

INTRODUCTION

RÉAMHRÁ

The Finance Directorate is responsible for the following key essential tasks among others.

- (a) Paymaster functions and related Accounting including PAYE, PRSI etc.
- (b) Administration of the Council's taxation obligations/responsibilities - Tax clearance certification, Withholding Tax, Relevant Contracts Tax and so on.
- (c) Commercial Rates, Housing Loans Administration, Billing and follow up.
- (d) Commercial Water Charges, administration and monitoring. The Corporate Directorate assumed full responsibility for billing, customer relations and follow up of payment during 2005. Corporate Directorate is doing this working closely with the Water Directorate at local level.
- (e) Financial systems development and administration. Systems support (functionality, help desks) is an ongoing task within the Finance area in conjunction with the Council's I.S. Department (Hardware, Telecommunications) where necessary.
- (f) Accounting for the financial transactions of the authority in accordance with Generally Accepted Accounting Practice and prescribed standards/regulations. It includes also for assistance to Town Councils under the County Manager in this regard.
- (g) Development of budgetary control systems for both Revenue and Capital and ongoing monitoring of same.
- (h) Treasury Management, Debtors Management, monitoring and cash flow maintenance.
- (i) Line Management of the Council's Internal Audit Function.
- (j) Inter Authority Accounting, General Insurances and Malicious Injuries claims.
- (k) Liaison with Bankers, Local Government Audit Service & Departments of State.

As stated in last year's Draft Budget documents and which I repeat again, like all other Local Authorities in the State the Finance Directorate in Donegal County Council has undergone a period of major change since 1999. Accounting systems have had to be implemented to meet the new requirements in filing our annual accounts which are now akin to practice in the commercial world. At the same time the wider Local Authority Organisation has expanded and developed which in turn has increased both the complexity and diversity of its business. Financial systems processes and procedures need to cope with such change to provide an important support to the organisation. This places an increasing responsibility on Finance staff at all levels requiring them to be competent and skilled in accounting and computer applications.

Value for money in terms of maximising use of Council resources is a desirable organisation objective and to this end the work of the Finance Department in maintaining and improving Budgeting, Budgetary control and other monitoring vehicles is an integral part of the wider organisation work in this regard.

LOCAL GOVERNMENT FUND ALLOCATION FOR GENERAL PURPOSES

The allocation received for 2006 of €38,547,272 (Fin 20/2005 in Appendix 2) represents a 7.88% increase on the amount allocated for 2005.

I set out hereunder levels of allocations received from this source for the past number of years.

LGF ALLOCATIONS 2001 -2006	
2001	€22.800m
2002	€24.198m + 6.13%
2003	€26.160m + 8.11%
2004	€32.356m + 23.69%
2005	€35.733m + 10.43%
2006	€38.547m + 7.88%

NEEDS & RESOURCES MODEL

This model introduced in tandem with the initiation of the Local Government Fund in 1998/1999 continues to provide Donegal County Council with a significant level of funding from this particular 'pot' in the overall Local Government Fund Allocation. The Finance Department, in conjunction with services as required, play a major role in furnishing the requisite information by early September each year to the Finance Unit of the Department of Environment, Heritage and Local Government in advance of the preparations by them for the annual round of Local Government Fund Allocations.

Over the years since its introduction this model has attempted to introduce some level of resource redistribution. It is accepted at this stage that it is far from achieving the necessary equalisation desired across all Local Authorities having regard to needs to be met and Resources available year on year. The model "lags" developments in services and immediate financial requirements for delivery of same.

FINANCING OF LOCAL GOVERNMENT

As Members will be aware the former Minister for Environment, Heritage and Local Government commissioned a new study in terms of the funding of Local Government. Indecon Consultants were subsequently appointed to undertake this study and report to the Minister in due course.

At the time of writing this report is with the Minister for Environment, Heritage and Local Government and is due to be brought to Government with its likely publication shortly thereafter.

As stated by me last year the report of the consultants and subsequent actions by the Government are keenly awaited against the background of the less than satisfactory range of sources of funding that are at the discretion of Elected Members to evaluate and implement.

**FINANCE DIRECTORATE
STIÚRTHÓIREACHT AIRGIDIS**

Draft Budgeted Expenditure:	€15,764,200
Draft Budgeted Income:	€63,754,200

The following pages set out the above as per each Relevant Programme Group.

A large bulk of the Non Pay Expenditure in the Finance Directorate tends to be predominately non-discretionary - Loan Charges, Insurance Premia, Irrecoverable Rates, Mortgage Protection Insurance, Audit Fee, County Enterprise Board Payroll, Contribution to VEC, Malicious Injuries, Agency Services, Contribution to the Debit Balance, Banking Costs, Overhead Funds allocated to other Directorates and these amount to €12,734,500 in total.

Programme Group 1

HOUSING, SOCIAL & BUILDING SERVICES SEIRBHÍSI TITHÍOCHTA, SÓISIALTA AGUS FOIRGNÍOCHTA

Draft Budgeted Expenditure: €5,872,800

Draft Budgeted Income: €1,125,400

(Pages 1-3 of Blue Pages)

LOAN CHARGES - MORTGAGE RELATED LOANS

The Draft Budget includes a figure of €2,434,000 for these loan charges in the Housing Programme for the interest repayable (and the capital deficit between loan repayments to lending agencies and receipts to the Council from borrowers) in respect of a variety of Housing Loan schemes as introduced by various Governments over many years.

There is a corresponding income of €1,125,400 in respect of the interest element of repayments by mortgagees.

The inclusion of interest only plus the funding of the deficit between income from borrowers and repayment requirements to Lending Agencies is in accordance with the New Accountancy Guidelines as issued by the Department of Environment, Heritage and Local Government.

In addition the Council discharges its responsibilities through the Finance Directorate for the accounting, legal and taxation matters relating to this area. Presently we also follow up with mortgage account holders for the repayment of loans.

The Finance Directorate is responsible for the payment of all Loan Charges - both Mortgage and Non Mortgage related - and for the negotiation of loans sourced from other than the Housing Finance Agency. The Housing Finance Agency accounts for the bulk of Local Authority Loans particularly in relation to Housing.

Programme Group 2

**ROADS & TRANSPORTATION SERVICES
SEIRBHÍSI BOITHRE AGUS IOMPAIR**

Draft Budgeted Expenditure: €84,700

Draft Budgeted Income: € Nil

(Pages 4-6 of Blue Pages)

LOAN CHARGES

The Draft Budget for 2006 includes a provision of €84,700 in respect of Loan Charges for Navenny Street Car Park in Ballybofey.

Programme Group 3

WATER SUPPLY AND SEWERAGE SOLÁTHAR UISCE AGUS SÉARACHAS

Draft Budgeted Expenditure: €130,300
Draft Budgeted Income: € Nil
(Pages 7-10 of Blue Pages)

WATER CHARGES

These are dealt with in the report by the Director of Water, Environment and Emergency services.

All income from Water Charges is available to the Water Directorate and budgeted details are set out in Programme Group 3 (Blue Pages 7-10).

COLLECTION OF WATER CHARGES

In 2005 we achieved the objective of the decentralisation of the billing and follow up of Water Accounts by Corporate Staff based on the Local Office working with the Revenue Collectors in each Electoral Area. Corporate Services based in Lifford continues to provide this service for the Stranorlar Electoral Area customers. This now provides an important link at local level between the bills issue, follow up and immediate customer services including issues with respect to quantity/quality of water provided. This inevitably involves staff both technical and front line in the Water Directorate at local area level. This type of linkage while sought at all times, could not be satisfactorily achieved in the old manner of bills issued by Finance and follow up through exchange of correspondence and the like.

Finance Directorate maintains and provides for the delivery of key administration tasks in relation to the Agresso System to assist Corporate Services staff in the Debtors Management duties and in relation to the overall monitoring role which is reviewed continually by me with my own staff here in Lifford. The Draft Budget for 2006 includes a provision of €125,700 in respect of these administration costs.

We continued in 2005 with the services of a Debt Collection Agency based in Dublin to deal with arrears. This has with other initiatives progressed matters and collection of monies which for some customers were on our books for significant lengths of time. As well in addition we are to review early in 2006 Local Enforcement Policies including possibly disconnection of Supplies which will involve Water, Corporate and Finance Directorates working in close harmony.

In 2005 a New Agresso Module for the billing and management of water customers was implemented over a 2-3 month period as part of a National roll out to all Local Authorities. Inevitably this led to delays in the issue of bills and the necessary follow ups. It is likely that arrears levels will be higher at the 31st December 2005 than they otherwise would be. However a concerted effort is underway to redress this position in early 2006.

Donegal County Council is now the Water Authority for the whole county and all bills are issued in the name of the County Council. Where required assistance is obtained from Town Council personnel in this matter such as meter readings, customer databases and the like.

The total amount outstanding for Water Charges at 30th November 2005 is €2.5m.

IDENTIFICATION OF NEW CUSTOMERS FOR BILLING PURPOSES

We have included for an additional 2,500 new customers at fixed charges of €436 to yield €1,090,000 in the 2006 Draft Budget as part of the rollout of the Non Domestic Metering Programme.

In 2005 a lot of progress was made in relation to identification of new customers across the county. In excess of 500 new accounts were issued as a result of ongoing work mainly by Corporate Directorate at the Local Area Offices supported by the Finance Directorate in 2004 and in 2005.

LOANS FOR WATER SCHEMES

The Draft Budget for 2006 includes a provision of €4,600 in respect of Loan Charges for Water Schemes.

Programme Group 4

**DEVELOPMENT INCENTIVES & CONTROLS
DREASACHTAÍ FORBARTHA AGUS STIURADH**

Draft Budgeted Expenditure: €330,000

Draft Budgeted Income: €330,000

(Pages 11-13 of Blue Pages)

COUNTY ENTERPRISE BOARD

The Draft Budget includes €330,000 in expenditure to cover payroll costs of the County Enterprise Board. These costs are 100% recoupable.

Programme Group 5

**ENVIRONMENT PROTECTION
COSAINN NA TIMPEALLACHTA**

Draft Budgeted Expenditure: € 900

Draft Budgeted Income: € Nil

(Pages 14-16 of Blue Pages)

LOAN CHARGES

The Draft Budget for 2006 includes a provision of €900 in respect of Loan Charges for the Fire Service.

Programme Group 6

**RECREATION AND AMENITY
CAITHEAMH AIMSIRE AGUS TAITNEAMHACHT**

Draft Budgeted Expenditure: €139,400

Draft Budgeted Income: € 69,700

(Pages 17-19 of Blue Pages)

LOAN CHARGES

The Draft Budget for 2006 includes a provision of €139,400 in respect of Loan Charges for the Grianan Theatre (€101,800) and the County Museum (€37,600). These costs are 50% recoupable from Letterkenny Town Council.

Programme Group 7

**AGRICULTURE, EDUCATION, HEALTH & WELFARE
TALMHAÍOCHT, OIDEACHAS, SLÁINTE AGUS LEAS**

Draft Budgeted Expenditure: €988,500

Draft Budgeted Income: € Nil

(Pages 20-22 of Blue Pages)

LOAN CHARGES

The Draft Budget for 2006 includes a provision of €962,500 in respect of Loan Charges for Piers and Harbours improvement works.

CONTRIBUTION TO VOCATIONAL EDUCATION COMMITTEE

The Draft Budget for 2006 includes a provision of €26,000 in respect of the statutory contribution to the Vocational Education Committee.

**MISCELLANEOUS
ÉAGSÚIL**

Draft Budgeted Expenditure: €6,136,400

Draft Budgeted Income: €3,150,885

(Pages 23-27 of Blue Pages)

FINANCIAL MANAGEMENT SYSTEM DEVELOPMENTS

The Government Modernisation Programme (including for Local Authorities) sought to improve the efficiency and effectiveness in the operation of organisations and agencies in its remit. The installation of Modern Computer Based Systems allied to best accounting practice has now largely been achieved for Local Authorities. I have in previous years set out the progress we have made from being a pilot site to the completion and publication of our Final Accounts in accordance with the Department's Accounting Guidelines based on a New Code of Practice. As well, like other Local Authorities we are faced in 2006 with the implementation of a new version of the Agresso software suite. This is a major revision and we will be implementing same from April to early Summer in both Donegal County Council and the Town Councils.

The Draft Budget for 2006 includes for the staffing and support of the Finance Directorate to obtain the best outcomes in terms of such new developments and the far reaching change in Accounting Practice when compared to a number of years ago. It is reasonable and fair to say that a lot has been achieved by all Local Authorities in a relatively short space of time and compares very favourably with other Government Agencies in the progression of their Modernisation Agenda.

Internally in 2005 we again made a lot of progress in having Budgetary control Reporting cycles achieved. This entailed constant attention to revisions of the Adopted Budget by specific grants etc. received and working with units of the organisation in having systems maintained on an up to date basis to underpin information accuracy. This puts the organisation in the best position to manage within resources available and indeed make inroads in relation to overspending in the past. The provision of €800,000 towards write down of the Accumulated deficit -see later- is therefore underpinned by ongoing monitoring and control of resources allocated by the Minister for Environment, Heritage and Local Government and the Elected Members.

OVERDRAFT INTEREST

The Draft Budget for 2006 includes a provision for this heading of €350,000 which is €140,000 less than the 2005 provision.

We did not exceed our overdraft limit of €25m for the first 6 months or €35m for the latter 6 months at any stage in 2005.

We continue to make every effort to minimise overdraft requirements which averaged €7.8m throughout 2005. The need for all Directorates to ensure payments/recoupments to the Council are invoiced in good time and followed up in a timely fashion is crucial. The Council is required to manage its cash very closely given the fact of the accumulated over spending on the Revenue Account, the carrying of unfunded Capital balances as well as problems with ongoing recoupments in the Capital/Fixed Asset Formation Account area.

BANK CHARGES

The 2006 Draft Budget includes for a provision of €29,000, for Bank Charges in line with the agreement we have with Ulster Bank Ltd for the period, 1st January 2005 - 31st December 2009. All Transaction costs, Merchant Banking costs, Bank Services including 3rd party costs are included in this agreement. There are no further charges other than overdraft costs for Banking Services.

IRRECOVERABLE RATES

The 2006 Draft Budget includes a provision of €1,196,300 for this heading which in effect is a provision for Bad and Doubtful Debts. This equates to about 6.5% of the rate warrant, which is considered reasonable.

Rates prove irrecoverable for a number of reasons including downturn in economic activity, closure of operations, availability for renting and so on. With the completion of the AFS in recent years Commercial Rates Debtors have been carefully scrutinised and collectable debts have been clearly identified. This information is and will be used to pursue defaulters more intensively for payment. It should be noted that notwithstanding the increased provision for this heading all Commercial Rate Debtors will be vigorously pursued for payment of amounts due, the Council will continue to facilitate all forms of payment and will seek at all times to help ratepayers obtain satisfactory payment schedules thus avoiding unnecessary hardship.

PROVISION FOR WRITING DOWN OF THE COUNCIL'S ACCUMULATED REVENUE DEFICIT of €13.07m at 31st December 2004

The Draft Budget for 2006 includes as for the 2 previous years a provision of €800,000 to deal with this unfavourable situation. It is important that this provision is continued. Preliminary indications for 2005 suggest that we should be in a position to write down the accumulated deficit by a further amount of €800,000. However the definitive position in relation to this will not be determined until substantial work on the Annual Financial Statement for 2005 is completed which is required before 31st March next. This work will include full reconciliations, Determination of Accruals, Provisions and the like.

INTERNAL AUDIT UNIT

€294,900 is included in the Draft Budget 2006 under this heading.

The Unit, with a total staffing of six, provides the Internal Audit service to the Council and to the Town Councils. The Unit helps the Councils to accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Unit's remit is to review systems, report findings and make recommendations for improvement or change as deemed necessary. The responsibility for the implementation of the findings or recommendations arising from the work Programmes of Internal Audit rests with the Managers at the appropriate level in the organisation.

OVERHEAD FUND

This fund is generated from the levying of a percentage on Direct Labour Costs for certain grades in accordance with Circular No. RW 3/307 dated 15th March 1988 as revised by Circular No 15/2005 dated 6th May 2005.

The following table sets out the uses of the monies generated and these are included in each Programme Group as set out. The overall position estimated at the 31/12/05 shows this account to be in balance.

There is a 1% increase on our Insurance Premia for 2006 in respect of Public Liability and the Council is self-insured for any one claim up to €6,500 (excess).

DETAILS OF DISBURSEMENT OF OVERHEAD FUND MONIES

		€
Programme Group 1	Holiday Pay and Sick Pay	58,800
Programme Group 2	Holiday Pay and Sick Pay	830,000
Programme Group 3	Holiday Pay and Sick Pay	336,000
Programme Group 7	Holiday Pay	14,000
Programme Group 8	Insurance	2,353,800
"	Postage	145,000
"	Telephone Bills	90,000
"	Recruitment Costs	85,000
"	Goods & Services General	25,000
"	Contribution to Payroll Costs in Stores	68,000
Programme Group 9	Contribution to IS Costs	200,000
"	Write Down of Capital cost of year 2000 and Euro transition costs	50,000
	TOTAL	4,255,600

It is expected that the write down of Capital Costs as mentioned in the Table should be completed by 2008.

Programme Group 9

**SUPPORT SERVICES/CENTRAL MANAGEMENT CHARGE
SEIRBHÍSI TACAÍOCHTA**

Draft Budgeted Expenditure: € 1,281,200
Draft Budgeted Income: €59,078,215
(Pages 28-30 of Blue Pages)

FINANCE SECTION

Provision in the Draft Budget 2006 includes €1,281,200 expenditure in respect of administration costs in the Finance section.

INCOME

The Draft Budget for 2006 includes €59,024,215 made up of income from Local Government Fund, Rates and County Charge.