with section 157 of the Finance (Local Property Tax) Act 2012 (as amended by section 54 of the Water Services Act 2017) in each financial year commencing with the year 2018, the Revenue Commissioners shall pay into the Local Government Fund the local property tax (including any interest or penalties paid thereon) received by them during that year. This figure (€104,137) represents that amount of LPT which remained to be paid over to the LGF from the Revenue Commissioners at 31 December 2018.

### 18. Sundry Creditors

This represents accrued liabilities as follows:

	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
Local Government Innovation and Reform	416,689	746,626
Committee of the Regions	256,090	229,008
Household Charge Administration	55,926	46,870
Payment due to the Revenue Commissioners in respect of 2018	21,721	27,706
Local Government Boundary Costs	13,390	23,042
Bank Charges	4,929	-
National Oversight and Audit Commission	1,378	-
<b>Total</b>	<b><u>770,123</u></b>	<b><u>1,073,252</u></b>



## Ard Reachtair Cuntas agus Ciste Comptroller and Auditor General

### Report for presentation to the Houses of the Oireachtas Local Government Fund

#### Opinion on financial statements

I have audited the financial statements of the Local Government Fund prepared by the Department of Housing, Planning and Local Government for the year ended 31 December 2018 under section 3 of the Local Government Act 1998. The financial statements comprise

- the accounting policies
- the statement of income and expenditure
- the statement of financial position
- the statement of cash flows and
- the related notes.

In my opinion, the financial statements properly present

- the transactions on the Local Government Fund for 2018, and
- the balance of the Fund at 31 December 2018.

#### Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Department and have fulfilled my other ethical responsibilities in accordance with the standards. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Report on statement on internal financial control and on other matters

The Accounting Officer has presented a statement on internal financial control together with the financial statements. My responsibilities to report in relation to the information in the statement, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

**Seamus McCarthy**  
**Comptroller and Auditor General**

30 June 2019

## Appendix to the Report

### Responsibilities of the Department of Housing, Planning and Local Government

The Department is responsible for the preparation of the financial statements in the format specified by the Minister for Housing, Planning and Local Government in accordance with section 3 of the Local Government Act 1998 and for ensuring the regularity of transactions.

### Responsibilities of the Comptroller and Auditor General

I am required under section 3 of the Act to audit the financial statements of the Local Government Fund and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the internal controls.

- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.

I communicate with the Department regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### Statement on internal financial control

My opinion on the financial statements does not cover the statement on internal financial control presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the statement on internal financial control presented and, in doing so, consider whether the information therein is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact.

### Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records



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