

13 December 2006

**Circular Fin 19/2006**

Head of Finance  
Donegal County Council

AN ROINN COMHSHAOL

ODHREACHTA AGUS

RIALTAIS ÁITIUI

DEPARTMENT OF

THE ENVIRONMENT, HERITAGE

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**LGF General Purpose Allocations 2007**

Dear Head of Finance

I am directed by the Minister for the Environment, Heritage and Local Government to inform you that the general-purpose allocation from the Local Government Fund for Donegal County Council for the year 2007 is €41,556,957. Details of the basis for the calculation of your grant are set out below.

**Details of the Allocation**

The allocation for Donegal County Council consists of the following elements:

- An across-the-board increase of 6.18% on your authority's 2006 final allocation. This amounts to €2,382,221.
- A sum of €627,463 via the Needs and Resources Model. The model continues to be used to effect equalisation between authorities on a phased basis.

**Global Valuations/2006 Allocations**

Your Council's income from commercial rates increased in 2006 partly as a result of the global valuation of certain utilities carried out by the Valuation Office in 2005. In the letter notifying your council's general purpose allocation for 2006, it was indicated that a downward adjustment would be made to your 2006 allocation to compensate authorities that lost income due to these global valuations. The downward adjustment advised at that time was €27,089. I am pleased to say that, following a review of the matter, the Minister has decided that the adjustment referred to above will not now be effected. As a consequence, your final allocation for 2006 is €38,547,272. This increase in your final allocation is reflected in your baseline for 2007.

## **Rates and Local Charges**

The allocations now being notified represent a significant contribution towards the current expenditure needs of your authority for 2007. These increases, together with increases in general purpose grants over recent years, far outpace the rate of inflation. Accordingly, the Minister again requests that, in order to support competitiveness in the economy, nationally and locally, and to protect the interests of communities, local authorities should, to the greatest extent possible, ensure that they exercise restraint in setting any increases in commercial rates and local charges for 2007.

## **BIDS Legislation**

The provisions of the Local Government (Business Improvement Districts) Bill 2006, which is expected to be passed by both Houses of the Oireachtas this week will further enhance overall funding available to local authorities in 2007 and subsequent years. This new legislation includes a provision that will make new properties entered on valuation lists liable to a levy from the date of the entry of the valuation of the property on the valuation list. At present, properties whose valuations are entered on valuation lists after the adoption of the local authority budget are not liable for rates until the following year. The entry year levy will be calculated on the same basis as rates. The relevant provisions in the Bill will come into effect on the day the Bill becomes law.

## **Development Contributions**

The Minister wishes to emphasise the importance of providing detailed information to elected members on development levies in the context of the local authority budgetary process. While income from this source has to be used for designated capital purposes, full information on this funding should be made available so that the elected members could take a wider, more comprehensive view of the council's financial position and spending plans at budget time. Local authorities are requested to provide the following information to council members, in the context of the 2007 budget meeting:

- an up-to-date statement of the total balance of income from this source,
- an estimate of the amount of development levies that will be collected in 2007, and
- an indicative statement of the council's proposals on the application of this funding in 2007.

## **Needs and Resources Model**

The Department has, for the 2007 allocations, again updated parameters/targets/weightings in the Needs and Resources Model.

With a view to enhancing the level of information and understanding of the Model, the Department has developed, and will provide to all local authorities, a suite of reports from the Model on the 2007 allocations.

The new reports are:

- An Adjustment Report which is an expanded and revised version of the "Appendix 11" report which issued hitherto. This will allow local authorities to check the statistical details they entered as well as showing how the Model treated each service and will identify potential areas for generating efficiencies in either expenditure or income.
- An "Allocation by Priority" report which will show how funding is allocated by programme group and

These reports will be circulated shortly and will be accompanied by a detailed note on each, as well as details of the target values used for 2007. These reports will complement the comprehensive documentation outlining how the model operates and how allocations are calculated which was circulated earlier this year.

The allocation of the equalisation element of the grant through the model (€627,463 for 2007) was based on data submitted by you. These data are subject to audit. In the event that incorrect data were supplied which led to a greater than warranted allocation, the allocation may be adjusted downwards.

I wish to advise that it is proposed to carry out a review of equalisation under the model during 2007. This review will be carried out in consultation with local authorities. I will write to you further on this matter in early 2007.

## **Value for Money**

In determining the 2007 allocations, the Minister has taken account of the wide range of a range of increasing costs which will arise for local authorities in 2007 including, for example, pay costs. The Minister is aware that many initiatives are now in place to support efficiency and value for money in the local government sector, including the new financial management systems, five-year multi-annual capital investment programmes, value for money auditing and expanding e-enablement.

The Minister is concerned that local authorities continue to widen and deepen their examination of the scope for efficiencies and

rationalisation of expenditure arrangements in all service areas in 2007.

It is intended to build on the introduction of the new financial management systems through the development of a new costing model to deliver enhanced management information, particularly in relation to unit costs. This will facilitate authorities in assessing their unit costs over time and in comparing costs, on an appropriate basis, with other local authorities.

Earlier this year, the Department established a Steering Group to oversee the introduction of a costing system across local authorities, based on pilot work by Kilkenny County Council. The Group includes representatives of local authorities, the Department, the Local Government Audit Service and the Local Government Computer Services Board.

The key deliverable from the project will be preparation of individual local authority budgets for 2008 in the new format for presentation to Councils for adoption. This will require enhanced engagement by all local authorities from the second quarter of 2007. The precise demands on local authorities will become clearer following completion of work in the pilot and validation sites by end April 2007. A further communication on the project will issue in early 2007.

#### **Queries on Allocations/Needs & Resources**

Queries in relation to this circular may be made to the relevant personnel set out in the Appendix attached.

Mise le meas,

A handwritten signature in black ink, appearing to read 'Frank Gallagher', written in a cursive style.

Frank Gallagher  
Principal Officer,  
Local Government Finance Section.