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A reassessment of local government's financial position and performance: The case of Ireland

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Abstract

Given the changes in the Irish economy since the economic crisis and, more specifically, reforms in the local government sector, this paper reassesses the financial position and fiscal sustainability of local authorities in Ireland. To do this we employ a local government financial performance framework that measures liquidity and solvency, but also operating performance and collection rates, for different sources of revenue income. Using financial data sourced from local council income and expenditure accounts and balance sheets, we report and analyse the financial position and performance during the 2007–17 period. The results indicate an improvement in the financial performance of local councils since the early 2010s. Cross-council differences persist, in particular, between large urban local authorities and smaller rural local authorities, albeit only for the liquidity and operating performance measures. Among the small rural councils, Sligo County Council's financial position, although improving, remains a serious matter with ongoing consultation with and monitoring by central government. To help improve the measurement of local authority financial performance we recommend inclusion of this framework in the local authority Annual Financial Statement and also in the Performance Indicator Report with a view to making financial reports more accessible and transparent to citizens and taxpayers and, ultimately, to help improve performance and service delivery by the local authorities.

Keywords: Performance measurement, financial position, fiscal sustainability, local government reforms, Ireland

Introduction

Over a decade on from the economic crash and the 2008/9 Great Recession, the (pre-Covid) Irish economy is in a healthy position, as are the public finances, with the overall fiscal balance in surplus in 2018 for the first time in over a decade and an improving general government debt/GDP ratio. During this period the economy has witnessed many changes, including multiple and meaningful reforms of the public sector. This paper examines the financial reforms at local government level, using a systems approach to intergovernmental finance (see Turley & McNena, 2016). In particular, we wish to reassess local government financial performance given the widespread recent reforms that have taken place at the level of local government. Adopting the local government financial performance framework developed by Robbins et al., (2014) we examine the financial position and sustainability of local councils in Ireland. Using data from the income and expenditure accounts and balance sheets published in the local authorities' Annual Financial Statements (AFS) during the period 2007 to 2017, we measure and evaluate the financial performance of local government, both at the consolidated level and also at the disaggregated level, where we report large, and in some cases growing, cross-council differences, often, but not exclusively, between urban and rural councils. By identifying differences in local council financial performance we recommend changes to the AFS provided by the Department of Housing, Planning and Local Government and to the finance indicators in the Performance Indicator Report published by the National Oversight and Audit Commission (NOAC), with a view to increasing transparency and accountability in the public sector, but, ultimately, to help improve performance and service delivery by the local authorities.

As in Turley et al. (2015), the purpose of this research is to help identify 'possible liquidity and solvency problems, and, more specifically, early identification of those local councils in, or on a trajectory to, financial difficulty'. The specific contribution of this paper is an analysis of financial data beyond the early years of the crisis, to include the 2013–15 period associated with most local government reforms (namely, the 2014 Local Government Reform Act, the abolition of town governments and the merger of certain neighbouring city and county councils, the introduction of a new local property tax (LPT) and equalisation grant, and the transfer of water services to Irish Water (IW)), but also the 2014–17 period coinciding with the recovery in the Irish economy.

Our hypothesis is that the general recovery in the Irish economy should, inter alia, improve the financial position of the local authorities, and that this should be reflected in the financial ratios of the thirty-one local councils.[1] If so, what may be less clear is the exact timing of the change in the financial position of local government at the aggregate level as there may be a lag in local council fiscal performance. Secondly, what impact did the local government reforms (specifically, changes in structures, expenditure and revenue assignments and intergovernmental grants) have on the financial position of local authorities? Thirdly, what differences, if any, exist across local councils? Are there significant differences between rural and urban councils, or between small and large councils as measured by the number of residents and the size of the population served? To help measure and capture these changes, we report the financial indicators for the years 2015 and 2017, and compare these to the ratios for the earlier 2007 and 2011 years.[2] With four years of data interspersed over the period 2007–17 we are able to measure the financial performance of the local authorities, covering the period of the economic crash and austerity but also the subsequent years of local government reforms and the general economic recovery.

[1] Although maybe not as much compared to other jurisdictions where municipalities have responsibility for social protection but may also have a revenue source sensitive to changes in the level of economic output. In those cases, as economic activity increases, spending on social welfare increases at a slower pace (but this may be offset by an increase in demand for other services as the economy recovers) while local council revenue increases with the level of national income, resulting in an improvement in operating performance as measured by the operating surplus/(deficit).

[2] As reported in Robbins et al. (2014) and Turley et al. (2015). We report data for 2015 rather than for 2013 or 2014 as 2013 was before the Reform Act whereas the problem with using the 2014 AFS data is that the structural changes to the local government system and especially the abolition of the town governments were effective mid-year only, from 1 June 2014. The year 2017 was chosen as it is the latest year where audited AFS were all publicly available at the time of undertaking this research. As the

continued overleaf

The structure of the paper is as follows. We begin with an outline of these local authority reforms, but in the context of a wider discussion on fiscal decentralisation and intergovernmental finance. This is followed by a methodological description of the financial performance framework and changes therein. The next section presents the data and an analysis of the findings under the four headings, namely liquidity, operating performance, collection efficiency and solvency. The paper concludes with some policy recommendations and further areas of potential research.

Fiscal decentralisation, intergovernmental finance and local government reforms

Of Musgrave's three branches of government, it is the efficiency role that provides the case for local government. Whereas central government is in the best position to stabilise the macroeconomy and redistribute income – the stability and equity functions, respectively – local government can allocate resources more efficiently and effectively, given differences in preferences and costs (Musgrave, 1959; Oates, 1972).[3] An alternative theory in support of local as opposed to central government is Tiebout's (1956) 'voting with your feet' model where local governments compete with each other, and where residents seek out the mix of services and taxes that best reflect their preferences. Both in the traditional view of fiscal decentralisation

[2] *continued*
audited AFS for 2018 subsequently became available by the time of publication, we report the 2018 results online, on the 'Financial Performance' link of the www.localauthorityfinances.com website, at http://localauthorityfinances.com/financial-performance/. The 2018 data confirm the continued improvement in the financial position of local authorities. In all four measures there is evidence of further progress in the financial year 2018.

[3] One of the earliest proponents of local government was the philosopher and political economist John Stuart Mill. Writing in 1859 he noted, 'It is but a small portion of the public business of a country which can be well done, or safely attempted, by the central authorities … But after subtracting from the functions performed by most European governments those which ought not to be undertaken by public authorities at all, there still remains so great and various an aggregate of duties that, if only on the principle of division of labour, it is indispensable to share them between central and local authorities.' He went on to write 'It is necessary, then, that in addition to the national representation there should be municipal and provincial representations: and the two questions which remain to be resolved are, how the local representative bodies should be constituted, and what shall be the extent of their functions' (Mill, 1910).

as espoused by the public finance school and in the alternative public choice perspective, exemplified best by the market-preserving federalism theory, local governments are a provider of local public goods and compare favourably in their allocation of resources as against the uniform provision of services delivered by central government (Oates, 2005; Weingast, 1995).

Given the arguments in favour of local government, the fiscal relations between local and central government raise a number of important questions. For one, what are the legal, structural and institutional arrangements? Two, what expenditure functions should be assigned to local government? Three, given the designation of expenditure responsibilities above, what revenues can be assigned to local government? Four, with the inevitable fiscal imbalances – both vertical and horizontal – that arise out of the aforementioned expenditure and revenue assignments, what is the role of intergovernmental grants and how are they best designed? Five, and finally, there is the issue of borrowing and debt. In particular, given the nature of subnational government and the potential associated problems of moral hazard, budget softness and bailouts, should local governments be allowed to borrow, and if so, should they be subject to monitoring and constraints?

These are called the five pillars of intergovernmental fiscal relations and, taken together, present a coherent and comprehensive systems approach to intergovernmental finance (Bahl, 1999; Bird & Vaillancourt, 2006). As in Turley & McNena (2016), we use this approach to conceptualise the changes – reforms or otherwise – to local government in Ireland since the financial crash, over ten years ago. However, whereas the earlier work cited above (see Robbins et al., 2014; Turley et al., 2015) was written just after the Local Government Reform Act 2014 when many of the local government reforms were either incomplete or when it was too early for any proper assessment to take place, at the time of writing we are in a better position to analyse the reforms and the subsequent financial performance of local governments (Government of Ireland, 2014).

Table 1 outlines the five pillars of intergovernmental finance, and categorises recent reforms of the Irish local government system accordingly. In terms of territorial changes, town and borough councils were abolished and replaced with a nationwide system of municipal districts with reserved functions, albeit very limited. Six city and county councils were amalgamated into three large unified councils, and Cork City Council's boundary was extended. On the issue of expenditure assignment, local government overall has witnessed a reduction in functions, from an already narrow remit by international comparisons, with water services transferred to IW and the administration of educational supports and driver licenses assigned to other non-local government state agencies. Although local government did see an increase in responsibilities relating to economic and community development, and enterprise supports, these functions are relatively minor, with small budgets allocated to their spending and delivery. For revenue assignment, a residential property tax was introduced and allocated to local government, with local councils assigned the LPT receipts and, at the margin, rate-setting powers (of up to +/–15 per cent of the base rate). In terms of intergovernmental transfers, the general purpose grant has been abolished and an equalisation fund has been introduced, funded largely out of LPT receipts. On the final issue of borrowing and debt, this is covered by changes to the EU fiscal regulatory regime, and in particular local government's contribution to the general government balance. As required by the budgetary framework directive, commonly known as the 'Six-Pack', the Medium Term Budgetary Framework requires the local government sector to have a neutral impact on the general government balance. In addition, the expenditure benchmark, as it is aimed at ensuring expenditure control in order to move towards or maintain a balanced budget in structural terms, also governs revenue and expenditure of local government (Department of Finance, 2014).

These developments provide the background to our next section, namely measuring the financial performance of local government. However, these are not the only changes of note. Two additional developments are the recovery in the general economy since 2014 but also the legacy issues arising from the boom and bust period. During the Celtic tiger years many local councils incurred big increases in spending, to pay for items such as land banks for the purposes of social housing, new local authority headquarters, staff hires, and pay increases for existing staff. During the bust period that followed, there were cuts in central government grants (both current and capital), reductions in income from development levies, a commercial rates base that was adversely hit by a rise in vacant properties as the economic crisis resulted in a fall in business activity, etc. We have also witnessed a greater focus on monitoring and financial scrutiny with revisions to the local authority service indicators and the establishment of NOAC. Using the system of intergovernmental fiscal relations to classify our changes, we report the reforms under the five pillars of intergovernmental finance where most appropriate, as outlined in Table 1.

Table 1: Intergovernmental finance and local government reforms

Pillar of intergovernmental fiscal relations	*Local government reform*
Territorial and structural arrangements	Abolition of town and borough councils Amalgamation of certain local authorities City and county council boundary changes Creation of municipal districts, with reserved functions
Expenditure assignment	Transfer of water services to IW, but with service-level agreements between the local authorities and IW Loss of some minor functions (e.g. administration of third-level grants, driver licences, etc.) New/reconfigured functions relating to economic, community and local development, and enterprise support
Revenue assignment	Motor tax no longer paid into the Local Government Fund, but instead into the central exchequer New LPT, centrally collected with local authority rate-setting powers With local councils acting as agents for IW, commercial water charges replaced by a charge to IW
Intergovernmental grants	Abolition of the general purpose grant New equalisation grant funded largely from LPT receipts
Borrowing and debt	Control and monitoring of local authorities' contribution to the general government balance

Source: Adapted from Turley & McNena (2016).

We now turn to the financial performance framework for the local government sector.

Measuring local government financial performance

In earlier work (see Robbins et al., 2014; Turley et al., 2015) a framework was adapted that measured the financial performance of local councils, and was subsequently applied to the years pre and post the financial crisis (Carmeli, 2002; Groves et al., 1981, 2003). The framework comprised a number of measures and indicators, with the latter often expressed as financial ratios. As earlier, we identify a number of measures that help capture the financial position and fiscal sustainability of local councils. The modified framework is presented in Table 2.

In this adaptation of the framework the autonomy measure is omitted as, on reflection, it is more a determinant of performance rather than a measure of performance per se. Autonomy is a reflection of a council's socio-economic profile, demographic characteristics and the level of economic and business activity, and thus is a more structural feature of a local authority and not a measure of financial performance. In the operating performance measure we have made some changes which improve the original framework. In the earlier version, the surplus/(deficit) before transfers (to/from reserves) was used as the indicator of operating performance. Given the accounting requirements set by the Department of Housing, Planning and Local Government, the surplus/(deficit) net of transfers to and from reserves is a better indicator to use. This is called the overall surplus/(deficit), as in the AFS income and expenditure account. As a result, the surplus/(deficit) ratio is now the overall surplus/(deficit) divided by total income. Secondly, the balance per resident is not included in this version of the framework as this is simply a variant of the surplus/(deficit) indicator, used for cross-council comparisons. Thirdly, on the cumulative surplus/(deficit), we retitle this indicator, no longer referring to the general revenue reserve (GRR) balance but the revenue account balance or simply the revenue balance. Again, rather than using this balance per resident we report the revenue balance ratio, i.e. revenue balance/total income, as used in the Performance Indicator Report by NOAC, which uses this indicator to measure the financial performance of the local authorities (NOAC, 2018). In the collection efficiency ratios we no longer report the commercial water charges collection rates because of the reassignment of water services to the IW utility company. For the commercial rates collection efficiency ratio we include an adjustment for vacant properties and specific doubtful arrears in our collection estimates, in addition to the

Table 2: Local government financial performance framework

Measure	*Indicator*	*Formula*
A. Liquidity	A1 Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
	A2 Average Collection Period	$\frac{\text{Rates Arrears}}{\text{Rates Revenue}} \times 365$
B. Operating performance	B1 Overall Surplus/(Deficit)	Income – Expenditure
	B2 Overall Surplus/ (Deficit) Ratio	$\frac{\text{Income} - \text{Expenditure}}{\text{Total Income}}$
	B3 Revenue Balance	(Cumulative) End Year Revenue Balance
	B4 Revenue Balance Ratio	$\frac{\text{(Cumulative) End Year Revenue Balance}}{\text{Total Income}}$
C. Collection efficiency	C1 Commercial Rates Collection Efficiency Ratio	$\frac{\text{Commercial Rates Collected}}{\text{Total Commercial Rates for Collection}}$
	C2 Housing Rents Collection Efficiency Ratio	$\frac{\text{Housing Rents Collected}}{\text{Total Housing Rents for Collection}}$
	C3 Housing Loans Collection Efficiency Ratio	$\frac{\text{Housing Loans Collected}}{\text{Total Housing Loans for Collection}}$
D. Solvency	D1 Net Financial Liabilities	Total Liabilities – Financial Assets
	D2 Net Financial Liabilities Ratio	$\frac{\text{Total Liabilities} - \text{Financial Assets}}{\text{Total Income}}$
	D3 Debt to Assets Ratio	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$
	D4 Debt to Income Ratio	$\frac{\text{Total Liabilities}}{\text{Total Income}}$

Source: Adapted from Turley et al. (2015). For definitions of these indicators see Turley et al. (2015).

opening and closing arrears, write-offs and waivers.[4] Finally, we label the measures A to D and the indicators A1 to D4 to help identify and distinguish each of the measures and indicators when reporting data in subsequent tables.

Data, results and analysis

Data

Our primary source of data is the amalgamated AFS and the individual council's AFS, audited by the Local Government Audit Service of the Department of Housing, Planning and Local Government, for the years 2015 and 2017. The AFS is prepared on an accrual basis, in accordance with the local authority *Accounting Code of Practice and Accounting Regulations*. In the AFS, we use data from the income and expenditure account, the balance sheet and Appendix 7 ('Summary of Major Revenue Collections') but also from a number of notes to the accounts, specifically notes 5 ('Trade Debtors and Prepayments') and 15 ('Analysis of Revenue Income'). In our tables that measure the four aspects of financial position, performance and sustainability, amounts are in euros or, as in most cases, expressed as a ratio, usually to local authority revenue income or some specific revenue source, e.g. rates income.

The 2007 and 2011 data are taken from the earlier Robbins et al. (2014) paper except for the data for the operating performance measure, where, as already outlined, we now use the surplus/(deficit) net of transfers to and from reserves. In Tables 4 and 5 below we report operating performance per resident (both for the yearly surplus/(deficit) and the cumulative balance), for cross-council purposes. In contrast, the 2015 and 2017 data reflect the reconfigured structure of local government in Ireland, with thirty-one local councils, country-wide municipal districts replacing the town governments, and the new unified councils of Tipperary County Council, Limerick City & County Council and Waterford City & County Council. Although our focus is on the new territorial arrangements we do have 2007 and 2011 data for the pre-merged councils (namely, North Tipperary County Council, South Tipperary County Council, Limerick City Council, Limerick County Council, Waterford City Council and

[4] Specific doubtful arrears are defined as vacancy applications pending/criteria not met and accounts in examinership/receivership/liquidation and no communication regarding likely outcome. Its inclusion since 2015/16 in the methodology for calculating rates collection ratios may account for some of the improvement witnessed in collection rates.

Waterford County Council), in order to get a sense of the financial effects of the 2014 amalgamations. For this and other purposes, in addition to the aforementioned financial data, we also report data in Appendix 1 on staffing levels (whole-time equivalent), payroll costs (including salary and wages), percentage of population living in urban areas (where the CSO define an urban area as settlements with a population of 1,500 or more) and population density, measured as local authority population divided by surface area (CSO, 2016; Department of Housing, Planning and Local Government). Tables 3–8 report data on liquidity, operating performance, collection efficiency and solvency, beginning in 2007 at the peak of the boom and just before the financial crash and subsequent economic crisis, and ending in 2017, the latest year when fully audited financial accounts of the local authorities were available at the time of undertaking this research.

Results and analysis

We begin our analysis with the liquidity measure, and the current ratio and commercial rates average collection period indicators.

Table 3: A. Liquidity

	A1. Current ratio				*A2. Average (rates) collection period*			
Local authorities	*2007*	*2011*	*2015*	*2017*	*2007*	*2011*	*2015*	*2017*
Carlow	4.7	3.1	3.9	3.8	38	123	67	41
Cavan	4.6	1.9	2.3	2.6	19	100	104	108
Clare	1.4	0.9	1.3	1.6	13	92	105	93
Cork city	3.3	1.5	1.4	1.9	29	85	111	107
Cork	4.1	1.8	1.7	2.0	14	75	62	42
Donegal	1.0	1.2	1.7	1.8	37	199	185	175
Dublin city	1.8	1.4	1.4	1.7	44	83	55	37
DLR	4.2	3.1	2.6	3.1	21	99	88	75
Fingal	6.1	2.2	2.2	3.0	15	61	25	21
Galway city	5.5	2.0	1.4	2.7	64	176	142	107
Galway	1.4	1.5	1.3	1.5	33	107	111	76
Kerry	2.3	2.6	2.6	2.7	18	66	79	70
Kildare	1.8	2.3	3.1	4.0	13	104	78	86
Kilkenny	4.7	1.5	1.3	1.0	9	44	28	16
Laois	1.8	0.8	0.9	1.1	36	96	101	101
Leitrim	5.8	3.3	2.4	6.0	23	104	178	175
Limerick	–	–	2.5	1.9	–	–	151	98
Longford	3.8	1.6	1.3	1.4	23	68	97	77

Table 3: A. Liquidity (contd.)

	A1. Current ratio				*A2. Average (rates) collection period*			
Local authorities	*2007*	*2011*	*2015*	*2017*	*2007*	*2011*	*2015*	*2017*
Louth	6.8	2.5	1.8	2.5	54	184	195	144
Mayo	0.6	0.6	0.9	0.6	17	56	80	54
Meath	4.0	1.7	2.3	2.8	7	68	61	34
Monaghan	1.4	1.5	3.7	3.1	14	107	133	102
Offaly	2.8	1.6	1.3	1.4	12	27	53	49
Roscommon	6.9	3.3	1.5	2.3	28	80	62	79
Sligo	1.7	0.6	0.5	0.6	13	129	111	100
South Dublin	2.8	1.6	3.2	5.3	22	112	80	78
Tipperary	–	–	3.9	4.6	–	–	101	95
Waterford	–	–	0.9	0.8	–	–	98	106
Westmeath	2.2	1.0	1.4	1.8	12	72	92	82
Wexford	2.8	1.5	1.3	1.3	22	138	114	79
Wicklow	3.8	2.2	3.5	4.1	15	103	106	98
All 31	–	–	**1.9**	**2.2**	–	–	**82**	**67**
All 34	**2.6**	**1.7**	–	–	**27**	**93**	–	–
All 114	**n.a.**	**1.9**	–	–	**n.a.**	**99**	–	–
Range [min-max]	**[0.6-6.9]**	**[0.6-4.0]**	**[0.5-3.9]**	**[0.6-6]**	**[7-64]**	**[27-201]**	**[25-195]**	**[16-175]**
Urban > 50%	–	–	**2.1**	**2.8**	–	–	**96**	**79**
Rural > 50%	–	–	**1.9**	**2.2**	–	–	**100**	**87**

Source: AFS; authors' calculations.
Notes: 'All 34' relates to the 34 city and county councils that existed pre the 2014 reforms.
'All 114' refers to the 34 city and county councils and the 80 town governments that existed before the 2014 territorial reforms.

In 2017, for all 31 local councils, the current ratio was 2.2 and the average collection period for commercial rates, expressed in days, was 67. Compared to 2011, both these liquidity indicators show an improvement over time – but, interestingly, not compared to levels before the economic crisis when the current ratio was higher and the average collection period was lower – as might be expected given the pick up in economic activity. However, 5 councils experienced decreases in their current ratio during this period, and 5 saw no change in the ratio, so there is significant cross-council variation. The year 2012 was the one in which the average collection period for commercial rates levied by all rate-setting councils was highest, at

105 days, reflecting the period when liquidity conditions at local government level were at their most severe.[5] The variation across local councils is also reported in Table 3, with rural county councils recording the lowest current ratios and the highest average collection periods for commercial rates. More specifically, Mayo and Sligo County Councils have the lowest current ratio (0.6 for both), with Donegal and Leitrim County Councils having the highest average collection period for commercial rates (175 days for both). In contrast, this compares with an average current ratio of 2.6 and a rates average collection period of *only* 46 days for the 4 Dublin councils. Cross-council variation is widening, with the highest (6.0) current ratio being 10 times the lowest (0.6) ratio in 2017.

Tables 4 and 5 report indicators measuring operating performance, both flows (the overall surplus/(deficit)) and stocks (the revenue balance), in euros and as a percentage of revenue income. In 2017 the most noticeable feature of the overall surplus/(deficit) was the cross-council difference, varying from Cork County Council, with an overall deficit equal to 1.7 per cent of revenue income, to Sligo County Council, with a surplus equal to 3.8 per cent of revenue income (see more details below on Sligo County Council).[6] During 2011 six councils ran an overall deficit; this fell to four councils by 2017. As for the revenue balance, in euros, the total amount for all local authorities varied with the state of the economy, at €34m in 2007 before the economic crisis, hitting a trough of over €11m of a cumulative deficit in 2013, before recovering to over €30m in 2017. Again, cross-council variations are large, with the largest cumulative revenue deficit/income ratios at end 2017 in Sligo County Council (a large outlier at –34 per cent, or –€327 per resident when the cumulative revenue balance is expressed per resident), Donegal County Council and Waterford City & County Council (both at –6 per cent). Not surprisingly it is the four Dublin councils that have, in euro terms, the largest revenue balances in 2017, amounting to over €60m combined. There is further evidence of the rural/urban divide, with the

[5] Data on operating performance and bad debts provision confirm that 2012/13 was the lowest point for local councils, with respect to their financial position. In 2012 the provision for doubtful debts peaked in euro terms, at almost €700m before falling to just below €530m by 2016 (but still well above the 2008 provision of €330m).

[6] In its 2017 accounts Cork County Council included a provision of €5.7m relating to a negotiated settlement of a long-standing legal case involving the council. Although this amount is unusually large, legal cases resulting in large payments against councils are not uncommon.

Table 4: B. Operating performance

Local authorities	*B1. Overall surplus/(deficit), €* 2007	2011	2015	2017	*Overall surplus/(deficit) per resident, €* 2017	*B2. Overall surplus/(deficit)/total income* 2007	2011	2015	2017
Carlow	80,859	90,075	66,134	38,880	0.7	0.18%	0.20%	0.13%	0.08%
Cavan	30,500	456	107	98	0.0	0.04%	0.00%	0.00%	0.00%
Clare	972,733	(47,671)	550,853	743,305	6.3	0.86%	–0.04%	0.53%	0.64%
Cork city	404,062	58,361	7,015	17,538	0.1	0.22%	0.03%	0.00%	0.01%
Cork	1,185,000	1,197,210	1,615,506	(5,435,419)	(13.0)	0.35%	0.37%	0.53%	–1.73%
Donegal	581,348	401,256	620,934	764,035	4.8	0.35%	0.27%	0.47%	0.53%
Dublin city	5,102,136	4,729,087	245,934	(2,861,342)	(5.2)	0.57%	0.55%	0.03%	–0.33%
DLR	1,479,355	390,982	21,250	7,629	0.0	0.69%	0.20%	0.01%	0.00%
Fingal	6,180,294	22,812	4,575	1,802	0.0	2.53%	0.01%	0.00%	0.00%
Galway city	(1,670,894)	112,347	116,237	721,003	9.2	–2.06%	0.13%	0.16%	0.90%
Galway	4,094	(18,446)	5,808	1,377,036	7.7	0.00%	–0.01%	0.01%	1.18%
Kerry	211,488	287,067	87,758	87,791	0.6	0.16%	0.24%	0.07%	0.07%
Kildare	1,231,927	914,809	246,138	222,647	1.0	0.90%	0.62%	0.16%	0.13%
Kilkenny	43,600	(549,425)	50,157	5,431	0.1	0.06%	–0.72%	0.07%	0.01%
Laois	19,954	19,538	95,423	70,274	0.8	0.03%	0.03%	0.17%	0.12%
Leitrim	16,247	5,476	102,209	2,374	0.1	0.04%	0.01%	0.30%	0.01%
Limerick	–	–	160,330	1,853	0.0	–	–	0.10%	0.00%
Longford	232,386	163,537	16,530	57,679	1.4	0.53%	0.39%	0.04%	0.14%
Louth	(3,676,023)	(243,235)	96,574	395,594	3.1	–5.85%	–0.36%	0.11%	0.41%
Mayo	(794,080)	239,867	403,736	(599,456)	(4.6)	–0.55%	0.17%	0.30%	–0.46%
Meath	561,464	1,473,086	948,415	1,208,009	6.2	0.54%	1.35%	0.90%	1.07%

Table 4: B. Operating performance (Contd.)

Local authorities	B1. Overall surplus/(deficit), € 2007	2011	2015	2017	Overall surplus/(deficit) per resident, € 2017	B2. Overall surplus/(deficit)/total income 2007	2011	2015	2017
Monaghan	11,855	593,315	175,473	(158,293)	(2.6)	0.02%	0.93%	0.31%	–0.28%
Offaly	(16,845)	(2,172,397)	580,746	544,519	7.0	–0.03%	–3.20%	1.01%	0.90%
Roscommon	240,279	26,906	(16,704)	10,677	0.2	0.33%	0.04%	–0.03%	0.02%
Sligo	28,956	(2,972,453)	659,678	2,400,430	36.6	0.04%	–4.73%	1.03%	3.78%
South Dublin	(768,082)	10,291	49,170	35,104	0.1	–0.27%	0.00%	0.02%	0.02%
Tipperary	–	–	5,543	2,954	0.0	–	–	0.00%	0.00%
Waterford	–	–	680,252	505,133	4.3	–	–	0.56%	0.42%
Westmeath	2,122,731	176,806	220,917	30,657	0.3	2.62%	0.25%	0.33%	0.04%
Wexford	(1,206,166)	36,128	712,990	530,052	3.5	–1.17%	0.04%	0.69%	0.48%
Wicklow	23,187	53,169	351,243	288,281	2.0	0.03%	0.06%	0.39%	0.30%
All 31	–	–	**8,880,932**	**1,016,281**	**0.2**	–	–	**0.22%**	**0.02%**
All 34	**13,332,081**	**4,626,273**	–	–		**0.29%**	**0.10%**	–	–
All 114	**n.a.**	**(462,171)**	–	–		**n.a.**	**–0.01%**	–	–
Range [min-max]	**[(3.7m)-6.2m]**	**[(3.0m)-4.7m]**	**[(16.7k)-1.6m]**	**[(5.4m)-2.4m]**	**[(13.0)-36.6]**	**[–5.85% –2.62%]**	**[–4.73%-1.35%]**	**[–0.03%-1.03%]**	**[–1.73%-3.78%]**
Urban > 50%	–	–	**349,434**	**(376,321)**	**0.6**	–	–	**0.23%**	**0.09%**
Rural > 50%	–	–	**241,016**	**328,247**	**3.5**	–	–	**0.30%**	**0.40%**

Source: AFS; authors' calculations.

Table 5: B. Operating performance – revenue balance

Local authorities	*B3. Revenue balance, €*				*Revenue balance per resident, €*	*B4. Revenue balance/ total income*			
	2007	*2011*	*2015*	*2017*	*2017*	*2007*	*2011*	*2015*	*2017*
Carlow	(153,319)	(22,034)	432,645	649,387	11	–0.3%	0.0%	0.9%	1.3%
Cavan	1,658,665	1,662,376	1,742,864	1,743,072	23	2.2%	2.6%	3.0%	2.8%
Clare	(1,971,791)	(1,791,516)	(250,136)	1,243,272	10	–1.7%	–1.6%	–0.2%	1.1%
Cork city	207,921	458,945	779,934	849,820	7	0.1%	0.2%	0.5%	0.5%
Cork	18,638,064	18,337,539	12,217,343	7,343,576	18	5.5%	5.7%	4.0%	2.3%
Donegal	(13,139,379)	(12,303,343)	(14,345,654)	(8,953,104)	(56)	–7.8%	–8.2%	–10.7%	–6.2%
Dublin city	7,745,909	20,113,211	28,600,516	23,240,144	42	0.9%	2.4%	3.7%	2.7%
DLR	8,901,725	9,500,465	9,721,176	9,771,901	45	4.2%	4.9%	6.0%	5.8%
Fingal	16,584,623	17,673,622	15,972,157	15,976,478	54	6.8%	7.3%	7.5%	7.2%
Galway city	8,109,411	44,605	370,930	1,654,560	21	10.0%	0.1%	0.5%	2.1%
Galway	763,304	(1,402,328)	(1,886,030)	(582,156)	(3)	0.5%	–1.0%	–1.7%	–0.5%
Kerry	1,573,792	2,813,213	6,271,768	6,443,037	44	1.2%	2.3%	5.0%	4.9%
Kildare	(6,463,439)	(2,998,445)	(1,199,572)	(736,403)	(3)	–4.7%	–2.0%	–0.8%	–0.4%
Kilkenny	55,129	(602,062)	(18,233)	10,661	0	0.1%	–0.8%	0.0%	0.0%
Laois	(534,290)	(499,962)	(297,863)	(128,095)	(2)	–0.8%	–0.8%	–0.5%	–0.2%
Leitrim	240,616	(117,645)	(1,324,122)	(264,105)	(8)	0.5%	–0.3%	–3.9%	–0.7%
Limerick	–	–	759,891	812,260	4	–	–	0.5%	0.2%
Longford	1,499,795	(432,355)	142,995	231,830	6	3.4%	–1.0%	0.4%	0.6%
Louth	4,050,866	1,442,128	(2,510,886)	395,594	3	6.5%	2.1%	–2.7%	0.4%
Mayo	(3,924,963)	(2,507,779)	(4,656,196)	(4,950,835)	(38)	–2.7%	–1.8%	–3.5%	–3.8%
Meath	(9,797,254)	(6,856,722)	(2,892,155)	(1,287,436)	(7)	–9.5%	–6.3%	–2.7%	–1.1%
Monaghan	(916,315)	(79,085)	(2,704,442)	(2,377,340)	(39)	–1.4%	–0.1%	–4.7%	–4.2%

Table 5: B. Operating performance – revenue balance (Contd.)

Local authorities	*B3. Revenue balance, €* 2007	2011	2015	2017	*Revenue balance per resident, €* 2017	*B4. Revenue balance/ total income* 2007	2011	2015	2017
Offaly	(64,991)	(4,071,542)	(4,154,223)	(3,067,265)	(39)	–0.1%	–6.0%	–7.2%	–5.1%
Roscommon	165,762	99,815	150,145	183,369	3	0.2%	0.1%	0.3%	0.3%
Sligo	(1,469,502)	(12,954,069)	(25,942,602)	(21,430,923)	(327)	–2.3%	–20.6%	–40.4%	–33.8%
South Dublin	15,299,118	12,093,400	12,100,808	12,146,531	44	5.4%	5.0%	5.8%	5.3%
Tipperary	–	–	5,542,326	5,550,224	35	–	–	4.0%	3.9%
Waterford	–	–	(7,997,198)	(7,117,340)	(61)	–	–	–6.6%	–5.9%
Westmeath	(3,665,511)	(1,870,068)	248,620	366,368	4	–4.5%	–2.7%	0.4%	0.5%
Wexford	(3,874,715)	(6,329,683)	(9,160,549)	(4,773,729)	(32)	–3.8%	–6.2%	–8.8%	–4.4%
Wicklow	(1,761,515)	(2,039,007)	(3,432,617)	(2,686,945)	(19)	–2.1%	–2.2%	–3.8%	–2.8%
All 31	–	–	**12,281,638**	**30,256,418**	**6**	–	–	**0.3%**	**0.7%**
All 34	**34,074,057**	**23,384,367**	–	–		**0.7%**	**0.5%**	–	–
All 114	**n.a.**	**49,318,043**	–	–		**n.a.**	**1.0%**	–	–
Range [min-max]	**[(13.1m)-18.6m]**	**[(13.0m)-20.1m]**	**[(25.9m)-28.6m]**	**[(21.4m)-23.2m]**	**[(327)-54]**	**[–9.5%-10.0%]**	**[–20.6%-7.3%]**	**[–40.4%-7.5%]**	**[–33.8%-7.2%]**
Urban > 50%	–	–	**4,806,948**	**4,643,288**	**11**	–	–	**0.9%**	**1.3%**
Rural > 50%	–	–	**(2,789,372)**	**(1,672,574)**	**(23)**	–	–	**–3.8%**	**–2.4%**

Source: AFS; authors' calculations.

(unweighted) average revenue balance/income ratio for the eighteen rural councils equal to –2.4 per cent as against 1.3 per cent for the thirteen urban councils.[7] The improvement in the economy since 2014 is reflected in the change in the local authorities' revenue balance, with thirty of the thirty-one local councils reporting an improvement in the revenue balance since 2013/14. Whereas over half of the thirty-one local councils had a cumulative deficit in 2013/14, this had fallen to thirteen local councils by 2017, of which four had negative revenue balances of less than three-quarters of a million euro.

The collection efficiency ratios are reported in Table 6. Whereas the housing rents and loans collection efficiency ratios show no significant change since 2011, the commercial rates collection efficiency ratio increased from 0.76 in 2011 to 0.86 in 2017, but this is still below the collection rates of pre-crisis years (at 0.90 or higher for all three income sources). Given the economic and business activity growth since 2011, it is surprising that three councils (Cork City, Laois and Offaly) experienced no increase in this collection rate. Looking at the cross-council variation, there are large differences in the rates collection efficiency ratio, ranging from 0.96 in Fingal County Council to 0.74 in Donegal County Council. There are relatively large rates arrears (even at end 2017, albeit declining with an age profile where surprisingly only about 10 per cent of the total end year debt was greater than four years old, with the majority – over 70 per cent – less than twenty-four months old), noticeably in Galway City Council (€10.7m), Louth County Council (€12.5m) and Donegal County Council (€14.6m)[8], and similarly large adjustments (i.e. rates relief/refund) for vacant properties (also related to the economic crisis) in Tipperary County Council (€4.5m), Galway County Council

[7] We define urban councils as those where the urban population is in excess of 50 per cent of the total council population. They are Dublin City, Cork City, Galway City, DLR, South Dublin, Fingal, Kildare, Louth, Wicklow, Waterford City & County, Meath, Limerick City & County, and Cork County Councils. The remaining eighteen councils are rural councils, defined as having a rural population in excess of 50 per cent of its total population.

[8] These three local authorities have improved their collection efficiency ratios but from relatively low bases. In 2011 their collection rates were very low, at 0.62, 0.59 and 0.57, respectively, with only Limerick City Council (at 0.59) having similarly poor collection rates at the time. While collection rates have improved in these local councils (having recorded the biggest improvement in collection rates over the 2011–17 period), they remain low relative to other local authorities' collection efficiency ratios.

(€4.8m) and Mayo County Council (€5.9m).[9] Notwithstanding the economic recovery, the commercial vacancy rate remains stubbornly high (and above the level of 5–6 years ago), at 13.2 per cent (that is, almost 28,000 properties) nationwide in Q4 2018. Furthermore, it is the rural counties in the west and north west of the country that have the highest vacancy rates, with Sligo County reporting the highest rate at 18.9 per cent (followed by, in order, Leitrim, Galway, Mayo, Roscommon and Donegal), as against the lowest rate of 10.4 per cent in Meath (GeoDirectory, 2018). In addition to the involvement of the Local Government Management Agency (LGMA) in improving debt management in the area of commercial rates, many local authorities have established debt collection units at the local level to improve rates collection, including the setting of annual collection rate targets (Department of Housing, Planning and Local Government, 2018). Turning to housing rent collections, although the overall ratio remained at 0.85 between 2011 and 2017, eleven councils saw decreases in their ratio, with Louth County Council's ratio falling from 0.83 to 0.69; in 2007 before the crash it was 0.94. Louth County Council, at 0.69, has the lowest ratio, compared to fourteen councils achieving rates of 0.90 or higher, with Tipperary County Council's ratio at 0.99. Finally, housing loans collections show even wider cross-council variation in 2017, ranging from 0.43 in Kildare County Council to 1.0 in Fingal County Council. Such large differences are difficult to explain.

Solvency indicators are reported in Tables 7 and 8, with, in general, this measure showing an improvement since 2011. Net financial liabilities (NFL) have fallen in euro terms, and both the NFL/income and the debt/income ratios have also declined; overall, an indication of an improvement in the financial sustainability of local authorities in Ireland.[10] Some councils have witnessed large increases (in excess of a factor of 1.5) in their debt/income ratio since 2007, most especially Laois, Louth, Roscommon and Sligo County Councils. Notwithstanding the observation that these increases were from relatively low

[9] As a percentage of vacant property relief to accrued rates income, the rural county councils of Carlow, Roscommon, Monaghan, Laois, Leitrim, Longford, Sligo and Westmeath, in addition to the three councils listed in the text, all had a ratio of 16 per cent or more in 2016. This compares to percentages as low as 5 per cent or less in the more urban local authorities of Fingal, Dublin City, Cork City and DLR.

[10] Although we report the debt/assets ratio its interpretation is more problematic because of the valuation of certain local councils' fixed assets, such as parks, roads and infrastructure.

Table 6: C. Collection efficiency

Local authorities	*C1. Commercial rates collection efficiency ratio*				*C2. Housing rents collection efficiency ratio*				*C3. Housing loans collection efficiency ratio*			
	2007	*2011*	*2015*	*2017*	*2007*	*2011*	*2015*	*2017*	*2007*	*2011*	*2015*	*2017*
Carlow	92%	74%	84%	90%	97%	91%	92%	91%	91%	80%	91%	90%
Cavan	95%	75%	82%	79%	91%	82%	84%	84%	95%	82%	73%	74%
Clare	96%	79%	82%	86%	85%	83%	87%	84%	90%	67%	58%	66%
Cork city	92%	79%	78%	79%	93%	89%	81%	85%	89%	82%	71%	78%
Cork	96%	82%	86%	90%	93%	93%	93%	95%	86%	70%	54%	55%
Donegal	90%	57%	63%	74%	86%	89%	90%	89%	82%	75%	63%	68%
Dublin city	89%	80%	88%	91%	85%	79%	80%	76%	94%	71%	59%	66%
DLR	95%	76%	85%	86%	89%	80%	79%	78%	104%	73%	62%	57%
Fingal	96%	85%	96%	96%	95%	87%	90%	86%	97%	94%	98%	101%
Galway city	84%	62%	72%	78%	78%	76%	79%	80%	90%	72%	77%	82%
Galway	91%	72%	81%	84%	90%	91%	90%	90%	91%	83%	76%	76%
Kerry	95%	82%	80%	83%	96%	98%	94%	93%	93%	91%	80%	82%
Kildare	96%	77%	82%	81%	85%	80%	88%	88%	74%	57%	43%	43%
Kilkenny	98%	88%	92%	95%	89%	86%	92%	92%	87%	73%	82%	85%
Laois	91%	77%	75%	75%	88%	94%	96%	96%	95%	81%	64%	68%
Leitrim	94%	72%	79%	82%	93%	93%	86%	88%	78%	71%	65%	64%
Limerick	–	–	75%	82%	–	–	89%	96%	–	–	78%	78%
Longford	94%	81%	82%	89%	90%	88%	88%	92%	85%	77%	55%	60%
Louth	88%	59%	60%	75%	94%	83%	73%	69%	98%	59%	69%	75%
Mayo	95%	84%	80%	85%	75%	81%	84%	86%	74%	66%	68%	71%
Meath	98%	82%	85%	92%	88%	86%	86%	89%	93%	84%	66%	67%
Monaghan	96%	73%	77%	85%	96%	96%	95%	96%	83%	86%	80%	77%

Table 6: C. Collection efficiency (Contd.)

Local authorities	*C1. Commercial rates collection efficiency ratio*				*C2. Housing rents collection efficiency ratio*				*C3. Housing loans collection efficiency ratio*			
	2007	*2011*	*2015*	*2017*	*2007*	*2011*	*2015*	*2017*	*2007*	*2011*	*2015*	*2017*
Offaly	98%	92%	85%	87%	88%	92%	86%	85%	76%	63%	61%	55%
Roscommon	93%	79%	93%	83%	85%	91%	89%	91%	69%	57%	75%	56%
Sligo	96%	68%	73%	77%	93%	86%	78%	78%	81%	57%	55%	61%
South Dublin	94%	74%	81%	84%	79%	75%	74%	76%	111%	100%	90%	80%
Tipperary	–	–	78%	82%	–	–	95%	99%	–	–	77%	84%
Waterford	–	–	79%	79%	–	–	79%	77%	–	–	56%	61%
Westmeath	97%	80%	79%	81%	86%	91%	95%	97%	74%	48%	73%	89%
Wexford	94%	69%	75%	82%	94%	92%	92%	92%	103%	89%	80%	92%
Wicklow	96%	74%	76%	81%	97%	91%	93%	90%	92%	75%	76%	75%
All 31	–	–	**83%**	**86%**	–	–	**85%**	**85%**	–	–	**68%**	**72%**
All 34	**94%**	**76%**	–	–	**90%**	**88%**	–	–	**90%**	**74%**	–	–
All 114	**n.a.**	**76%**	–	–	**n.a.**	**85%**	–	–	**n.a.**	**75%**	–	–
Range [min–max]	**[84%-98%]**	**[57%-92%]**	**[60%-96%]**	**[74%-96%]**	**[75%-98%]**	**[75%-98%]**	**[73%-96%]**	**[69%-99%]**	**[69%-111%]**	**[48%-100%]**	**[43%-98%]**	**[43%-101%]**
Urban > 50%	–	–	**80%**	**84%**	–	–	**83%**	**83%**	–	–	**69%**	**71%**
Rural > 50%	–	–	**80%**	**83%**	–	–	**90%**	**90%**	–	–	**71%**	**73%**

Source: AFS; authors' calculations.

Table 7: D. Solvency – net financial liabilities

	D1. Net financial liabilities, €				*D2. Net financial liabilities/ total income*			
Local authorities	*2007*	*2011*	*2015*	*2017*	*2007*	*2011*	*2015*	*2017*
Carlow	(17,001,712)	835,205	(22,307,256)	(28,109,756)	(0.38)	0.02	(0.44)	(0.55)
Cavan	(15,441,259)	382,286	(1,777,292)	(7,880,450)	(0.21)	0.01	(0.03)	(0.13)
Clare	73,998,520	92,597,635	57,041,403	45,375,980	0.66	0.83	0.55	0.39
Cork city	24,462,733	(16,143,582)	59,763,200	40,505,666	0.13	(0.09)	0.40	0.26
Cork	72,431,097	264,709,710	181,522,903	125,607,011	0.21	0.82	0.60	0.40
Donegal	50,714,449	67,592,470	39,639,621	30,000,203	0.30	0.45	0.30	0.21
Dublin city	21,592,102	207,974,626	63,677,903	(17,819,006)	0.02	0.24	0.08	(0.02)
DLR	(157,226,120)	(38,161,548)	(23,919,734)	(77,210,637)	(0.74)	(0.20)	(0.15)	(0.45)
Fingal	(68,927,263)	96,750,241	35,213,252	(31,884,167)	(0.28)	0.40	0.16	(0.14)
Galway city	17,313,146	60,082,057	41,836,454	16,510,413	0.21	0.68	0.58	0.21
Galway	29,289,449	38,880,950	(6,355,258)	(12,643,814)	0.19	0.26	(0.06)	(0.11)
Kerry	830,888	14,875,419	(13,028,505)	(21,843,609)	0.01	0.12	(0.10)	(0.16)
Kildare	40,123,458	7,500,582	(50,371,189)	(78,998,752)	0.29	0.05	(0.34)	(0.48)
Kilkenny	(21,921,011)	(5,357,126)	(9,614,629)	5,117,696	(0.29)	(0.07)	(0.13)	0.06
Laois	(24,729,838)	24,048,114	21,805,442	22,581,172	(0.36)	0.37	0.38	0.37
Leitrim	(16,892,260)	(5,199,308)	(10,147,565)	(12,076,611)	(0.38)	(0.12)	(0.30)	(0.34)
Limerick	–	–	(36,983,339)	(38,844,850)	–	–	(0.22)	(0.11)
Longford	(15,717,032)	3,619,748	1,905,043	(450,245)	(0.36)	0.09	0.05	(0.01)
Louth	(49,307,316)	5,608,286	61,380,136	56,998,426	(0.79)	0.08	0.67	0.59
Mayo	67,154,445	70,182,923	75,690,860	78,399,201	0.46	0.51	0.57	0.60
Meath	(62,358,254)	12,031,408	(8,875,189)	(17,394,272)	(0.60)	0.11	(0.08)	(0.15)
Monaghan	5,753,907	7,741,213	(9,081,765)	(3,064,868)	0.09	0.12	(0.16)	(0.05)

Table 7: D. Solvency – net financial liabilities (Contd.)

	D1. Net financial liabilities, €				*D2. Net financial liabilities/ total income*			
Local authorities	*2007*	*2011*	*2015*	*2017*	*2007*	*2011*	*2015*	*2017*
Offaly	24,444,086	31,091,972	29,945,450	25,816,402	0.38	0.46	0.52	0.43
Roscommon	(14,395,177)	(1,282,450)	12,086,184	9,524,410	(0.20)	(0.02)	0.21	0.17
Sligo	28,389,202	59,484,566	83,267,899	76,398,435	0.44	0.95	1.30	1.20
South Dublin	(70,776,375)	6,748,984	(45,491,896)	(132,120,186)	(0.25)	0.03	(0.22)	(0.57)
Tipperary	–	–	(52,620,079)	(47,161,055)	–	–	(0.38)	(0.33)
Waterford	–	–	57,600,026	68,291,402	–	–	0.48	0.57
Westmeath	4,283,319	72,236,252	46,849,159	40,735,144	0.05	1.03	0.71	0.58
Wexford	19,437,128	82,258,821	64,410,448	63,831,852	0.19	0.81	0.62	0.58
Wicklow	3,602,616	47,648,765	27,966,690	18,814,658	0.04	0.51	0.31	0.20
All 31	–	–	**649,371,908**	**197,005,788**	–	–	**0.16**	**0.04**
All 34	**(48,979,892)**	**1,262,605,343**	–	–	**–0.01**	**0.28**	–	–
All 114	**n.a.**	**1,248,645,109**	–	–	**n.a.**	**0.25**	–	–
Range [min–max]	**[(157.2m)- 74m]**	**[(38.2m)- 264.7m]**	**[(52.6m)- 181.5m]**	**[(132.1m)- 125.6m]**	**[(0.79)- 0.66]**	**[(0.2)- 1.03]**	**[(0.44)- 1.3]**	**[(0.57)- 1.2]**
Urban > 50%	–	–	**27,947,632**	**(5,195,715)**	–	–	**0.17**	**0.02**
Rural > 50%	–	–	**17,094,953**	**14,697,227**	–	–	**0.20**	**0.16**

Source: AFS; authors' calculations.

Table 8: D. Solvency

Local authorities	*D3. Debt/assets 2007*	*2011*	*2015*	*2017*	*D4. Debt/total income 2007*	*2011*	*2015*	*2017*
Carlow	0.05	0.06	0.06	0.05	1.07	1.53	1.22	1.04
Cavan	0.02	0.03	0.03	0.02	0.46	0.69	0.69	0.58
Clare	0.05	0.05	0.05	0.04	1.24	1.31	1.32	1.02
Cork city	0.06	0.06	0.06	0.05	1.05	1.25	1.36	1.10
Cork	0.06	0.07	0.07	0.06	1.53	1.89	1.96	1.63
Donegal	0.05	0.05	0.05	0.04	1.16	1.32	1.36	1.11
Dublin city	0.09	0.09	0.07	0.07	1.30	1.37	1.06	0.86
DLR	0.05	0.08	0.07	0.06	0.95	1.52	1.55	1.34
Fingal	0.13	0.15	0.17	0.14	1.94	2.42	2.54	2.10
Galway city	0.11	0.10	0.08	0.07	1.90	1.43	1.26	1.03
Galway	0.04	0.04	0.03	0.02	0.96	1.23	1.04	0.79
Kerry	0.02	0.04	0.03	0.03	0.62	1.05	0.96	0.84
Kildare	0.06	0.06	0.06	0.05	1.31	1.50	1.22	0.96
Kilkenny	0.03	0.03	0.02	0.03	0.82	1.01	0.74	0.88
Laois	0.07	0.07	0.07	0.06	0.47	2.30	2.36	2.10
Leitrim	0.02	0.03	0.02	0.02	0.47	0.60	0.59	0.52
Limerick	–	–	0.03	0.04	–	–	0.63	0.42
Longford	0.04	0.06	0.05	0.05	1.04	1.63	1.38	1.19
Louth	0.03	0.04	0.09	0.09	0.68	0.91	2.16	2.07
Mayo	0.03	0.04	0.05	0.05	0.95	1.16	1.44	1.36
Meath	0.04	0.05	0.05	0.05	1.23	1.39	1.27	1.27
Monaghan	0.04	0.04	0.02	0.02	0.90	0.84	0.55	0.49
Offaly	0.05	0.05	0.05	0.04	1.22	1.10	1.20	1.12
Roscommon	0.01	0.01	0.02	0.02	0.42	0.33	0.63	0.76
Sligo	0.04	0.05	0.07	0.07	1.09	1.49	2.05	1.89
South Dublin	0.07	0.08	0.08	0.07	1.00	1.31	1.38	1.17
Tipperary	–	–	0.03	0.03	–	–	0.99	0.83
Waterford	–	–	0.08	0.07	–	–	1.42	1.40
Westmeath	0.04	0.05	0.04	0.04	1.22	1.91	1.46	1.25
Wexford	0.05	0.08	0.06	0.06	1.24	2.08	1.64	1.52
Wicklow	0.04	0.06	0.05	0.04	0.97	1.63	1.43	1.20
All 31	–	–	**0.06**	**0.05**	–	–	**1.34**	**1.12**
All 34	**0.06**	**0.06**	–	–	**1.17**	**1.39**	–	–
All 114	**n.a.**	**0.06**	–	–	**n.a.**	**1.33**	–	–
Range [min–max]	**[0.01-0.13]**	**[0.01-0.15]**	**[0.02-0.17]**	**[0.02-0.14]**	**[0.42-1.94]**	**[0.33-2.42]**	**[0.55-2.54]**	**[0.42-2.10]**
Urban > 50%	–	–	**0.07**	**0.07**	–	–	**1.48**	**1.27**
Rural > 50%	–	–	**0.04**	**0.04**	–	–	**1.20**	**1.07**

Source: AFS; authors' calculations.

bases in all cases, and that the debt/income ratio has stabilised in recent years (and in the majority of cases improved since 2014/15 with the upsurge in economic activity more generally), continuous monitoring of the financial position and long-term sustainability of the local councils is warranted.

Of all the local councils, Sligo County Council is in the most financial difficulty (and has been for some time, dating as far back as the early years of the economic crisis), as measured by our framework and as judged by central government. The Local Government Audit Service, in its annual statutory audit report, has described the cumulative deficit, at €21.4m (at over one third of revenue income) in 2017 (down from €26.6m in 2014), as a 'very serious matter', with long-term (> one year) loans amounting to about €100m, equal to 1.5 times revenue income as against an equivalent figure of less than one for all thirty-one councils (Department of Housing, Planning and Local Government). With annual deficits dating as far back as 2008 culminating in a deficit of over €6.3m in 2013 (notwithstanding annual surpluses from 2015 on), the reasons given for Sligo County Council's cumulative deficit were high legacy costs relating to historic staffing levels and a low rates base (Grant Thornton, 2012: NOAC, 2016). Other explanations include the purchase of land for development purposes, spending on water services infrastructure and well-known legal costs arising from a failed legal case concerning public rights of way at Lissadell House. A five-year financial plan with identified set targets (subsequently revised) was agreed with the Department of Housing, Planning and Local Government in late 2015, covering the period 2015–19 and aimed at 'bringing the finances back onto a sustainable path' by reducing the revenue balance by approximately half through a package of strict budgetary control measures such as, among others, payroll savings and improved revenue collection rates (see Department of Housing, Planning and Local Government (2015) for more specific details). By 2016 it became clear that the target of €12.32m surpluses was not viable or sustainable, given the council's financial position and its statutory obligations in relation to service provision. Subsequently, it was agreed that the attainment of the target could be pushed out to 2027, but, likewise, the payment of the remaining contingent subvention would also be delayed (Department of Housing, Planning and Local Government).

Across the EU and OECD different jurisdictions deal with financially troubled subnational government units, including municipalities, in different ways, depending on the form of government (federal/unitary), legal framework (bankruptcy laws/insolvency codes), regulatory regime (supervision/monitoring/enforcement), size of local government units ('too big to fail'/'too small to fail'), tradition or history of bailouts, etc. (Plekhanov & Singh, 2007). Compared to many other countries, in general Ireland's approach in dealing with financially distressed local councils seems relatively informal, ad hoc and subject to negotiation between financially troubled local councils and the central government, vis-à-vis the Department of Housing, Planning and Local Government. Although local authorities in Ireland have relatively few functions, are subject to a balanced budget rule, must seek approval for borrowing for capital spending and cannot borrow directly from capital markets vis-à-vis bond issuances, they are relatively large in size by international standards (as measured by the average number of inhabitants per local authority) and thus, in our view, require a clear and well-defined regulatory regime to prevent any opportunistic behaviour, moral hazard problems or costly bailouts.[11]

As for the new, larger unified councils of Limerick City & County, Tipperary County and Waterford City & County, any observed improvement in financial performance since 2011 could be due to a number of factors (including the recovery in the national economy and/or locality, internal management reforms unrelated to the mergers, etc.) and not due simply to the amalgamations per se and the economies of scale often associated with councils serving larger populations (Turley et al., 2018). When examining the data for 2017, Waterford City & County Council's poor financial performance is striking. Compared to the total figures for all 31 local authorities, it has a low current ratio (0.8 as against 2.2), a high rates average collection period (106 days compared to 67), a relatively high cumulative revenue balance (of –€7.1m or 6 per cent of revenue income), relatively low collection efficiency ratios (0.79, 0.77 and 0.61

[11] Although conditional on cost savings and improved income collection rates, the financial support to Sligo County Council as part of the five-year financial plan could be viewed as a bailout and evidence of a soft budget constraint as can often happen between central government (or other arms of the state, such as state-owned banks) and financially distressed subnational governments, including municipalities. As far back as 2012 Grant Thornton, in its commissioned report into the 'financial crisis' facing Sligo County Council, recommended, in conjunction with some more medium-term proposals, a once-off injection of funds from the state, totalling €10m (Grant Thornton, 2012). In the end, the actual amount of financial support from the department will most likely be about half that figure!

as against national figures of 0.86, 0.85 and 0.72) and a relatively high NFL ratio (0.57 as against a national figure of 0.04). These figures are a continuation of the financial position of Waterford County Council before the merger when it had, for example, a rates average collection period above the average (142 versus 96), a relatively high cumulative revenue balance of –€6.9m and a commercial rates collection rate below average (0.67 as against 0.74). In defence of the unified council, recent annual surpluses have resulted in a reduction in the cumulative revenue balance, from a peak of €8.9m in 2013 before the merger to €7.1m in 2017. In further support of the council's position, these financial figures may simply reflect the underlying economic conditions in Waterford, which has one of the most deprived urban local electoral areas in the country (namely, Waterford City South) combined with some of the highest unemployment rates, including the highest unemployment rate among Ireland's cities and suburbs (CSO, 2016). Much more research needs to be done to properly assess and evaluate the effects of the council amalgamations on local authority financial performance.

Other areas of potential local government reform in the future that may impact on the financial position of local authorities include further territorial rescaling of local government structures (e.g. the proposed but deferred merger of Galway City and County Councils), changes to the LPT based on revaluations of residential properties for the purposes of the LPT, reform of the equalisation grant or top-up funding vis-à-vis changes to the baseline, the distributional pool and the method of allocation, and the planned directly elected mayor for Limerick City and County Council and the possibility of a directly elected mayor for the four Dublin councils (which, if materialised, would be operating, albeit jointly with management, a combined revenue income in excess of €1.6bn, comparable, for example, to the budget of Manchester City Council in the UK).[12] Although there is no guarantee that any of these changes will happen in the near future, if

[12] Incidentally, some local councils in England are considered to be in grave financial difficulty (the most high profile being Northamptonshire County Council), partly because of poor mismanagement, overspending and weak budgetary control, but also because of the rising demand for social care and, more likely, funding cuts from central government introduced as part of the austerity agenda. According to the National Audit Office, local authorities have suffered a 49 per cent reduction in real terms in government funding in the period 2010/11 to 2017/18, with the financial position of local authorities 'markedly' worse compared with the situation described in its 2014 report (National Audit Office, 2018).

at all, it is worth highlighting that these or similar local government reforms, combined with the usual national and local cyclical swings in economic activity, will impact on a council's financial position. Irrespective of the nature of any future local government reform the purpose of our framework is to measure the financial performance of local authorities, and in doing so, help early detection of councils in or close to financial distress with a view to agreeing any corrective action needed to ensure the long-term sustainability of local government units.

Conclusions and policy implications

In Robbins et al. (2014) the authors wrote 'it must be remembered that our analysis in this paper is only up to the financial year 2011, and that an examination of the financial data beyond 2011 may show a greater number of councils in financial distress'. With 2015 and 2017 financial data now available and analysed, this paper shows the financial position of local government over a decade after the onset of the economic crisis. As expected, the financial performance has improved since the early 2010s, with the upturn in the economy at large. As for cross-council variation, we observe a small number of councils whose financial positions have been a matter of concern for policymakers and require ongoing scrutiny and surveillance – in the case of Sligo County Council, with intervention and support by the central government to help address its financial difficulties. What about the specific question of the rural/urban divide which has been a recurring topic not only during the crisis and the years of austerity but also since the recovery when it is often claimed that rural areas have been further disadvantaged (or 'left behind' since the recovery began) with an ever-increasing gap between rural and urban Ireland? There is some evidence of variation in financial performance of rural and urban councils, with urban councils performing financially better than their rural counterparts but only as measured by the liquidity and operating performance indicators, as rural councils outperform urban councils in the overall collection of the different income sources as measured by the collection efficiency ratios.

As for specific recommendations relating to financial reporting requirements of the local government system in Ireland, we advocate the inclusion of our framework in the AFS to help measure the overall financial position and performance of local authorities. More specifically, we recommend a one-page addition to the AFS, listing our four measures and thirteen indicators (as in Table 2) with the relevant data for the respective year. In addition to the yearly data we also propose reporting of the previous year's data and the aggregate or average data where appropriate for all thirty-one local councils for comparative purposes. As for the likely objection from directors of finance at local government level based on onerous reporting demands already placed on local councils, the figures for the indicators are generated from raw data already available in the income and expenditure account and the balance sheet of the AFS. As stated above, use of the framework over a number of years would also identify deteriorating trajectories in financial performance and act as an early warning alert system for local authority managers, councillors, the Department of Housing, Planning and Local Government, and NOAC. The other recommendation is in relation to the Performance Indicator Report of NOAC, which already uses a number of these financial indicators to measure performance, namely the (five-year summary) revenue balance, the revenue balance/income ratio and a five-year summary of collection ratios for rates, rents & annuities and housing loans. Again, we propose replacing this list of financial indicators with our framework that includes the aforementioned indicators for operating performance and collection efficiency but also liquidity and solvency indicators (A1-2 and D1-4), which are crucial to any assessment of a local authority's financial position and fiscal sustainability.

Broader policy actions that may contribute to an improvement in the financial performance of local authorities could come from difference sources, including the local authorities (management and/or councillors); the central government, primarily in the form of the Department of Housing, Planning and Local Government; state agencies that have a supporting role to the department (e.g. NOAC and LGMA); and even pressure from taxpayers and citizens. Here we list five specific actions that we believe could result in better local authority financial performance:

- As recommended elsewhere (see Schwab et al., 2017; Turley et al., 2018), cost savings and greater efficiencies could be achieved through more shared services arrangements and intermunicipal cooperation as is common in continental European systems of local government.
- On the revenue side, a greater willingness to increase the LPT rate, as belatedly happened in 2020 (when a record nineteen

local authorities used their reserved powers to increase the annual LPT rate, of which ten councils used the full 15 per cent increase), will result in increased revenue income.

- As for more long-term institutional change, a more transparent, well-defined and binding regulatory regime to deal with local authorities that are in financial stress, including the corrective measures needed to return distressed local authorities to a sound financial footing, better enforcement by central government and, where necessary, sanctions or penalties for non-compliance.
- As is more common in other jurisdictions where local authorities and municipalities have more functions and are closer to their citizens as they tend to serve smaller populations, democratic reforms in participation and accountability (e.g. regular and comprehensive surveys on customer service and satisfaction, similar to the NOAC/Ipsos MRBI Local Authority Satisfaction Surveys; directly elected mayors; participatory budgeting, as piloted by South Dublin County Council) can contribute to improved performance (Shannon et al., 2019).
- Returning to our financial performance framework, more attention to performance measurement and benchmarking as a tool to improve performance, financial and otherwise. Although the establishment of NOAC and the annual Performance Indicator Reports are steps in the right direction, more needs to be done here. One such example where the Irish authorities could learn from is Scotland's Local Government Benchmarking Framework and its benchmarking tool where 'family groups' or clusters of local authorities are used for the purposes of comparative benchmarking (Local Government Benchmarking Framework, 2020).

As for areas of potential future research we next wish to investigate the effects of the LPT on local government finances, and, in particular, on rural and urban councils. Related to this is the LPT-funded equalisation grant and its impact on the financial position of local authorities. In particular, what impact might different forms of the LPT (80/20 versus 100 per cent retained; 2013 valuations versus current year valuations) and the equalisation grant (2014 baseline or baseline based on fiscal capacity estimates or baseline based on estimates of fiscal capacity and expenditure needs) have on local authority finances, and, given the current discourse on the rural/urban divide, the financial sustainability of small rural councils?

From a public policy perspective the purpose of this research is to help increase awareness and understanding of the financial reports of the local authorities, similar to the work on the interactive web application www.localauthorityfinances.com, which allows citizens to see in an accessible and transparent way how taxpayers' money is spent locally by providing cross-council information on local authority spending and income.[13] Users of the online platform can view the budget of their respective council (and all other councils), the amount of revenue raised and where the money is spent, in terms of the local services rendered. Taken together, we envisage that the output from this work on local government finances and financial performance will increase the profile of research on local authorities (in a country whose public administration is highly centralised with limited functions for local councils resulting in a local government system that is often, at best, overlooked and, at worst, neglected), their income sources and spending decisions, and the overall financial position and performance, and any future reassessment of same.

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[13] For more information on this website and related project see http://whitakerinstitute.ie/infrastructure-item/local-authority-finances/ and pages 10–12 in https://www.ipa.ie/_fileUpload/Documents/LA_Times_Summer_2019.pdf

Appendix 1

Local authorities	*Population*	*Urban, %*	*Population density, per km²*	*Staff (WTE)*	*Payroll expenditure, €*	*Salary & wages / expenditure*	*Expenditure gross, €*	*Expenditure per person, €*	*Own share of revenue*
Carlow	56,932	0.49	64	264	16,346,064	0.26	45,725,275	803	0.70
Cavan	76,176	0.31	41	390	25,308,701	0.32	58,317,694	766	0.53
Clare	118,817	0.39	38	744	44,528,367	0.33	103,496,543	871	0.75
Cork city	125,657	1.00	3,256	1,240	78,414,321	0.37	152,036,293	1,210	0.87
Cork	417,211	0.52	57	1,992	127,613,108	0.35	290,143,838	695	0.75
Donegal	159,192	0.27	33	909	58,994,436	0.32	139,002,931	873	0.67
Dublin city	554,554	1.00	4,757	5,402	368,614,397	0.32	834,790,251	1,505	0.74
DLR	218,018	0.99	1,725	941	59,688,249	0.30	157,283,194	721	0.81
Fingal	296,020	0.93	647	1,279	76,071,789	0.35	179,508,501	606	0.82
Galway city	78,668	1.00	1,573	420	23,353,244	0.29	68,689,804	873	0.84
Galway	179,390	0.22	31	733	47,247,157	0.31	112,506,250	627	0.67
Kerry	147,707	0.35	32	1,078	61,549,477	0.39	124,297,672	842	0.75
Kildare	222,504	0.68	131	870	49,436,234	0.27	149,035,200	670	0.78
Kilkenny	99,232	0.39	48	516	31,756,321	0.34	75,241,377	758	0.66
Laois	84,697	0.48	49	401	24,801,973	0.32	57,351,820	677	0.60
Leitrim	32,044	0.11	21	260	17,314,149	0.36	34,713,437	1,083	0.47
Limerick	194,899	0.54	73	1,105	68,598,836	0.15	340,672,244	1,748	0.45
Longford	40,873	0.34	39	295	19,051,228	0.37	39,523,203	967	0.57
Louth	128,884	0.66	156	632	38,160,983	0.32	96,575,469	749	0.73
Mayo	130,507	0.29	24	970	52,697,560	0.33	126,250,123	967	0.59
Meath	195,044	0.59	84	675	42,506,476	0.32	104,191,130	534	0.78
Monaghan	61,386	0.29	48	384	25,389,479	0.35	55,502,666	904	0.51

Appendix 1 (Contd.)

Local authorities	*Population*	*Urban, %*	*Population density, per km²*	*Staff (WTE)*	*Payroll expenditure, €*	*Salary & wages / expenditure*	*Expenditure gross, €*	*Expenditure per person, €*	*Own share of revenue*
Offaly	77,961	0.43	39	370	23,661,591	0.33	58,643,474	752	0.67
Roscommon	64,544	0.27	26	391	23,956,487	0.33	53,858,682	834	0.56
Sligo	65,535	0.40	37	391	25,476,411	0.30	60,666,963	926	0.50
South Dublin	278,767	0.98	1,250	1,122	69,528,427	0.29	196,229,151	704	0.76
Tipperary	159,553	0.42	35	990	61,753,019	0.34	137,656,428	863	0.61
Waterford	116,176	0.62	65	764	49,516,896	0.33	116,075,257	999	0.61
Westmeath	88,770	0.49	51	439	24,105,956	0.31	63,459,384	715	0.62
Wexford	149,722	0.39	64	729	44,506,845	0.37	101,716,089	679	0.74
Wicklow	142,425	0.65	71	686	38,290,632	0.32	90,341,360	634	0.77
All	**4,761,865**	**0.63**	**69**	**27,382**	**1,718,238,816**	**0.31**	**4,223,501,706**	**887**	**0.70**

Source: CSO; Department of Housing, Planning and Local Government; Local Authority Performance Indicator Report; authors' calculations.

Notes: Data are for 2017 except in the case of population, which is based on the 2016 census. 'Payroll expenditure' is salary & wages, pensions & gratuities, and other. Expenditure by Limerick City & County Council is inflated because of Housing Assistance Payments (HAP) and its role as operator of the HAP shared service centre on behalf of all thirty-one local authorities. 'Own share of revenue' is defined as commercial rates, charges & fees and the LPT (all combined and expressed as a percentage of revenue income), as against income in the form of grants, either specific purpose grants or the equalisation grant.

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