

Réamhrá

Cuirim os bhur gcomhair an Dréacht-Bhuiséad, ar suim de €167,446m é, don bhliain 2007, le go n-aontófaí é agus le go nglacfaí leis.

Saothar mór a bhí i gceist chun an Dréacht-Bhuiséad do 2007 a ullmhú agus a aontú, le é a chur faoi bhur mbráid. I measc na ndúshlán is mó atá romhainn i mbliana beidh gá

1. an róchaiteachas de €12m a laghdú
2. acmhainní an chontae é féin a mhéadú le cothabháil a dhéanamh agus feabhas a chur ar bunstructúr agus ar soláthar seirbhísí sa gcontae
3. dul i gcompháirtíochtaí comh-mhaoinithe 25-50% le deontais stáit
4. tacaíocht riachtanach bhreise a thabhairt d'fhorbairtí eacnamaíochta, sóisialta, cultúrtha agus buntruchtúrtha sa chontae.

Ba mhaith linn aitheantas a thabhairt agus buíochas a ghabháil as an ardh de 7.9% san allúntas ó Chiste an Rialtais Áitiúil, ach caithfear a chur ina luí chomh maith, más mian linn agus más tábhachtach linn na spriocanna atá sa bhuiséad a bhaint amach, tá géarghá lenár n-acmhainní féin a mhéadú, le cur ar ár gcumas é seo a chur i gcrích.

Cé go gcaithfear an Dréacht-Bhuiséad a aontú gach bliain, agus cé nach mbaineann an Dréacht-Bhuiséad ach leis an chaiteachas don bhliain atá le teacht, ghlac an Chomhairle cinneadh tamall maith ó shin gur chóir, agus gur ghá, na feabhsúcháin sna seirbhísí agus san infrastruchtúr a phleanáil agus a acmhainniú thar thréimhse 5-7 mbliana. Dá bhrí sin, tá pleananna 5-7 mbliana á gcur i bhfeidhm againn chun ceithre phríomhchuspóir a bhaint amach, mar atá:

- (a) Feabhsú i gcothabháil na seirbhísí atá againn
- (b) Infheistíocht san Infrastruchtúr le heasnaimh a leigheas agus le freastal ar fhorbairtí úra
- (c) Bainistíocht Sheirbhísí na Comhairle a nuachóiriú agus a bheith chun tosaigh i dtograí úra le seirbhísí poiblí a nascadh le chéile agus iad a nascadh leis an chustaiméir chomh maith agus
- (d) Straitéisí eacnamaíochta agus fostaíochta, agus cultúrtha agus teanga, a fhorbairt trí chomhpháirtíocht le heagrais stáit eile agus le coistí deonacha agus pobail, tríd an Bhord Forbartha Contae.

Maidir lenár ndualgas chun seirbhísí trí Ghaeilge a fhorbairt ar fud an chontae, agus go háirithe dár gcustaiméirí sa Ghaeltacht, tá Scéim Teanga 3 bliana á chuir í bhfeidhm ag an Comhairle Chontae o'n lú Deireadh Fomhar 2005. Tá seo á dheanamh i gcomhar le na Comhairlí Baile sa chontae, faoi Alt 11 d'Acht na dTeangacha Oifigiúla. Pléann an scéim teanga seo le gach gné d'fhorbairt na seirbhíse trí Ghaeilge; oiliúint, eagrú foirne agus earcaíocht, ábhar scríofa, cruinnithe, aistriúchán srl. Tá gach seirbhís de chuid na Comhairle liostáilte agus leagtar síos spriocanna don trí bliana amach romhainn le an chaighdeán seirbhíse atá ar fáil trí mheán na Gaeilge a fheabhsú.

Leanfaidh an Chomhairle leis an chomhoibriú agus leis an chompháirtíocht le hÚdarás na Gaeltachta agus leis an Roinn Gnóthaí Pobail, Tuaithe agus Gaeltachta, agus lena bpáirtnéirí ar an Bhord Forbartha Contae, le forbairt a dhéanamh ar cheantracha Gaeltachta agus le forbairt a dhéanamh ar chosaint, ar fheabhsú agus ar leathnú na Gaeilge mar theanga bheo labhartha sa Ghaeltacht agus ar fud an chontae (mar shampla, An Baile Beo, Pobal le Gaeilge, An Choiste Logainmeacha, buntruchtúr na Gaeltachta, An Straitéis srl)

Maidir leis an bhuiséad ina iomláine, tá mé sásta go bhfuil na hacmhainní roinnte ar bhonn réasúnta cothrom idir na seirbhísí éagsúla agus idir na rólanna/cuspóirí éagsúla a chaithfidh muid a bhaint amach leis an Chontae a fhorbairt ina iomláine.

Mar fhocal scoir, beidh dúshlán mhóra romhainn sa bhliain 2007, agus beidh orainn an Buiséad, mar a bheas sé aontaithe agaibhse, a bhainistiú le cúram.

1. INTRODUCTION

I submit for your approval and adoption the Draft Budget for Revenue purposes in the sum of €167.446m for the Year ending 31st December, 2007 which is an increase of €17.284m (or 11.5%) over last year's adopted budget.

In addition, expenditure of €228.024m is planned on Capital Projects as part of our three year programme which is a decrease of €65.976m (or 22.75%) over last year. Total planned expenditure in 2007 of €395.470m (Revenue and Capital) is a decrease of €44.692m over 2006 (a 10.15% decrease). Nonetheless it represents an increase of €328.19m (or 480%) over what the Council spent in 1994. These figures are very clear indicators of the dramatic growth in the level, range and volume of Council services, projects and capital works over a 13 year period.

The Draft Budget sets out in detail the expenditure required in the incoming calendar year to maintain and improve our services and infrastructure. The Budget also takes a longer term view of the Council's planned operations. It incorporates the three year Capital Programme 2007 - 2009. The Budget also provides the funding to advance implementation of our Corporate Plan adopted in 2005.

As in the Budget 2006, the Council will be pursuing four key strategic objectives which roll over year on year because of their multi-annual nature. The four objectives are as follows:

2. The Four Key Objectives

Objective 1: *To improve the level and standard of maintenance of our existing infrastructure and services*

Our Revenue budget of €167.446m will be largely targeted on this objective. The Budget required to improve the maintenance of our existing services and infrastructure has been prepared in detail by each Director of Service. The scale of the challenge facing each Directorate in maintaining our existing stock of assets and improving them is best understood by reference to the number, scale, length and condition of these assets and the cost of introducing over time a systematic programme of planned preventative maintenance.

The key statistics highlighting the challenges faced by each Directorate in maintaining and enhancing existing service levels are as follows:

- **Housing** - The maintenance of a housing stock of 3,234 houses.
- **Roads & Transportation** - The maintenance of a road network of over 6000 kms.
- **Water, Environment & Emergency Services** - The maintenance of a public water supply network serving circa 32,000 households served from 52 public water supply schemes and a further 6,500 served through group water supply schemes. In addition there are 97 public wastewater schemes to be maintained. Waste Management services are now subject to a highly regulated environment governed by E.U. Directives whilst Emergency Services are to be developed within a new Major Emergency Management Framework.
- **Planning & Economic Development** - Over 9,000 planning applications in 2006 had to be processed, the County Development Plan reviewed, more Local Area Plans prepared before resources needed for enforcement are calculated.
- **Corporate Services** - Over 156,000 motor tax transactions were conducted in 2006, 40,000 persons called to our public service centres, 158,000 telephone calls were received and 27,000 receipts issued. A new Customer Service Action Plan is being developed in 2007 within the context of our decentralised service structure.
- **Community, Enterprise & Cultural Services** - Over €10m (including Peace II funds) was administered by this Directorate's Community and Enterprise Division to fund the activities of 493 projects. The Cultural Division managed over €5.3m to provide a very diverse and expanding range of services relating to libraries, arts, heritage, archives and museum services.

- **Finance** - The installation and use of modern financial accounting and management reporting systems to deal with a 480% increase in spending over the past 13 years and to improve collection rates on all income accounts.

The Budget makes provision to maintain and improve the level and quality of service provided in 2006 for example:

- *The budget proposes an increase of €100,000 from own resources to improve the general maintenance of Non National Roads and to improve our public lighting programme. We are targeting the restoration over a 3 year period of 638kms of Non National Roads (through 580 Road Schemes) across each Electoral Area so that by 2008, 56% of the network of 5,987kms will be restored.*
- *The Budget proposes an increase of €971,800 (7.52%) for the operation and maintenance of water supplies, waste water systems and public conveniences. Government Policy in line with the E.U. Water Framework Directive requires local authorities to charge the full cost of water to non-domestic users by the end of 2006. In line with this policy the charges will be increased from €1.40 per M³ to €1.90 M³ (35%) in 2007 although full cost recovery will not be fully implemented until 2008. It is from these increases that the additional expenditure on Water Services in 2007 will be sourced.*
- *The Budget proposes the maintenance of existing charges for landfill gate fees at €137.50 per tonne. With the reduction in waste going to landfill our income from this source is reducing but at the same time there is a requirement to increase our investment in environmental services (recycling, civic amenity sites, etc.) by €355,400.*
- *The Budget proposes an increase of €1,173,300 for the planning service to help cope with growth in demand.*
- *Significant additional funding from own resources is also provided in relation to the maintenance of Council housing stock, waste recycling and the other priorities in response to demands for higher standards of maintenance.*

Details of the funding available within each Directorate from the €167.44m Revenue Budget to maintain and improve existing services or to cater for increased demand/additional functions are set out in each Director's report. The main highlights will be summarised in a presentation to the Members on Budget Day, January 12th.

Objective 2: *Capital Expenditure - To remedy deficits in our physical and economic infrastructure by increasing capital investment in this infrastructure to cater for existing demand and future industrial, commercial, domestic, social and cultural developments in the County.*

Our three year Capital Programme (which is presented for adoption with the Revenue Budget) will be targeted on this objective. In 2007 the Council has plans to invest €228.024m on capital projects compared to a capital budget of €290m last year (and compared to a capital budget of €22.867m in 1994). The investment will be targeted on making major improvements in roads, water, waste water, telecommunication, housing, marine, social and other infrastructure to cater for existing and new developments and to promote economic growth in the County. The Capital Programmes provided under each Directorate set out comprehensively details of the Projects to be progressed (as prioritised by the Members of the Council). The Budget of €228.024m in 2007 is divided between Directorates as follows:

Directorate	Total	%
Housing	€63,973,000	28%
Roads & Transportation	€52,156,666	23%
W/E/E	€85,923,754	38%
Planning & Economic Development	€5,896,985	2%
C, C & E	€8,250,000	4%
Corporate	€11,823,237	5%
Total	€228,023,642	100%

In Circular Fin 19/2006 relating to the Local Government Fund General Purposes Allocations 2007 the Minister emphasised the importance of providing detailed information to Elected Members on development levies in the context of the budgetary process. While levies have to be used for designated Capital purposes, full information on this funding is included so that Members can take a wider, comprehensive view of the Council's financial position and spending plans. It has been the practice over many years to present our rolling three year Capital Programme (inclusive of development levies) with the Revenue Budget and this has been continued in 2007.

The Council's current commitment of development levies to the Capital Programme is €12,053,684.32 (which is detailed in table 8 of the Director of Planning & Economic Development's report).

Our Revenue Budget reflects the fact that we have to build the capacity to plan and deliver major Capital Works Programmes in Roads, Water Services, Housing, Marine, Town and Village Regeneration and so forth i.e. we need to provide funding for sufficient staff in our planning and design offices as well as Consultants for major schemes.

The Budget also proposes that we spend €1.412m from our economic development fund to co-fund an investment of circa €11.823m to install broadband metropolitan area networks in six towns i.e. Ballybofey/Stranorlar, Bunrana, Carndonagh, Donegal Town, Ballyshannon and Bundoran (the Economic Development Fund will also provide co-funding were required for the community network service (CNS) to support community broadband initiatives to serve rural areas in Donegal).

Details of how the Capital Budget of €228.024m will be spent within each Directorate is set out in the Capital section of each Director's report. The main highlights will be summarised in a presentation to Members on Budget Day, and this will include information on how development levies will be committed to co-fund the Capital Programme.

Objective 3: *To continue with the programme of reform and modernisation of Council services within the wider agenda of Public Service Reform / Delivering Better Government.*

Our Revenue budget in particular makes provision to continue with the reform and modernisation agenda so as to deliver more efficient, better managed and higher quality services, benchmark our costs against market prices, join up the delivery of Council services with other Public Services (using the Public Service Centres) where this is more convenient or cost effective for our Customers, and finally to create and maintain Corporate governance structures and systems that conform to standards of best practice (including standards of Health and Safety, Risk Management, etc).

In Circular Fin 19/2006 the Minister states that he 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 states that he 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, the Minister states, 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.

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.

As Members are aware Donegal County Council is continuing with a major change management and organisation development programme which is focused on all these objectives. It derives from its decision to decentralise service delivery through public service centres and to restructure the organisation and management of services and

management information and support systems to deliver a more efficient and more customer focused service.

Customer Centred Services

Every organisation pays lip service to the primacy of the customer. Despite this, poor customer service is a common experience of customers of both the public and private sectors. The Council's overall or Corporate Customer service strategy has been firstly to relocate the majority of staff dealing directly with customers to five new public service centers and secondly to reorganize the geographical areas served by each of the Council's services delivered from these centres to coincide with Electoral Area boundaries. As a result of progress to date each elected representative can interact directly with staff in each Council department who provide services to the citizens / customers of their constituency. The Area Management Teams delivering front line services to customers account at Electoral Area meetings for the level and quality of service delivered in annual work programmes and from annual budgets. In addition great progress has been made in co-operation with the Town Councils to engage with Elected Members from both the Electoral Areas and the Town Councils for the purpose of the closer integration of Area and Town planning, service planning and shared service provision (e.g. in relation to management of housing waiting lists/strategies to deal with long term rent supplement recipients).

This draft Budget makes provision to build on this customer service strategy so as to make continuous improvements year on year in relation to the level, quality and responsiveness of our services to customers. In particular the 2007 budget proposes.

- The advancement of planning to complete the accommodation programme (Stranorlar PSC/HQ - Phase 2) to complement the work in the existing 5 PSC's.*
- The further development of the concept of outreach customer services in the six electoral areas.*
- The earmarking of 3% of payroll for staff training, management development, health and welfare measures.*
- The completion of the roll out of the Performance Management Development System (PMDS) designed to set performance targets for departments, work teams and individuals, improve work processes and reduce*

response/turnaround times for applications, queries and complaints.

- *Improving the performance of the Council against a set of 42 nationally predetermined service indicators (published by the Local Government Management Services Board in the middle of 2006).*
- *Enhancing the online planning system which currently has an average of 50,000 hits per month.*
- *The launching in early 2007 of a Draft Customer Action Plan. It will focus on the setting and achievement of a further range of clearly defined customer service standards in terms of quality, timeliness and efficiency. The Plan will also provide for the introduction of a formal complaints/appeal system.*

Health, Safety and Welfare (of staff and the public)

- *The making of arrangements to comply fully with the Health, Safety and Welfare at Work Act 2006 and the Safety, Health and Welfare at Work (Construction) Regulations 2006 is a major objective for 2007.*

This new legislative basis for Health, Safety and Welfare at work creates a new governance framework within which the working activities of Clients, Project System Designers, Project System Construction Workers, Contractors and Supervisors/Managers of design and construction working up to Chief Executive/County Manager level have to be planned, organised, delivered and evaluated, irrespective of whether this work is done by direct labour or contract. The implications of this legislation for the setting of standards, for costs, for planning and programming work (including the annual roadworks programme), for enforcement and for the legal liabilities arising for staff and the Council corporately in the event of accidents, injuries or death, are currently being assessed at both a local government sector-wide level and at local level by the Council. While each Directorate has highlighted these implications for their own Directorate it will be important for the Council to seek the full support of the local government sector (through the Local Government Management Services Board) and from the Department in dealing with all the implications including the financial impact. It is also proposed to develop a Corporate response to these

implications within Donegal Local Authorities by incorporating the requirements of this legislation into the development of our overall governance framework and using resources from the training and development, PMDS, organisation development budgets and sections to complement the specialist work of our Health and Safety staff. The purpose of this corporate approach will be to ensure that work processes, practices and procedures, staff training programmes, staff mentoring and assessment systems, all reflect the requirements of Health and Safety legislation.

Joined-Up Public Services from the Public Service Centres

- *An evaluation of Donegal Integrated Service Delivery Project (i.e. the delivery of joined-up public services through our Public Service Centres) was completed by Fitzpatrick Associates, Economic Consultants, in 2006 on behalf of all the partners (Donegal County Council, Comhairle, the Department of Social and Family Affairs, Donegal Citizens Information Services, FÁS and the Health Service Executive). Among the conclusions were: (quoted from the report)*
 - *"Improvements in customer satisfaction levels across all services involved in the project, with two-thirds of customers noting an improvement in quality of service since the establishment of the centres.*
 - *Improved access to public and civil services from a customer's perspective, with evidence of repeat use of centre services and of multiple services being accessed by the same customer.*
 - *Heightened awareness of social and public services by the customers accessing the services in the centres.*
 - *Increases in the number of individuals utilising Citizens Information services in Donegal, particularly in tandem with other public services, resulting in complimentary activities being undertaken in these services.*
 - *High levels of staff satisfaction with the move due to factors including better facilities and an improved working environment, the bringing of work closer to home, and a greater customer focus to their duties.*
 - *A more client-based relationship in the provision of Council services, with smaller, area-based teams able to respond to the needs of customers more effectively.*

- *A positive impact on the local areas in which the centres are based, generating economic effects of increased spend by centre employees, and also significant civic pride due to the location of a new, high quality landmark government building in the location.*
- *The stimulation of a number of successful initiatives focusing on service integration, including the development of the HSE regional information line, a cross-service approach to the Housing Needs Assessment and the ongoing project focusing on the Rental Accommodation Scheme.*

Despite these impressive developments, there remains a feeling amongst stakeholders, both at local and national level, that the project has yet to realise its full potential, particularly in relation to real integration of services. In the long-term the project will only fully realise its potential if it is supported at a central level, and thus activity must now be focused on building up on sufficient confidence at this level in the ability of the project agents to progress this national agenda via practical local initiatives. It is then important that, if such development can be progressed, there is a willingness to support it at national level. If government is committed to achieving real progress with regard to integrated service delivery it must facilitate interagency collaboration via such initiatives as the establishment in Donegal." (end of quote)

It is my intention to pursue the recommendations of the Fitzpatrick evaluation with the partner agencies and with government departments nationally in 2007 in order to secure funding for the next 3 years to ensure that the full potential of our Public Service Centres to deliver joined-up/integrated public services is realised.

Objective 4: Donegal County Council to provide leadership for the overall development of the County :

Donegal County Council will take a lead in promoting the economic, social and cultural development of the County in partnership with other State Agencies, the private sector, the community and voluntary sector and the other social partners

The Council is continuing to take a lead role with all the partners and stakeholders that share responsibility for how the County grows and develops. A key driver of the partnership agenda is job creation particularly since the prediction in 1999 that the County would need over 9,500 new jobs in the period 2000 - 2006 to replace anticipated job losses in the traditional manufacturing sectors in agriculture, in fishing and in other sectors vulnerable to competitive pressures from lower cost economies.

Since 2000 Donegal County Council has continued to support and fund a seven year county-wide development strategy to transform the economy of the County so as to develop more modern higher-value-added economic activities and an occupational structure more comparable to the rest of the Country. The aim is also to rebalance natural-resource-based employment (agriculture, tourism, fishing, forestry and so forth) with new-technology-based indigenous and inward investment based employment. The seven year strategy 2000-2006 coincided with the life of the National Development Plan and was incorporated into the Taskforce Report. The life of this Strategy has now expired.

In anticipation of the expiry of the 2000-2006 Strategy the Council and the CDB made a joint presentation to Government Ministers in February 2005 setting out an up to date position on job losses and gains in the County and on priority actions and investments needed to transform the economy of the County. As a result an Interdepartmental group representing 11 government departments, was set up to identify the various local issues representing barriers to the establishment and operation of enterprises, to take stock of relevant projects and actions already planned or underway, and finally to identify measures that could be taken by the relevant Departments and Agencies to support the environment for enterprise development and to quantify the resources required. The primary focus of the group was on actions requiring decisions at national rather than local level.

It will be important to pursue the investment priorities identified in the IDG Report in 2007 within the context of the National Development Plan 2007-2013. This will be done mainly through the County Development Board structures and through the liaison arrangements made with the Department of Enterprise, Trade and Employment. The 2007 Budget contains provision to do this through the resourcing of the Policy and Research units in the Community and Enterprise Division and through the Partnership structures of the CDB. In addition the Council will continue to use its membership of the North West Cross Border Group (NWCBG) and the Irish Central Border Area Network (ICBAN) to pursue the objectives in Chapter 9 of the IDG Report dealing with North/South Cooperation.

The main (though not exclusive) vehicle through which the Council can provide leadership in promoting the economic, cultural and social development of the County is through these structures of the County Development Board. The Budget proposes the continuation of support for An Strateis which provides a blueprint for the development of the County. There are 62 projects being funded through a range of internal and external sources in pursuit of the objectives in An Strateis (covering a diverse range of activities including economic, marine, forestry, research, youth, health, lifelong learning, community development and so forth as detailed in the Director's report).

A further instrument provided by the Council to support economic development in the County is the Economic Development Fund. Details of the use of the fund are included in the report of the Director of Planning and Economic Development. I am recommending the continuation of a €6.3 million Economic Development Fund in 2007.

The General Development Fund administered by the Community & Enterprise Division is included in the Budget for the Community & Enterprise Directorate. It is recommended that the fund of €540,000 be divided equally between the six Electoral Areas. In addition there is provision to increase other Discretionary Own Resource Funding to act as a leverage for further investments in the County in terms of providing match funding (of either 25% or 50%) on projects, which would not otherwise progress without the Council co-financing.

The budget also includes significant increases for libraries, arts, cultural and heritage services throughout the County as such social infrastructure will play a critical role in the transformation and modernisation of the Donegal economy.

In summary the 2007 combined capital and revenue budget of circa €395.47m has been prepared and structured to pursue these four key strategic or Corporate multi-annual objectives. In turn these objectives are cascaded down into annual work programmes within each Directorate and within each Electoral Area. They also shape the creation of Local Area Plans for towns, villages and rural areas throughout the County where their impact should be seen in every community.

3. Source of Funds for 2007 Revenue Budget

3.1 Our funding requirement for 2007 is €167.446m. The source of funds to meet this requirement as set out in this Draft Budget are as follows:

Source of Funds	Amount	% of Total
• Specific State Grants	€ 60,781,700	37%
• Local Government Fund	€ 41,556,957	25%
• Other receipts	€ 39,673,997	23%
• Rates	€ 19,159,746	11%
• Commercial Water Charges	<u>€ 6,274,000</u>	<u>4%</u>
Total	€167,446,400	100%

In summary, 61% of our required funding must come from Central Government Sources in the form of specific or discretionary grants/funds. The balance must be raised locally from a narrow base of commercial rates, commercial water charges, landfill charges and from housing rents, planning fees and various other miscellaneous sources of income/ receipts.

Note: These % figures include my proposals for increasing commercial water charges and for increasing commercial rates.

Our Funding requirement for 2007 of €167.446m is €17.284m greater than our 2006 adopted budget. The analysis of this increased requirement is as follows:

	€m
▪ Pay/Pension/Staff Increases	8.573
▪ Provision for Irrecoverable Rates	0.804
▪ Other Service Provisions	7.907

Sourcing Funding for Additional Requirement:

▪ State Grants	8.502
▪ Local Government Fund	3.010
▪ Proposed Increases in Commercial Water Charges	0.596
▪ Other Income Adjustments (including rates buoyancy)	4.433
▪ Balance to be funded	€0.743

Notes:

The Head of Finance report includes details of why our additional funding requirement is €17.284m higher than in 2006 and how we bridged the gap to arrive at €0.743m. It includes inter-alia information on:

- The need to compensate for the shortfall of €1.35m against budget from Commercial Water Charges in 2006 due to the non-realisation of income from 2,500 extra accounts anticipated.
- The need to provide a further €0.804m to deal with irrecoverable rates arising from the downturn in some sectors of the Donegal economy.
- The need to compensate for a shortfall of €480,000 in income from landfill charges deriving from a reduction of circa 4,000 tonnes in refuse going to the landfill.

3.2 Local Government Fund Allocation - (€41,556,957 or 25% of overall funding requirement)

As Members are aware, the Local Government Fund was established from combined Motor Tax Receipts and Exchequer Funding. When it was introduced it was intended to provide Local Authorities with a buoyant source of revenue to replace the Rate Support Grant and its replacements (in respect of the loss of Domestic Rates, Domestic Water charges and others), to meet the cost of new functions and services and to 'equalise' the revenue base of Local Authorities by reference to their needs and to the resources at their disposal to meet them. A model has been developed, (Needs and Resources Model), to calculate how the Fund should be divided between Local Authorities (see table below for allocations from the Local Government Fund over the past 7 years which include amounts allocated on foot of the model).

Over the years since its introduction the Needs and Resources model has attempted to introduce some level of resource redistribution but it is accepted that as yet it is far from achieving the necessary equalisation desired across all Local Authorities.

The Council has to ensure that budgets are realistically balanced, (neither overstating likely income nor underestimating expenditure) and that deficits do not arise in 2007 by monitoring and controlling expenditure and income and taking remedial measures if required during the year. The ongoing development of financial and management control reporting has greatly increased our capacity to manage our budgets.

Table: Local Government Fund Allocations 2001 - 2007

Year	Amount	% Increase
2001	€22.800m	N/A
2002	€24.198m	6.13%
2003	€26.160m	8.11%
2004	€32.356m	23.69%
2005	€35.733m	10.44%
2006	€38.547m	7.88%
2007	€41.556m	7.81%

3.3 Overall Budgetary Strategy

- **Strategy for Dealing with Revenue Deficit**

In recent years as part of the Adopted Budget the Elected Members have agreed to make a provision of €800,000 for the writing down of the accumulated Revenue Deficit, which at the 31st December 2005 stood at €12.3m (Source: 2005 Annual Financial Statement). This figure represented an improvement of just over €0.8m on the deficit figure of €13.1m that obtained at 31st December 2004.

The 2006 Adopted Budget made provision to reduce our accumulated deficit by a further €800,000 i.e. to reduce it to €11.5m (about 3% of our planned total expenditure in 2007).

It is clear that we need to continue to reduce this deficit in 2007. However, because of the uncertainty relating to receipts from various sources of income in 2007, I do not propose to budget for the reduction of the deficit by €800,000 this year. Instead I propose to pursue savings/increased income as opportunities arise in the expectation that we can generate a surplus to further reduce the deficit in 2007.

- **Strategy for dealing with Loan Repayments**

In further dealing with this issue I intend as indicated last year to avail of opportunities to use some proceeds from the disposal of surplus assets and the retirement of old mortgage loans (at high rates of interest) to reduce the burden of loans and thus loan charges on the Revenue Account. In the Draft Budget for 2007 I have included a saving of €587,200 in respect of €3.9m worth of old loans at various high rates of interests (from 10-12%) which were redeemed at the end of December 2006.

I am again targeting the repayment at some stage during 2007 of at least €12m on Non Mortgage related loans from asset disposals which will save €1.4m (a full years saving) from 2008.

In summary the total savings targeted in loan charges is €1m. By adopting this strategy the demand on the rates has been reduced by this amount (which is approximately equivalent to a saving of 5.62% on the Annual Rate on Valuation Multiplier). In other words if we did not adopt this strategy we would require a further increase of 5.62% on the rates.

In summary our strategy for dealing with loan repayments will realise the following savings in a full year by 2008:

	€	Savings (Annually) €
2006	2.8m	330,000
December 2006	3.9m	587,200
Before December 2007	12.0m	1,400,000
Totals	18.7m	2,317,200

The rationale for this strategy was incorporated into the original thinking for the funding of the five Public Service Centres i.e. the Council borrowed circa €22m to build them and will fund them by redeeming this loan through the disposal of property no longer needed e.g. the old Council office site in Letterkenny.

I will be working with the Directorates including Finance to ensure our Cash Management will not be compromised by the above initiatives in the short to medium term.

- **Our Strategy to deal with unfunded Capital Balances**

Each Director of Service is currently reviewing the up to date outstanding balance on capital accounts which are unfunded. These balances will remain as a charge on capital account to be funded through future grants for schemes and Development Contributions rather than as a charge on the rates / revenue account.

- **Strategy for providing Own Resource and Matching Funds**

The provision of additional own resource funding is essential if we are to meet the wishes of the Members in relation to increases demanded in the following areas:

- General Maintenance of Non National Roads - an extra €100,000 (net of wage increases) has been provided for such maintenance works as pothole repairs, hedgecutting, street cleaning and so forth. This funding has to come from own resources as part of our arrangements with the DOEHLG to keep increasing own resource provision in line with increases in State Grants.
- Community Development Fund - €540,000 (An increase of €4,100 is proposed on the 2006 provision to provide a fund of €540,000). It is proposed that €90,000 is allocated to each Electoral Area and each area will determine its development priorities, within the agreed guidelines and taking cognizance of legal and multi-annual commitments in place.
- Water Services - Under the Local Government Fund an additional €9,500 was allocated in 2006 to the Council for

improvement/maintenance works of Water Services infrastructure in 2006. However the actual estimated cost for these works in 2007 is €971,800 and therefore, most of this cost has to come from own resources.

- Matching Funds - I am proposing to provide an increase of €50,000 to give €170,000 from Own Resources as matching funds to ensure that we can draw down grants from various sources during 2007 which may require either 25% of 50% matching monies (particularly in respect of works not covered by the DCS).

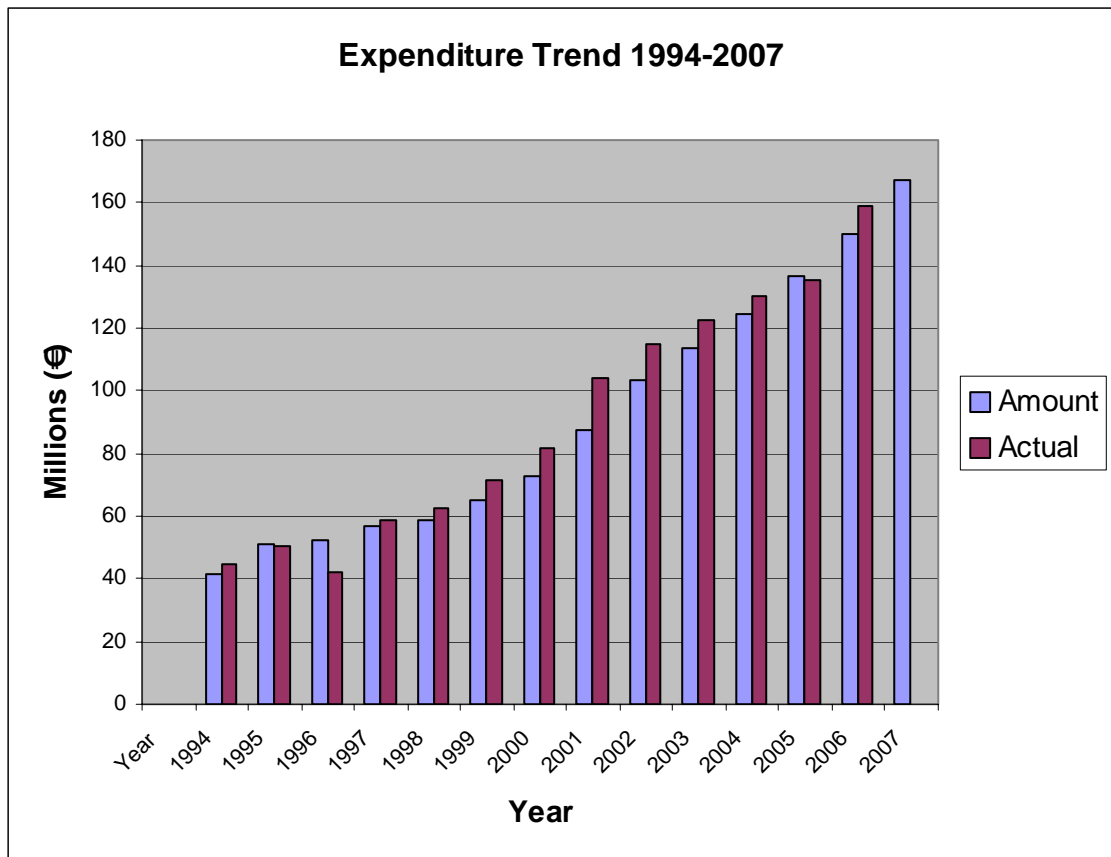
- **Strategies to Increase Efficiency and Value for Money**

In determining the Local Government Fund allocation, the Minister has taken into account the wide range of increasing costs which will arise for local authorities in 2007, including for example, pay costs. The Minister is aware that Local Authorities have taken steps to enhance the efficiency of their operations and to deliver value for money. He wishes to encourage all Local Authorities to continue this process and to widen and deepen their examination of the scope for efficiencies and rationalization of expenditure arrangements in all service areas in 2007. One area which authorities are encouraged to examine is the potential for alternative service delivery arrangements including the potential, where appropriate, of contracting-out services and of sharing service between Local Authorities. In addition, Local Authorities are asked to re-evaluate their operations against the Value for Money Studies which have been completed by the Value for Money Unit of the Department over the years. While there is no line in the budget targeting a saving of €800,000 in 2007 to reduce the accumulated deficit, nevertheless, this reduction in spending will be pursued through opportunistic savings, through increasing income and through efficiency measures.

4. REVENUE EXPENDITURE - TREND ANALYSIS

The following table and graph sets out the Estimated and Actual Expenditure for the period 1994 - 2006 inclusive and the projected expenditure for 2007 as per the Draft Budget. The table shows that our revenue expenditure has increased by approximately 304% in this 14 year period. In the same period, the annual rate on valuation has increased by 75%. This is based on a multiplier of €41.39 in 1994 and a proposed multiplier of €72.64 in 2007. This illustrates the leveraging of significant other funds which our increases on rates has helped to achieve.

	Budget	Actual	Rates	% Funding from Rates
Year	€m	€m	€m	%
1994	41.420	44.413	6.368	14
1995	51.151	50.452	6.860	14
1996	52.361	52.434	7.587	14
1997	56.669	58.708	8.133	14
1998	58.764	62.270	8.847	14
1999	65.024	71.504	9.517	13
2000	72.806	81.753	9.761	12
2001	87.144	103.847	11.135	11
2002	103.172	114.648	12.462	11
2003	113.430	122.865	14.641	12
2004	124.552	130.512	15.074	12
2005	136.543	144.454	16.285	12
2006	150.162	158.667(E)	17.867	12
2007	167.446(E)		19.160	11



5. Review of Financing Local Government

The Minister for the Environment, Heritage and Local Government appointed Indecon International Economic Consultants in association with the Institute of Local Government Studies to carry out a major independent review of local government financing in Ireland.

The Review:

- Projected future expenditure and income of local authorities having regard to existing and emerging demands;
- Appraised the existing system of funding and spending and assessed alternatives and options to ensure a sustainable funding system and financial situation for local authorities over the medium to long term, including the potential for rationalisation of expenditure;
- Examined and identified potential adjustments in service delivery arrangements by the local government system having regard to considerations of economy, administrative and financial efficiency and effectiveness; and
- Made recommendations on the approaches most favoured.

Donegal County Council made a detailed submission to the review and highlighted the views of the Elected Members that :

- the income base for local authorities needed to be widened to relieve the business sector from the burden of annual increases in rates/charges.
- charges should be levied on holiday homes/non principal residences (e.g. for water or by way of property tax).
- planning fee increases should be left to the discretion of local authorities.

The Indecon Report was presented to the Minister for Environment, Heritage and Local Government and published in 2006.

The Consultants' main recommendations are:

- More locally based sources of funding
- Economic charging for local authority services
- A contribution from commercial properties not currently covered by commercial rates, and

- Extension of water charges and the introduction of a new tax on non-principal private residences.

In response to the report, the Minister said that "some of the revenue generating options identified by the Consultants run counter to current Government Policy. The Government, therefore, does not support the recommendations to introduce domestic water charges or to impose a new tax on non-principal private residences."

The Minister pointed out that "there is a considerable degree of natural buoyancy in the current revenue sources of local authorities which will contribute to the demands for additional funds. For example, the valuation base of local authorities is growing continually as a result of our ongoing economic growth and revenue from motor taxation, which is paid directly into the Local Government Fund, continues to increase without any increases in the rates of this taxation."

In addition, on the revenue side, the Minister said that he is introducing legislation which will generate over €15m per annum for local authorities by making new properties liable for rates as soon as they are valued by the Valuation Office as opposed to the current situation where some properties can gain a rates free holiday of up to a year.

In the next section of this report I am setting out an overview of our 2007 Revenue Budget requirement and source of funds and recommending an increase in the Commercial Rates.

6. OVERVIEW

	€m
6.1. 2006 ADOPTED BUDGET	150.162
2006 REVISED BUDGET ¹	157.984
2006 ANTICIPATED OUTURN	158.667
2006 Anticipated over Expenditure	0.683
2007 REQUIREMENT	167.446
EXCESS OF 2007 OVER 2006 (ADOPTED BUDGET)	17.284

6.2 Sourcing Funds to meet Additional Requirement of €17.284m

	€m
State Grants	8.502
Local Government Fund	3.010
Other Income Adjustments (including rates buoyancy)	4.433
Proposed increase in Water Charges ²	0.596
Balance to be Financed	0.743

¹ The revised Budget is equal to the adopted Budget plus amendments to income sources notified and received during 2006.

² The increase of 38% in charges will realise an income of €6.3m in 2007 which is €596,000 greater than budget 2006 derived as follows:

Income 2006 - Commercial fixed charges/metered	€5,678,000
Unrealised (including 2,500 a/cs)	€1,346,800
Outturn 2006	€4,331,200
Increases in Water Charges	€596,000
Increase 2007 - Budget Income	€6,274,000

Despite the 7.81% increase in the Local Government Fund allocations some members will be aware from CPG Meetings that there is a gap between our budget requirement and our anticipated income for 2007. My proposal for bridging the €0.743m gap is set out in the recommendation below.

RECOMMENDATION

I recommend that the Council should raise the balance of €0.743m by a 4% increase in Commercial Rates from €69.85 to €72.64.

**M. McLoone,
County Manager**