



Local Government (Reform Act) 2014 - Amendment of certain provisions relating to rates and vacant premises

1.0 Background

- 1.1 Section 31 of the Local Government Reform Act 2014 amends previous various legislation including, inter-alia, section 14 of the Local Government Act 1946 being amended to the extent that under subsection 1B of the aforementioned section the Local Authority may;
- (a) specify a local electoral area or local electoral areas within its administrative area, where owners of vacant premises shall be entitled to claim and receive a refund of differing proportions of the county rate to that referred to in subsection (1), and
- (b) determine the proportion of the refund to apply in respect of each specified local electoral area or local electoral areas in accordance with paragraph (a).
- 1.2 Furthermore, under subsection 1C of subsection 3 of section 31 of the aforementioned act, the legislation requires "the specifying of a local electoral area or local electoral areas and the determination of the proportion of the refund shall be a reserved function." Finally, subsection 3C advises that the Minister may make regulations specifying the financial considerations and administration and other procedures to apply in relation to the performance by the Local Authority functions to which subsections (1B) and (1C) relate.
- 1.3 Circular Fin 05/2014, dated 29th May 2014 reflects further on this legislation in that it advises that the Local Government Reform Act 2014 provides for a change to the law in relation to the refund of rates and vacant properties that provides discretion to the elected members of individual Local Authorities to vary the level of rates refunds that apply in individual local electoral areas within the Authorities overall administrative area. The amendment does not make any change to the eligibility or otherwise for refunds currently provided for in relevant legislation but does amend that legislation to provide for the new reserved function of the Local Authorities.
- 1.4 The new reserved function has commenced with effect from the 1st June 2014. Regulations provide that the decision to alter the rate of refunds should be taken at the annual budget meeting and that the rate of refund decided in respect of the relevant local electoral area shall apply to eligible persons for the year to which the budget relates, only. The absence of a decision to vary the refund means that the existing legislative provisions regarding the rate of refund apply i.e. section 14, Local Government Act 1946. Therefore, if a Local Authority wishes to have an altered rate of refund in place for a number of consecutive years it will be necessary for the Council to take such a decision at each relevant budget meeting.

2.0 Considerations

- 2.1 A number of urban authorities have, for a period of years been applying, under existing legislation, the application of a requirement to pay rates on vacant premises at a percentage of the total rate payable. This was allowed variously under the Local Government (Dublin) Act 1930 and Section 20 of the Cork City Management Act 1941.

- 2.2 It is understood that the basis of these decisions was, primarily, to proactively deal with urban decay and degeneration and, from a local council perspective, proactively encourage investment and/or occupancy of such buildings.
- 2.3 Even with this in mind it is understood that in many urban areas the response has been mixed with substantial amounts of monies uncollected.
- 2.4 In the context of Donegal County Council the practice has been to reduce the amount payable in relation to premises that are vacant and available for let / lease by 100%, i.e. no rate is payable. The basis for this decision revolved around the interpretation that the vacancy came about as a result of the general economic environment and in that there was no business rationale for a business to open or remain in situ at that location at that time.
- 2.5 This remains the case during 2014 and particularly in the context of the ongoing economic environment that many small businesses in Donegal must deal with.

3.0 Considerations

- 3.1 In respect of the period 2011 - 2013 inclusive and in respect of the County area of Donegal, the total amount of rates that were written off at year end and which were categorised as being in respect of business premises that were available for let / lease averaged €2.2 million. The former Town Councils had a cumulative figure per annum approximately of an average of €500,000 during the same period. Whilst, theoretically, a charge could be applied against such businesses in the context of this vacancy legislation the prevailing economic conditions must be considered in the context of the likely success of the collection of any such monies.
- 3.2 It should also be noted that any decision to vary, should it be taken, can be made in the context of an electoral area and not necessarily the County as a whole.
- 3.3 In this context the average amount of monies written off at an electoral area level in the period 2011 - 2013 were as follows:

Electoral Area	Amount
Letterkenny	€ 145,000
Stranorlar	€ 535,000
Glenties	€ 485,000
Donegal	€ 590,000
Inishowen	€ 447,000

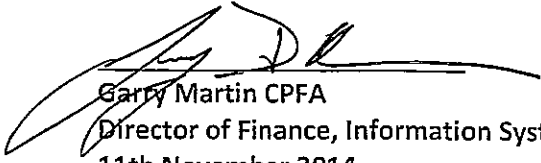
- 3.4 The following is estimated as the average in respect of the period 2011 - 2013 for the former Town Council areas:

Town Council Area	Amount
Letterkenny	€ 250,000
Bundoran	€ 92,000
Buncrana	€ 158,000

- 3.5 Taking all of the aforementioned issues into account, it is felt that any decision to vary the vacancy rate payable would require an equal amount for provision for bad and doubtful debt and that, in net terms to the Council, there would be no financial gain were a decision taken to apply such a variation in any of the electoral areas.

4.0 Conclusion

It is therefore recommended that the members, having considered this issue, determine not to vary the refund rate as currently constituted in Donegal and that full refunds will continue to apply in eligible circumstances going forward.



Garry Martin CPFA
Director of Finance, Information Systems & Emergency Services
11th November 2014



Strategic Project Development Fund

1 As part of the General Municipal Allocation each MD has been allocated a sum of €100,000, a sum equivalent to the amount that was allocated in 2014 to each Electoral Area under the Development Fund Initiative, a discretionary development fund allocated at the discretion of the members and in line with Sections 66/67 of the Local Government Act 2001.

2 The Municipal District Budget meetings, held during early October 2014 have variously reflected a desire by the members to see an increase in the discretionary development funds, to both reflect the increase in the numbers of members in each of the MD's and in acknowledgement of existing and legacy commitments from former Town Council areas, to assist in a reasonable transition to a singular County Council structure.

3 The Municipal District Budget meetings acknowledged and agreed with the proposition that core County Council costs, legal commitments, loan charges and County wide initiatives should have their costs dealt with at the centre and be applied as an initial call on the County Revenue Budget.

4 The balance of discretionary monies remaining available to be allocated as part of the County Budget process, in conjunction with the initial provisional allocation, will make up the final basic General Municipal Allocation (GMA) for each MD for 2015. In this context, a further amount of €240,000 has been allocated in the draft Revenue Budget, making a total allocation of €740,000.

5 The apportionment of these remaining monies could take a number of forms and use various drivers for their allocation. Appendix attached outlines a number of options and can be used by the members to determine a selected approach. The objective should be to apportion the budget in a manner proportionate to scale and need in any given MD area. In this context, it is considered that Option A may offer the most balanced apportionment method.

6 It is proposed that on the adoption of a method of apportionment that each MD will be formally allocated the agreed sum and that the CDE Directorate will manage the budget at an operational level.

7 Given the greater scope for the utilisation of such funds under the GMA approach, it is recommended that each MD review critical and strategic demands for these funds, preferably in conjunction with a workshop facilitated by CD & E, prior to concluding on any decision on disbursement methodologies.

8 It is recommended that this be considered in parallel with the review and detailing of other budget capacity at MD level, of a discretionary nature, to allow for a fully rounded consideration of the members of available capacity at MD level, in advance of decision or allocation.

9 This is a critical consideration as no central discretionary or matching monies are held, under the new paradigm in respect of 2015.


Garry Martin CPFA

Director of Finance, Information Systems & Emergency Services

11th November 2014

Potential Allocation Methodologies of Discretionary Funding

Municipal District	No. of Members	Population	Option A		Option B		Option C		Option D		
			Allocation	As %	Allocation	As %	Allocation	As %	Allocation	As %	
Letterkenny	10	200,000	41,697	26%	192,400	842.01	17%	125,800	1	20%	148,000
Inishowen	9	180,000	41,127	25%	185,000	901.65	19%	140,600	1	20%	148,000
Donegal	6	120,000	26,863	17%	125,800	1,083.68	22%	162,800	1	20%	148,000
Glenties	6	120,000	25,317	16%	118,400	1,303.08	27%	199,800	1	20%	148,000
Stranorlar	6	120,000	26,133	16%	118,400	705.30	15%	111,000	1	20%	148,000
TOTALS	37	740,000	161,137	100%	740,000	4835.72	100%	740,000	5	100%	740,000



DONEGAL COUNTY COUNCIL
SMALL BUSINESS GRANT SCHEME 2015

INTRODUCTION

At present there are some 5,343 active commercial rate accounts in County Donegal. The rate demands that will issue in respect of these for 2015 will reflect a gross income exceeding €29,800,000.

Income from commercial rates is used to provide and maintain public services within the County. Approximately 23% of the County Council's expenditure budget in 2015 will be funded from commercial rates.

The Council is conscious of the ongoing challenging trading conditions that are prevailing and the impact on businesses within the County. In an effort to ease the financial burden on businesses and to assist them to reduce their cost base, Donegal County Council is proposing the introduction of a Small Business Grant Scheme to commence in 2015 (subject to the allocation of a budget for same in the draft 2015 Revenue Budget). While all business rate payers are eligible, this scheme is aimed primarily at small and medium enterprises, which for the purpose of this exercise are those that pay up to €5,000 p.a. in rates. 79.3% of all rate accounts fall into this category in 2015.

Under Section 66 of the Local Government Act, 2001, as amended by Section 43 of the Local Government Reform Act, 2014 a Local Authority can resolve to provide assistance in money or in kind, may take such measures, engage in such activities or do such things in accordance with law, as it considers necessary or desirable to promote the interest of the Local Community. Assistance in money or in kind includes grants, loans, guarantees or other financial aid. The granting of such assistance is a reserved function of the Council.

PURPOSE

The purpose of the Scheme is to ease the financial burden on commercial rate payers in the County by providing an annual grant to fund a proportion of their annual rates liability, subject to certain terms and conditions being met.

HOW THE SCHEME WORKS

The Scheme provides for a grant of up to 5% of the annual rates bill (excluding arrears) on each commercial rated premises, subject to a maximum annual grant of €250 and subject to certain terms and conditions being met. The grant is payable by means of a reduction in the annual rate demand for the commercial premises and is applied at the end of the financial year.

This means that in 2015, over 79% of rate payers in Donegal can make a saving of the full 5% of their rates bill while the remainder can make a saving of €250.

Based upon the proposal as currently framed the estimated cost of this scheme to the Council in 2015 is €250,000.

THE TERMS AND CONDITIONS OF THE SCHEME

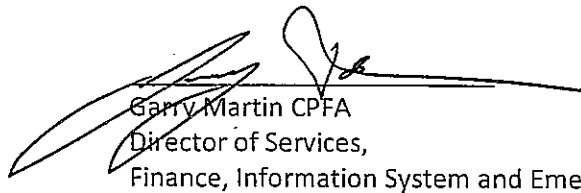
To qualify for the Small Business Grant Scheme, the following terms and conditions apply:

- The grant is applied to the current year's rates only (not applicable to arrears).
- Rates must be paid in full by the deadline of the **30th November 2015** – this includes customers paying by monthly direct debits and standing orders.
- There must be no arrears on the account by the deadline date.
- The grant is applied to the rate account at the end of the financial year.

CONCLUSION

Donegal County Council recognises the pivotal role that commercial businesses play in the economic sustainability, regeneration and development of the communities within our County and wish to thank the business owners throughout the County for paying their commercial rates and charges and enabling the continued provision of services by the Council.

A detailed information sheet will issue along with each bill in 2015 advising each rate payer on the details of the scheme, should the proposal be adopted.



Garry Martin CPFA
Director of Services,
Finance, Information System and Emergency Services.

11th November 2014

2014 Baselines							
Local Authority	Budgeted Gross Rates Income	NEV	ARV	Provision for Bad/Doubtful Debts	Net Rates Income	Total Adjustment Required	Harmonised ARV
Donegal	21,935,287.00	314,710.00	69.70	4,000,000.00	17,935,287.00	-1.31	68.39
Letterkenny *	5,599,973.96	85,876.00	65.21	1,348,476.00	4,251,497.96	3.18	68.39
Buncrana	1,341,322.65	30,285.00	44.29	600,000.00	741,322.65	24.10	68.39
Bundoran	957,520.20	16,055.00	59.64	145,000.00	812,520.20	8.75	68.39
Ballyshannon			3.57		0.00	0.00	3.57
* €143,600 included in Exp and €1,204,876 included in Income							
Totals	29,834,103.81	446,926.00		6,093,476.00	23,740,627.81		
1. Average ARV required to achieve same level of income is €68.39. This is based on a +€2 for Buncrana on an exceptional basis and calculating harmonised ARV only on function of Donegal, Bundoran and Letterkenny							
Calculation							
Gross income 2014				29,834,103.81			
Buncrana income 2014				1,341,322.65			
Net income 2014				28,492,781.16			
Gross NEV 2014				446,926.00			
Buncrana NEV 2014				30,285.00			
Net NEV 2014				416,641.00			
Harmonised ARV				68.39			

ARV Summary						
	2015 Harmonised ARV	Base Year BYA	Adjusted ARV	Summary Gross Rates Income		
Donegal	68.39	1.31	69.70	21,935,287		
Letterkenny	68.39	-3.18	65.21	5,599,974		
Buncrana	68.39	-24.10	44.29	1,341,323		
Bundoran	68.39	-8.75	59.64	957,520		
Ballyshannon				N/A		
				29,834,104.00		
¹ Reduced from (69.70 + 3.57) in 2015, income now part of Donegal. Immediate reductions to Ballyshannon business totalling © €71,000.						