



Rialtas na hÉireann
Government of Ireland

Local Government Fund Account 2019

Prepared by the Department of Housing, Local Government and Heritage

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Local Government Fund Account 2019

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 of Housing, Local Government and Heritage. 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: 

Date: 17 November 2020

Graham Doyle
Secretary General

Local Government Fund Account 2019

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

The account has been prepared for the year ending 31 December 2019 in the form and manner approved by the Minister for Housing, Local Government and Heritage. 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 commercial 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, Local Government and Heritage 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
- LPT allocations calculated to be due to local authorities in 2019

Statement of Income and Expenditure for the year ended 31 December 2019

<u>Income</u>	<u>Notes</u>	2019 €	2018 €
Local Property Tax	1	473,368,251	482,450,215
Exchequer Funding (Vote 34, Subhead C.3)	2	185,180,000	124,800,000
LANPAG Refund		-	25,811
Total Income		658,548,251	607,276,026
<u>Expenditure</u>			
Local Property Tax Payments	3	503,606,186	504,836,056
Local Authority Pay and Pensions Contribution	4	86,000,000	59,600,000
Water Infrastructure	5	47,179,659	46,812,124
Local Government Innovation and Reform	6	2,375,063	3,067,274
Local Government Boundary Review	7	2,164,151	1,291,097
Creative Ireland	8	999,274	999,724
Fire Services and Emergency Planning	9	589,350	682,359
Defective Blocks Redress Scheme	10	200,000	-
Support to Regional Assembly	11	196,331	-
National Oversight and Audit Commission	12	170,994	138,773
Directly Elected Mayor Plebiscites	13	150,196	-
Committee of the Regions(EU Affairs Unit)	14	145,802	256,090
Other	15	339,585	562,708
Total Expenditure		644,116,591	618,246,205
Surplus/(Deficit) for the Year		14,431,660	(10,970,179)

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

Signed: 


Date: 17 November 2020

Graham Doyle
Secretary General

Statement of Financial Position as at 31 December 2019

	<u>Notes</u>	2019 €	2018 €
<u>Financial Assets</u>			
Investment and Bank Account		96,795,334	84,838,174
<u>Current Assets</u>			
Prepayment	16	2,300,000	-
Accrued Income	17	58,489	104,137
		99,153,823	84,942,311
<u>Current Liabilities</u>			
Sundry Creditors	18	549,975	770,123
Net Assets		98,603,848	84,172,188
Represented by			
Reserves at 1 January		84,172,188	95,142,367
Surplus/(Deficit) for the Year		14,431,660	(10,970,179)
Reserves at 31 December		98,603,848	84,172,188

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

Signed: 

Date: 17 November 2020

Graham Doyle
Secretary General

Statement of Cash Flows as at 31 December 2019

	2019	2018
	€	€
<u>Reconciliation of surplus/(deficit) to net cash inflow from operating activities</u>		
Surplus/(Deficit) for the Year	14,431,660	(10,970,179)
Decrease/(Increase) in Debtors	(2,254,352)	16,118,449
(Decrease)/Increase in Creditors	(220,148)	(303,129)
Net Cash Inflow from Operating Activities	<u>11,957,160</u>	<u>4,845,141</u>

Statement of Cash Flows

Net Cash Flow from Operating Activities	11,957,160	4,845,141
Increase/(Decrease) in Cash	<u>11,957,160</u>	<u>4,845,141</u>

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	84,838,174	79,993,033
Net Funds at the end of the Year	96,795,334	84,838,174
Increase/(Decrease) in Cash in the Year	<u>11,957,160</u>	<u>4,845,141</u>

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

Signed: 

Date: 17 November 2020

Graham Doyle
Secretary General

Notes to the Account

1. Local Property Tax

This figure represents the amount of LPT received by the Office of the Revenue Commissioners in 2019. 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, Local Government and Heritage, with the consent of the Minister for Public Expenditure and Reform.

3. Local Property Tax Payments

This figure represents payments to local authorities in respect of the year ended 31 December 2019 in accordance with the Government Decision on local retention of Local Property Tax (LPT). The allocations were based on 2019 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 2019 and the associated impact of any local variation decisions are published on the Department of Housing, Local Government and Heritage's website.

4. Local Authority Pay and Pensions Contribution

This figure represents payments to local authorities to assist in meeting additional costs in 2019 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.

Notes to the Account (continued)

5. 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 €47.18 million was provided in 2019 (€46.81 million in 2018) to compensate the local authorities for the respective shortfall in their budgets due to this legislative provision.

6. Local Government Innovation and Reform

Vouched expenditure totalling €2.4m (€3m in 2018) was 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. Funding was provided in respect of eight projects in 2019, the largest being MyPay Shared Services which received €1.5m. Upon full implementation, funding is expected to come from the Local Government sector itself.

7. Local Government Boundary Review

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 took 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.

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.

Notes to the Account (continued)

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 1,560 events and initiatives were funded across the country under Pillar Two in 2019.

9. Fire Services and Emergency Planning

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.

10. Defective Blocks Redress Scheme

A grant scheme of financial assistance to support affected homeowners in the counties of Donegal and Mayo to carry out the necessary remediation works to dwellings that have been damaged due to defective concrete blocks was developed by the Department of Housing, Local Government and Heritage. (S.I. No 25 of 2020 - Dwellings Damaged by the Use of Defective Concrete Blocks in Construction (Remediation) Financial Assistance Regulations 2020), came into effect 31 January 2020.

The process took account of the extensive engagement that the Department carried out with both Donegal and Mayo County Councils, who will operate and administer the scheme.

Notes to the Account (continued)

In November 2019, submissions were received from both Donegal and Mayo County Councils seeking support for the administration costs associated with the Defective Blocks Scheme.

The costs outlined included both pay and non-pay elements such as the Design, Development and licensing of an online application system and ICT support, as well as salary costs for Senior Engineers, Senior Executive Officers and administrative officers. In December 2019 additional expenditure from the LGF was approved. This included an allocation of €100,000 each to assist with administration costs related to the Defective Concrete Block Scheme being operated in the Mayo County Council and Donegal County Council areas.

11. Support to Regional Assembly

This payment was made to the North West Regional Assembly to assist them with pension liabilities arising from a secondment from the Department of Business, Enterprise and Innovation to the assembly.

12. National Oversight and Audit Commission

The National Oversight and Audit Commission (NOAC) is the national independent oversight body for the local government sector in Ireland. It was established in July 2014 under the Local Government Reform Act 2014 to provide independent oversight of the sector (local authorities and associated bodies), including Regional Assemblies. NOAC's functions are wide ranging, covering all local authority activities and involving the scrutiny of performance generally and financial performance specifically. NOAC also has a role in supporting best practice, overseeing implementation of national local government policy and monitoring and evaluating implementation of corporate plans, adherence to service level agreements and public service reform by local government bodies.

Notes to the Account (continued)

13. Directly Elected Mayor Plebiscites

Part 6 of the Local Government Act 2019 set out the legislative basis for the plebiscites on directly elected mayors with executive functions in Cork City, Limerick City and County and Waterford City and County Council areas. The plebiscites took place in the three areas on 25 May 2019 coinciding with the local elections.

A Committee, chaired by a retired judge of the High Court and supported by a senior counsel, with membership from the three local authorities, the Local Government Management Agency (LGMA) and the Department was established. The Committee's role was to oversee an effective information campaign across the three locations.

The inform campaign involved:

- The delivery of a Guide for voters to some 235,000 households in the three local authority areas
- Media information sessions in each local authority area and advertisements in the media (radio and print)
- Public information meetings in each local authority from 14-16 May
- An active social media and video campaign and dedicated website.

The overall costs involved in the campaign amounted to €150,196.

14. Committee of the Regions (EU Affairs Unit)

Funding of €145,802 (€256,090 in 2018) was provided in 2019 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.

Notes to the Account (continued)

15. Other

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

	2019	2018
	€	€
<u>Local Authorities</u>		
All Island Steering Forum	70,524	70,458
Staff Mobility Program	68,485	-
International Events Supports	50,000	200,000
	189,009	270,458
<u>Non-Local Authorities</u>		
Local Partnership	75,000	75,000
Household Charge Administration	62,884	77,381
Bank Charges	12,692	25,125
Women for Election	-	62,295
PAS Executive Search Contract	-	47,449
Access Officers Network	-	5,000
	150,576	292,250
Total	339,585	562,708

16. Prepayments

This pre-funding was provided as a once-off payment to assist Waterford City & County Council (€2 million) and Wicklow County Council (€300,000) with the transition from the Water Infrastructure funding as a result of Irish Water becoming liable for commercial rates from 2020.

17. Accrued Income

This represents accrued income as follows:

	2019	2018
	€	€
Local Property Tax	57,235	104,137
Refund of recoupment of Local Government Boundary	1,254	-
Review Costs from Vote 34		
Total	58,489	104,137

Notes to the Account (continued)

18. Sundry Creditors

This represents accrued liabilities as follows:

	2019	2018
	€	€
Committee of the Regions	145,802	256,090
Directly Elected Mayor Plebiscites	134,640	-
National Oversight and Audit Commission	63,363	1,378
Local Government Boundary Costs	60,512	13,390
Local Government Innovation and Reform	50,605	416,689
Household Charge Administration	49,351	55,926
Fire Services and Emergency Planning	25,029	-
Staff Mobility Program	16,642	-
Bank Charges	4,031	4,929
Payment due to the Revenue Commissioners in respect of 2018	-	21,721
Total	549,975	770,123



Ard Reachtaire Cuntas agus Ciste **Comptroller and Auditor General**

Report for Presentation to the Houses of the Oireachtas

Opinion on Financial Statements

I have audited the financial statements of the Local Government Fund prepared by the Department of Housing, Local Government and Heritage for the year ended 31 December 2019 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 2019, and
- the balance of the Fund at 31 December 2019.

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 Mc Carthy
Comptroller and Auditor General

Date: 19 November 2020

Appendix to the Report

Responsibilities of the Department of Housing, Local Government and Heritage

The Department is responsible for the preparation of the financial statements in the format specified by the Minister for Housing, Local Government and Heritage 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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