

Réamhrá

Cuirim os bhur gcomhair an Dréacht-Bhuiséad, ar suim de €178,944,900 é, don bhliain 2008, le go n-aontófaí é agus le go nglacfaí leis.

Saothar mór a bhí i gceist chun an Dréacht-Bhuiséad do 2008 a ullmhú agus a aontú, le é a chur faoi bhur mbráid. I measc na ndúshlán is mó atá romhainn i mbliana beidh gá dhul on ngleic lus an nithe seo a leanas:

- (i) Tabhairt fíor na costais nua agus méadaithe a bhainfidh le tairgeadh solathar uisle an condae ag eirí as an polasaí nua dearadh, togaíl agus oibriú maidir le bunstructúr na hoibreacha uisce.
- (ii) Costasaí nua agus meadaithe a bhainfidh le aiseanna pobal a fhorbairt chun freastal ar bailiú agus athphroiseáil bruscar.

Ba mhaith linn aitheantas a thabhairt agus buíochas a ghabháil as an ardú de 6.11% 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 agus achmhainní 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
- (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.

Tiocfaidh deireadh le Scéim Teangain Údaráis Áitiúla Dhún na nGall, a ullmhaíodh faoi Alt 11 d'Acht na dTeangacha Oifigiúla 2003, i mí Dheireadh Fómhair. Cuirfear béim ar leith, mar sin, ar na cuspóirí eile sa scéim sin a chur chun cinn, agus ar chur i bhfeidhm eilimintí eile den Acht de réir mar a bhaineann siad le hobair na Comhairle. Is é a bheas i gceist leis seo ná réimse leathan tograí agus dualgas reachtúil ar a n-áirítear oiliúint, aistriúchán, suíomh idirlín dhátheangach, foirmeacha iarratais dhátheangacha, earcaíocht, Scéim Scoláireachta Gaeltachta do dhaoine óga, urraíocht ar dhuais Ghlór na nGael srl. Beidh ar an Chomhairle Scéim Teanga úr a ullmhú i mbliana chomh maith do na blianta 2008-2011.

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 bpáirtneirí 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).

Ba mhaith liom aitheantas ar leith a thabhairt do obair an Coiste Logainmeacha, ait a bhfuil baill tofa an Chomhairle Condae agus na Comhairlí Baile, rannógaí éagsula an comhairle, eagraisí éagsula agus an earnál príomhaideach ag obair le cheile agus ag baint torthaí fuinteacha amach.

Maidir leis an bhuiséad ina iomláin, 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 iomláin.

Mar fhocal scoir, beidh dúshlán mhóra romhainn sa bhliain 2008, agus beidh orainn an Buiséad, mar a bheas sé aontaithe agaibhse, a bhainistiú le cúram. Beidh sábháiltí de seacht chead míle euro le aithint agus le baint amach ins na seirbhísí éagsúla í rith na bliana seo.

Beidh beinn ar leith á chur fresin ar aithint agus usáid foinsí airgidis seachtracha a bheas ag teacht chuig ar reigiú faoin Clár Naisiunta Forbartha, o cistí treas-teorann srl. agus iad seo án nusaíd chun cuspóirí an chomhairle a bhaint amach.

1. INTRODUCTION

I submit for your approval and adoption the Draft Budget for Revenue purposes in the sum of €178,944,900 for the year ending December 31st 2008. This is €11.592m in excess of the 2007 adopted Budget.

In addition, a budget of €309.968m is proposed for the Capital Programme (as part of a three year rolling programme). This is €81.945m in excess of the 2007 adopted Capital Budget.

Total planned expenditure by Donegal County Council in 2008 is €488.913m. This is €93.537m (24%) higher than the combined Revenue and Capital Budget last year. This is by far the largest annual Budget presented for adoption to the Council and is a clear indication of the growth in the range, volume and quality of services provided by the Council and of the increasing level of capital investment in the infrastructure of the County to remedy deficits.

While the Council adopts an annual Budget as part of its statutory responsibility, it continues to frame the annual Budget within a 5-7 year strategic plan to ensure that strategies to achieve longer term objectives are not compromised within the annual budgeting cycles. As a result the Council continues to frame its spending plans in a way which supports four key strategic aims:

1. To maintain and continuously improve our existing services and assets
2. To invest in priority infrastructure to support the growth and development of the County and attract job creating investment
3. To modernise our systems for delivering an improved quality of services to customers in efficient and cost effective ways and in ways which promote consultation with and participation by citizens in decision-making processes
4. To take the lead in partnership with other stakeholders to promote the balanced economic, social and cultural development of the County within national and cross-border spatial plans for the North West region.

The key features of the Revenue and Capital Budget promoting these objectives are highlighted in this report, which also acknowledges the financial constraints in relation to meeting the requirements of individual Directors of Service for additional resources to meet growing demands and pressures on their services.

Revenue Budget: €178.945m

Objective 1: *To maintain our existing assets and services and to target continuous improvement in their standard and quality.*

The draft Revenue budget of €178,944,900 is mainly focused on this objective. The detailed reports by each Director of Service on their revenue expenditure proposals for 2008 describe the scope within their draft budget for maintaining the assets and services we have or for expanding or upgrading their range, standard or quality.

It is not my intention to summarise the contents of each Directors' report but instead to focus on some of the key priorities within each Directorate and on the extent to which various issues, problems and requirements identified by Directors can be addressed in the 2008 Budget.

- **Housing and Building**

The Budget provides for an increase of €138,400 for housing maintenance over the 2007 provision giving a budget of €1.882m to maintain our stock of 3,272 houses. The increase is achieved by using a new arrangement agreed by the DoEHLG to fund repair/improvements to vacant houses from capital. The arrangement gives the Council direct control over internal capital receipts for specific purposes and will allow the Council, for example, to use this source of funding for its contribution to the central heating programme. This will enable the Council to complete the programme in 2008 to install central heating in 887 houses which did not have central heating. Funding of programmes for the revitalisation and management of housing estates continue. Provision is also made to continue the traveller accommodation programme. 35 out of the 47 traveller families in the programme in need of permanent accommodation have now been accommodated. All 47 families have opted for housing.

The Councils contribution to the new housing grant schemes (replacing DPG's and ERG's) has been increased by €515,200 (to €1,204,100) which at a rate of 20% co-funding by the Council would enable us to draw down a grant of circa €6m for the new grant schemes for persons with disabilities and for older persons.

On the income side, rental income is estimated to increase to €6.967m (from €6.205m in 2007).

- **Roads & Transportation**

The total spending (revenue and capital) on Roads in Donegal has doubled over the past 7 years (from €43m in 2001 to circa €86m in 2007). Nevertheless the pressure continues unabated to increase the level of spending further, particularly on maintenance works on local roads. The report prepared by the Director of Service highlights the pressure on his staff to deliver the roadworks programme each year and to do so in an increasingly regulated environment (regulating the management of risk, health and safety and price with the introduction of fixed price contracts in 2008). While the Director's report highlights the restrictions on creating new permanent posts by the cap on permanent staff numbers, the budget provides for the recruitment on a contract basis of a Project Controls Manager (to assist with project managing schemes costing over €100,000) and also for the recruitment of an additional Assistant Engineer or Technician in the Donegal/Stranorlar and the Letterkenny/Inishowen Electoral areas to help with the roadworks programme (a similar post has already been created in Glenties/Milford Electoral area). During the year opportunities for redeployment of resources between Directorates will need to be examined in the context of the comparative workloads and pressures on different services (including roads) and having regard to the order of priorities of the Council. Own resources available for general road maintenance will be €200,000 higher than last year and public lighting maintenance €150,000 greater. The Director has identified a need for circa €17m for road maintenance to deliver an optimum level of service but as this is not achievable a programme of maintenance priorities will have to be agreed.

The three year road restoration programme (2008-2010) targets the strengthening of a further 662Kms of the non-national road network. By 2010 over 60% of the network of 5,987Kms of non-national roads will have been restored. The pressure of delivering a roadworks programme of this scale through 600/700 individual jobs on the annual roadworks programme will also need to be reviewed to evaluate whether a smaller number of larger jobs would provide better value for money for the Council. The ambitious programme of the non-national road design office set out in the Director's report describes the key priority projects at design stage. Our road safety policies and the campaign of the cross-agency working group will be further intensified in 2008 in an

attempt to reduce death and injury on our roads (we had 22 fatalities in 2007 as at 13th December 2007).

- **Water, Environment & Emergency Services**

Water Supply and Sewerage

The draft Budget for 2008 of €23.258m is €4.25m greater than last year (a 22% increase). Funding this increase was one of the big challenges in preparing the 2008 draft Budget. The costs of funding and maintaining the new non-domestic metering system, new treatment plants/networks e.g. new DBO wastewater plant for Donegal Bay Group, as well as the costs of complying with higher quality controls for water supplies and increased environmental standards for wastewater disposal is creating unprecedented challenges for the Council in sourcing the funding and balancing the budget. Details of the costs are set out in the Director's report and the blue pages (7-10). Amongst the major cost drivers is the annual operating costs of DBO schemes e.g. Donegal Group A Wastewater treatment plants and sludge hub will cost €1.7m annually to operate.

The Director's report sets out in some detail the additional costs in 2008 which have to be recovered from the non-domestic sector under the polluter (user) pays principle. Based on a consumption of 3.6 million cubic metres by the non-domestic sector in 2008, the template for calculating costs yields the following unit costs in 2008:

Combined water/wastewater charge:	2.41 per M ³ (from 1.90M ³ in 2007)
Water only	1.45 per M ³
Waster water	0.96 per M ³

Fixed Charges:
€400 (water and wastewater)
€350 (water only)

It is acknowledged that this 26% increase represents a significant burden on the business sector but the Council has no option under EU Directives transposed within our jurisdiction but to implement full cost recovery from non-domestic consumers.

These charges will provide revenue of €8.495m in 2008 (compared to €6.274m in 2007 adopted budget). This still falls short of the estimated cost of providing these services to the commercial sector (at €9.16m).

This revenue also leaves a significant shortfall between income and expenditure overall for providing services to both the domestic and non-domestic sector. This shortfall is being bridged by including €1m as income by way of grant aid towards DBO scheme costs in 2008.

In a letter of December 20th 2007 from the Assistant Secretary, DoEHLG, we have been informed that the Minister will be allocating €23.4m as a direct contribution to Local Authorities associated with the operation and management of water services. Details of this allocation have yet to be announced so we have no commitment to any particular level of allocation notwithstanding the fact that we have included income of €1m in the Budget as grant aid from the DoEHLG.

Environmental Protection (programme Group 5.)

Members will see from details in the blue pages (p.15) that the draft waste disposal programme budget for 2008 is €6.140m. This is €1.06m greater than last year (a 20% increase) and bridging this gap is another significant challenge. These costs arise from inter-alia the higher environmental standards required to operate landfills and from the levels of subsidy needed to operate civic amenity sites (€890,100 in 2008 compared to an approved budget of €650,000 last year). It is proposed to maintain the landfill gate fee at €137.50 per tonne which will generate an income of €4.434m. A more comprehensive review of other areas of environmental services described in the Director's report will be presented on Budget day.

- *Planning & Economic Development*

The focus in 2008 will be to fund the full year cost of increased resources agreed in 2007 with a view to allocating additional dedicated staff resources to each electoral area to deal with planning enforcement. The reduction in applications for multiple housing and single housing developments in 2007 to more sustainable levels should enable a more comprehensive and improved planning service to be delivered in relation to development management generally (i.e. dealing with planning applicants, enforcement of planning conditions as well as unauthorised developments).

The Central Planning Unit's programme of planning policy development and County, town and local area development will continue to be under pressure in 2008 because of the ambitious programme of development

planning and review (the programme is outlined in detail in the Director's report). The UB1 policy review will continue as a key priority in 2008.

Another major objective of the planning service in 2008 will be to reduce the level of invalid applications (average 18% countywide but reaching a high of 34% in Letterkenny). The other major objective will be to tackle unauthorised development using every measure available.

- ***Community, Enterprise & Cultural Services***

The draft budgeted expenditure of €9.5m (approx) covers expenditure in the two divisions of this Directorate - Community and Enterprise and Cultural Services. The total development fund of €1.38m (programme group 6) covers the general fund (€540,000 with an equal allocation of €90,000 to each Electoral area), Members fund (€184,100), tourism development (€88,000), tourism marketing, bursaries, etc. These funds continue to leverage significant additional investment when used for co-funding e.g. the Fáilte Ireland soft infrastructure investment of €954,200 on projects like Sliabh Liag, Inch Lake, Walking Trails, etc, is co-funded from the general development fund. It is proposed to maintain these development fund budgets in 2008. A wide range of other economic development projects will continue to be funded through the provision of circa €800,000 in programme group 4 e.g. for Marine Leisure projects, Forest Link, Walking route maintenance, as well as supporting cross-agency actions through the County Development Board. The Director's report describes the huge diversity of economic and social development activity being funded through this division including arrangements to bid for and draw down funding under Peace III and Interreg IV funding programmes from 2008.

The Cultural Service division funding in programme group 6 covers Libraries, Arts, Heritage, Archives and a range of other cultural activities with a total budget of circa €6.45m. Over 6,100 visits to public libraries in Donegal were recorded during one week in 2007, an increase of 41% for the same period in 2002. The increase reflects the payback on investment in recent years in the Library service and the co-location of libraries with other public services in Milford, Carndonagh and Bundoran.

Taobh Tíre outreach service in partnership with local communities has over 1,400 new members. The new Arts Centre is an iconic new building in Letterkenny and the relocation and expansion of services to this

centre represents the culmination of some 20 years of work for some of the staff involved. €80,000 is provided in the Budget for the strategic partnership revenue fund (an increase of 33% on the 2007 provision) to support a strong independent Arts sector throughout the County. The wide range of arts and cultural events and festivals planned for 2008 will again boost economic activity in the County as well as supporting the development of arts and culture. A more comprehensive review of the diversity of services and funding sources as set out in the Director's report will be presented on Budget day.

- **Corporate Services**

The draft budgeted expenditure of €30.8m includes a number of large fully funded services e.g. circa €12m in programme group 7 for Higher Education Grants (circa €6m and VEC pension administration at circa €6m) is fully recouped from the Department of Education and Science and the VEC respectively. The Director's report describes some new services to be provided by motor tax (provisional licences/learner permit holders), non-domestic metering service to customers (a charter for service provision to non-domestic customers) as well as an improved level and range of services from the public service centres. A provision of €270,000 to implement a new integrated Human Resource (HR) system is included covering such modules as leave and time and attendance, payroll, superannuation, performance management, etc. The implementation of this system will greatly assist the pursuit of our efficiency/cost reduction programme.

- **Finance**

The Director's report highlights the urgent need for a review of the needs and resources model within the Local Government Fund to effect a major redistribution of resources to Counties like Donegal under the 'equalisation' provisions in the model. The intention of 'equalisation' is to compensate Counties with a weak revenue-raising base (e.g. from rates buoyancy). The report also deals with the impact of asset disposals on our bottom line (redemption of high interest loans from asset disposals has resulted in full year savings of €2m on loan charges). The Council's commitments in relation to loans, repayments, cash management, provisions for irrecoverable rates (circa €2m) as well as bad and doubtful debts is described comprehensively in this report. Finally, the report deals with the change in overhead charge on direct labour costs (from 35% to 44%) to make adequate provision in our overhead fund monies for insurances, holiday and sick pay, superannuation costs, etc.

Capital Budget: €309.968m

Objective 2: *Capital Programme: To continue our multi-annual capital programme to remedy deficits in physical, economic and social infrastructure in the County.*

Our three year Capital Programme is incorporated into the reports of Directors of Services for adoption as the 2008 - 2010 multi-annual capital programme. In 2008 a budget of €309,968,000 is provided for the capital programme set out in the table below:

Directorate	Total	%
Housing	€68,300,000	22%
Roads & Transportation	€52,950,000	17%
W/E/E	€177,193,000	57%
Planning & Economic Development	€4,195,000	1%
C, C & E	€7,330,000	3%
Total	€309,968,000	100%

The three year capital programme estimates spending at circa €850m (2008 - 2010) compared to €787m (2007 - 2009) predicted in the 2007 budget. Most significantly the co-funding requirement on Donegal County Council (from development levies, loans and charges) has increased to circa €128m (2008 - 2010) as compared to €67m (2007 - 2009) in last year's adopted budget. This is an enormous challenge for the Council which I intend to examine in more detail when we come to review the Development Contribution Scheme.

In this report, however, I wish to focus on the 2008 part of this 3 year programme. The following are some of the key highlights/issues for 2008:

Housing and Building:

- Estimated total capital spend for social Housing in 2008 will be €30.5m to fund 525 housing units under construction. A further €11.5m is budgeted to fund 90 voluntary housing units. A further 45 affordable housing units are planned. Details of the capital programme are incorporated into the Director's report as is up to date information on the composition of the current waiting list for housing.*

Roads and Transportation:

- *The estimated capital spend on the national and the non-national road network in 2008 is €29.8m, details of which are included in the Director's report and the briefing document presented to the National Roads Authority on December 7th 2007.*
- *The next phase of take over of housing estates requires funding of €504,495 - including writing down a debit of €194,995 at 24th October 2007. The policy/specifications for take over has recently been reviewed by the Council and will be implemented this year.*
- *The major issue is co-funding the capital programme for marine developments, including piers and harbours for which the Council will have to provide co-funding of €1.8m in 2008. It will be necessary to ensure that co-funding monies are available for Greencastle Harbour Development through a supplementary Development Contribution Scheme.*

Water, Environment and Emergency Services:

Water and Waste Water Services:

- *The schemes to start under the Water Services Investment Programme (Major Capital Schemes) in 2008 are listed in the Director's capital report. The estimated total costs of the Major Capital Schemes in 2008, including existing commitments is circa €137m. Details for each Electoral Area are also included in the Director's report.*
- *Details of plans under the Serviced Land Initiative and the Water Conservation and Rural Water Programmes are also outlined in great detail in the Director's report.*
- *The key issue for the Council is the implications of the water services pricing policy for our co-funding requirement. Estimates of the co-funding needed from the Development Contribution Scheme and from the Non-Domestic sector is €16.3m and €19.7m respectively with the details being set out in table 3 of the Director's report.*

Fire Services:

- *10 new Fire Stations in Merville, Dungloe, Glenties, Killybegs, Carndonagh, Donegal Town, Letterkenny, Falcarragh, Bunrana and Milford have been opened since 1998, representing an investment of €9.68m. A further two stations are under construction at Stranorlar and Gweedore. A capital appraisal has been completed as requested by the Department in accordance with Department of Finance guidelines in relation to the provision*

of new fire stations in Ballyshannon and Bundoran. A decision in relation to this appraisal is awaited.

- *Planning permission is being sought for the provision of a new fire station in Glencolumcille. This will then complete the Fire Station Programme.*

Planning and Economic Development:

- *The capital investment programme being funded by the revolving Economic Development Fund (€6.4m) in 2008 is set out in the Director's report and includes Lifford Common, Stranorlar (Masterplan for Brogan's field), Barrack Hill, Carndonagh and the completion of the broadband programme.*
- *The Fund also provided the Council with the means to purchase the site (costing €1.2m) which is now home to the new Regional Sports and Leisure Centre in Letterkenny.*
- *Details of the total levies raised under the Development Contribution Scheme are also set out in the Director's report. The total charges raised to date are circa €25.5m (made up of general charges of €19.7m and specific charges of €5.8m) of which over €15m has been collected and payment agreements have been made for a further €6m - €21m in total.*
- *€16.5m of the €25m raised has been transferred to the services as follows: Roads and Transportation - €3.6m; WEE - €10.3m; CCE - €90,000 and Planning and Economic Development - €2.5m.*
- *The major programme of urban and village regeneration is also progress reported up to November 2007 in the Director's report and covers, Merville, Burtonport, Ballybofey/Stranorlar, Rathmullan, Ballyshannon (Fairgreen and Mall Park), Ardara, Kilcar, Killybegs, Magheroarty, Bunbeg/Derrybeg, Milford, Castlefin, Raphoe and Convoy.*

Community, Culture and Enterprise

- *The capital programme for this Directorate is categorized in the report into Core Functions (e.g. cultural services), Community Infrastructure (e.g. playgrounds) and Economic Infrastructure (e.g. marina development).*
- *The indicative budget for 2008 for the library for Donegal Town is €1.4m and €1m for the Council's contribution only to the Aislann Gaoth Dobhair (in partnership with Udaras na Gaeltachta). The projected cost to be incurred in relation to Teach Cathal Uí Shearcaigh in 2008 is €260,000.*

- *It is projected that there will be a capital investment of €360,000 for walking routes in 2008 and details are included in the Director's report.*
- *€540,000 is projected to be spent on playground development in 2008. Details of the 17 locations which playgrounds have been opened, are under construction or are planned are listed in the Director's report.*

Corporate Services

- *Circa €16m has been spent on the installation of Metropolitan Area Networks in 7 towns in the County, i.e. Letterkenny, Ballyshannon, Bundoran, Donegal, Ballybofey/Stranorlar, Carndonagh and Buncrana. Co-funding of circa €1.7m was provided from the Council's Economic Development Fund. The next priority is to secure backhaul connections to these networks in order to make them operational and then to work with the managed services entity (when it is appointed) and the Department of Communications, Energy and Natural Resources to promote the networks locally and fast-track applications for connections to services.*
- *The Council has also contributed €75,000 to the Community Network Services (CNS) - Rural Broadband Services Programme. Details of the scheme are set out in the Director's report.*

Review of spending programmes to achieve savings.

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 while reviewing spending plans to achieve savings.

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).

Savings of €900,000 have been targeted against baseline costs in 2007 in order to balance the draft 2008 Budget. The cost reduction measures include; reduction of temporary/contract posts for leave replacement/cover; reduction of absenteeism; reduction of travel and subsistence costs (€200,000 which represents a 12.5% reduction in the adopted budget for 2007). These initiatives are in line with the request on Budget day by the Tainaiste and the Minister for Finance to review spending programmes.

In a letter dated December 21st 2007 from the Assistant Secretary, Department of the Environment, Heritage and Local Government, (copy attached as appendix 5) the Council has been asked to review all spending programmes as a follow up to the budget day announcement to achieve expenditure savings in 2008 and subsequent years. The Department of the Environment, Heritage and Local Government has asked us to undertake an immediate and urgent examination of our Local Authority's activities with a view to identifying areas for possible efficiency gain.

In drawing up a schedule of possible measures, and in addition to any areas the Council considers relevant, the Department has asked us to give specific attention to the scope for efficiencies with regard to the following:

- *rationalisation of management structures, administration and services, elimination of any overlaps or similarity of functions and modalities of delivery*
- *sharing of services as appropriate between county and sub-county level in our area and with other local authorities*
- *sharing (including procurement) and more efficient use of back-office services such as accounts and payroll, IT, legal, travel etc.*
- *efficiencies in transactional services including collection of fees and charges, provision of benefits, collection of data, and registration/licensing functions.*

While the Government have indicated that protection of front-line services is a priority generally, the Minister has been asked to ensure that no area of spending or activity should be excluded from the efficiency review.

As has been the practice in recent years, all measures within Donegal Local Authorities to introduce increased efficiencies and improved work practices are discussed with the County and Area Partnership Committees. These measures will also be reviewed in the context of the Towards 2016 agenda which relates pay increases to productivity measures and which are subject to review as part of the performance verification process.

The work of reviewing spending programmes and of identifying the potential for reducing costs and improving performance will be greatly assisted in this Council by the ongoing work underway to implement new information systems and technologies and to manage changes in working-arrangements (including work-activities/practices, working-relationships and work objectives) which will ensure that investments in new systems and technologies are used by staff to deliver the full benefits. The installation of the HR and Costing systems in 2008 will provide the vehicle to test our change management/organisation development methodology further.

Developing the County within national/cross-border plans for the North West region.

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.

Some of the key developments since 2000 which impact on how the Council pursues the wider agenda of developing the County are set out below. The opportunities for funding, for cross-border working or for partnering with other stakeholders in the County arising from any of these developments will continue to be pursued by the Council with help from all Directorates but with specific support from key resources in Community and Enterprise such as our Strategic Policy Unit, Research and Development Unit and various Project Managers/Leaders in different fields (marine, energy, forestry, walking, etc).

Key developments

- ***Establishment of Donegal County Development Board (2000) and the launch of An Straiteis: The Integrated Donegal County Strategy for Social, Cultural and Economic Development 2002 - 2012***

- *Submission by Donegal County Council and Donegal County Development Board on the provisions of the National Spatial Strategy 2001*
- *Identification of Letterkenny / Derry as a linked gateway in the National Spatial Strategy (NSS) 2001*
- *Joint presentation with regard to regional development priorities by Donegal County Council and Donegal County Development Board to An Taoiseach and Government Ministers in February 2005*
- *Announcement by the British/Irish Inter-governmental conference of a North West Gateway Initiative in May 2006*
- *Report of the Inter-departmental Working Group on County Donegal (published July 2006)*
- *Submission by Donegal County Council to the North West Gateway Initiative (October 2006)*
- *Announcement of a €300M Gateway Innovation Fund in July 2007 and submission in November 2007 of proposals seeking €47.66m from the fund*
- *Submissions for Peace III Funding*
- *Submissions for Interreg IV Funding*

Some details on these developments are set out below and many continue to be pursued because of their strategic importance for the development of the County.

- *Submission by Donegal County Council to the North West Gateway Initiative (October 2006)*

Following the announcement of the NW Gateway Initiative, Donegal County Council prepared a submission which set out the key local spatial planning frameworks from the perspective of Donegal County Council and considered the top development objectives by sector, many of which require cross border co-operation for their implementation. Many of these investment priorities are mirrored across the four Council areas (Donegal, Derry, Limavady and Strabane). Investment priorities that are required to

develop the Letterkenny - Derry Gateway were set out based on the "Implementing the NSS: Gateways investment Priorities Study 2005"¹ which highlighted the key characteristics of a successful gateway. These priorities were set out in the areas of :

- 1) Economic infrastructure*
- 2) Enterprise and economy*
- 3) Labour force, skills and RTDI*
- 4) Quality of life*
- 5) Local capacity and leadership*

Of particular relevance in the submission are priorities relating to:

- Inter-urban road priorities (Derry - Letterkenny - Dublin; Derry - Belfast; East - West links)*
- Public transport links between gateways (rail, bus corridors)*
- Cross border open access resilient telecommunication links*
- Upgrading of existing inter-connectors (Letterkenny - Strabane; New 110kv Derry - Letterkenny)*
- Targeting of more jobs in the service, knowledge based, and tourism and natural resources sectors*
- Raise skills and qualifications levels*
- Expansion of existing Research and development facilities for the region, investment in alliances and partnerships, and involve private sector*
- Provision of adequate community and social infrastructure in the region*

A working group of officers under the auspices of North South Ministerial Council are tasked with advancing this initiative. The next step is the publication of a non-statutory cross-border spatial planning framework for Donegal, Derry, Limavady and Strabane, followed by a sectoral investment strategy to pursue the objectives in the spatial plan.

- Gateway Innovation Fund*

Donegal County Council has made an application in November 2007 to the Gateway Innovation Fund (GIF) that will complement investment on the northern side of the border and provide an important investment in infrastructure in the northwest region. This application has been made in

¹ Implementing the NSS: Gateways Investment Priorities Study" conducted by ICLRD, Brady Shipman Martin and Fitzpatrick Associates (December 2005)

consultation with, and with the support of key stakeholders in Northern Ireland.

The submission sought Gateway Innovation Fund investment of €47,665,765. The total investment envisaged is €68,279,207 which will require leveraging of circa €21m (or 43% matching local funding).

As Members are aware from the documentation circulated to them the investment is being sought for 4 projects which require cross-border actions with Derry to develop the linked gateway strategy. The projects are:

- (i) Urban Regeneration & Transport Hub*
- (ii) Science & Technology Research Facility*
- (iii) Gateway Incubation & Innovation Centre*
- (iv) Donegal Discovery Centre - major tourism attraction*

- **Report of Inter departmental working group**

An up to date submission was made in December 2007 to the Department of Enterprise, Trade and Employment (through the liaison officer) on progress in implementing the key objectives set out in this report and on the need to accelerate progress on some of the outstanding infrastructure priorities.

- **Submission for Peace III funding**

The Council is engaged with the other five border Counties, SEUPB and Cross-Border partners in discussions on the guidelines and assessment framework for Peace III including the CDB sub-structure/task force, public consultation arrangements and the preparation of an action plan in the first quarter of 2008. If the 6 border Counties were to received 25% of the first tranche of 3 year funding (estimated to be €50m) then we would be dividing roughly €4.5m annually between the six Counties i.e. circa €0.8m to €1m per annum for Donegal.

- **Submission for Interreg IV funding**

The Council is engaged in discussions through ICBAN and NWRCBG with SEUPB on the governance arrangements for the management/administration of Interreg IV funding and on the preparation of a multi-annual plan for the areas covered by the fund e.g. enterprise, tourism, collaboration, infrastructure, etc.

3. Source of Funds for 2008 Revenue Budget

3.1 Our funding requirement for 2008 is €178,944,900. This is €11,591,684 or 6% greater than in 2007. 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	€ 62,428,200	35%
• Local Government Fund	€ 44,097,787	25%
• Other receipts	€43,131,223	23%
• Rates	€20,792,690	12%
• Commercial Water Charges	<u>€8,495,000</u>	5%
Total	€178,944,900	100%

It should be noted from the table below that while our total revenue expenditure has increased by 304% from 1994 - 2007, the increase in the rate in valuation (multiplier) has increased by 74.66% in the same period. This means that our revenue expenditure has been over 4 times higher than the rates increase.

Year	Budgeted Revenue Expenditure €M.	Annual Rate Multiplier on Valuation
1994	41.420	41.39
1995	51.151	43.05
1996	52.361	44.78
1997	56.669	47.02
1998	58.764	48.90
1999	65.024	50.37
2000	72.806	52.38
2001	87.144	55.52
2002	103.172	58.30
2003	113.430	61.51
2004	124.552	64.59
2005	136.543	67.82
2006	150.162	69.85
2007	167.353	72.29

Increase in Expenditure (1994 - 2007)
= 304.04%

Increase in Rate on Multiplier on Valuation (1994 - 2007) = 74.66%

Our Funding requirement for 2008 is €11.592m greater than our 2007 adopted budget. The analysis of this increased requirement is as follows:

	€m
▪ Pay/Pension/Staff Increases	3.709
▪ Provision for Loan Charges	1.363
▪ Provision for D.B.O.s, licensing of WW treatment plants, etc	2.859
▪ Other Service Provisions	3.661

Sourcing Funding for Additional Requirement:

▪ State Grants	1.647
▪ Local Government Fund	2.541
▪ Proposed Increases in Commercial Water Charges	2.221
▪ Other Income Adjustments (including rates buoyancy)	4.191
▪ Balance to be funded	0.992

3.2 Local Government Fund Allocation - (€44,097,787 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 5 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.

Table: Local Government Fund Allocations 2001 - 2008

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	€41.557m	7.81%
2008	€44.098m	6.11%

3.3 Overall Budgetary Strategy

- **Strategy for Dealing with Revenue Deficit**

In recent years, although not in 2007, 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 2006 stood at €11.478m (Source: 2006 Annual Financial Statement). This figure represented an improvement of just over €0.778m on the deficit figure of €12.256m that obtained at 31st December 2005.

However, every effort has been made in 2007 to contain expenditure within budget and to deliver efficiency savings. It is too early yet to forecast the final outturn for 2007 but I am hopeful that we will be able to make some reduction in the deficit in 2007. It is not possible in the draft budget in 2008 to make specific provision for the further reduction of our accumulated deficit.

- **Strategy for dealing with Loan Repayments**

The strategy in 2007 for reducing loan repayments has been successful as outlined in the Head of Finance report, i.e. we have reduced loan repayments by around €2m. There is no proposal in the draft budget 2008 to redeem any further loans through the disposal of assets. A detailed review of our assets, including disposable assets, is currently underway together with our requirements for the investment of the assets in new developments/buildings.

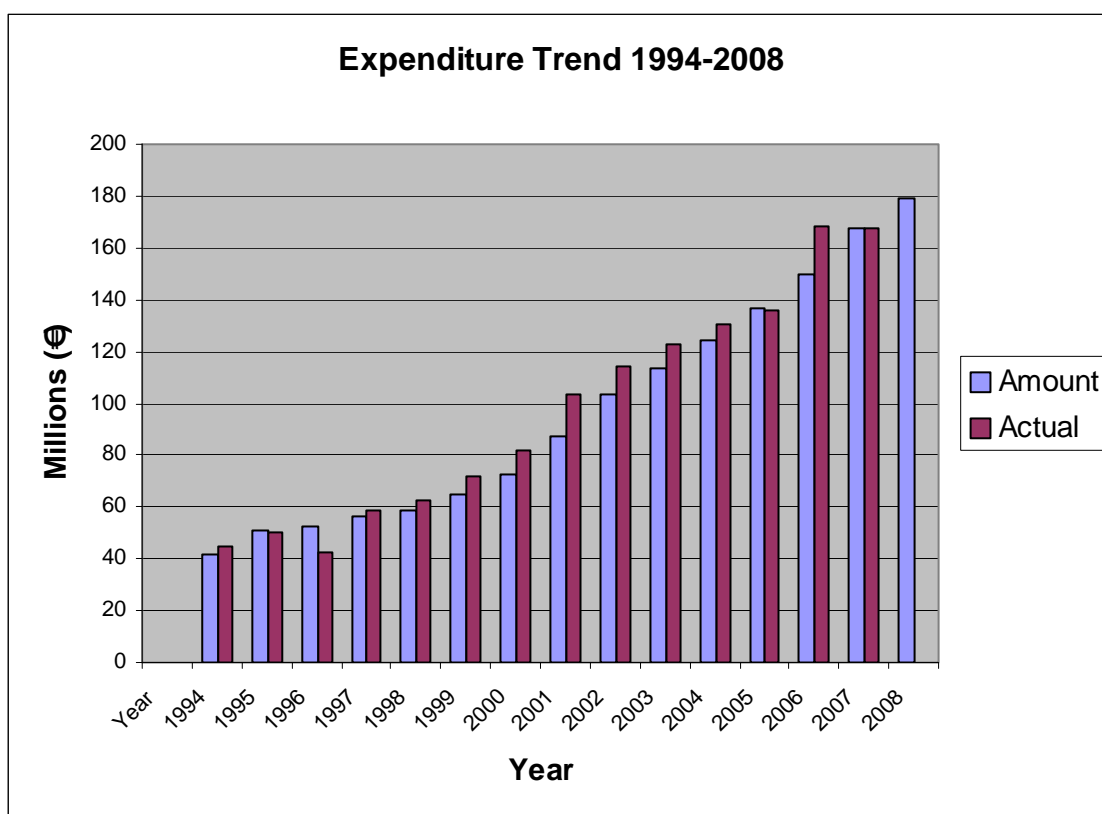
- **Our Strategy to deal with unfunded Capital Balances**

Each Director of Service has been reviewing the up to date outstanding balance on capital accounts which are unfunded. These balances will remain as a charge on the capital account to be funded through future grants for schemes and Development Contributions rather than as a charge on the rates / revenue account. This strategy will continue in 2008.

4. REVENUE EXPENDITURE - TREND ANALYSIS

The following table and graph sets out the Estimated and Actual Expenditure for the period 1994 - 2008 inclusive and the projected expenditure for 2008 as per the Draft Budget. The table shows that our revenue expenditure has increased by approximately 330% in this 14 year period. In the same period, the annual rate on valuation has increased by 83%. This is based on a multiplier of €41.39 in 1994 and a proposed multiplier of €75.90 in 2008. 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	168.017	17.867	12
2007	167.353	167.820(E)	19.067	11
2008	178.945(E)		20.793(E)	12



5. Review of Financing Local Government

In the budget 2007, I updated the Members on the status of the Indecon Report. The Indecon Report was presented to the Minister for Environment, Heritage and Local Government and published in 2006.

The Consultants' main recommendations were:

- 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 then Minister pointed out that many of the recommendations ran counter to government policy at that time and would not be supported, e.g. domestic water charges, tax on non-principal private residences.

In July of 2007 following the formation of the new Government in June, a programme for Government was published. The following extracts from

the programme relevant to the reform and financing of local government are relevant.

Green Paper on Local Government Reform - Extract from the Programme for Government.

"A Green Paper on Local Government Reform will be published within six months of coming into office. This Green Paper will examine the following areas:

- Ensuring proper balance of power at local levels between the Manager and the Elected representatives.
- The issue of directly elected Mayors/Chairs.
- The establishment of Town Councils in those towns that have shown significant population growth in recent years (including the upgrading of the former Town Commission towns, where appropriate to full Town Councils).
- The provision of quality customer service to the public.
- Expenditure limits at local elections".

In September 2007, Mr. John Gormely, T.D., Minister for the Environment, Heritage and Local Government set up a Consultative Committee on the Local Government Reform Green Paper. The Members include representatives of ACCC, AMAI, LAMA, CCMA, Government Departments and Ministerial nominees. I was one of the two representatives of CCMA on this committee. The work of the committee was completed before Christmas and it is anticipated that a Green Paper will be published in the near future. Although the question of Local Government financing is to be considered separately by the Commission on taxation, the Consultative Committee highlighted the current and emerging financial demands and pressures on Local Authorities and the need to have these addressed urgently and without prejudice to the work of the Commission on taxation.

Commission on Taxation - Extract from the Programme for Government.

In order to review the efficiency and appropriateness of the Irish taxation system, the Government will establish a new Commission on Taxation. While the Commission will have a wide remit to consider the structure of the taxation system, it will be specifically charged with considering and making recommendations on the following:

- Examine the balance achieved between taxes collected on income, capital and spending and report on it.

- Review all tax expenditures with a view to recommending the discontinuation of those that are unjustifiable on cost/benefit grounds;
- **Consider options for the future financing of local government;**
- In the context of maintaining a strong economy, investigate fiscal measures to protect and enhance the environment including the introduction of a carbon tax.

The challenges facing the Council in financing services in future years.

Donegal County Council made a detailed submission to the Indecon Review of Local Government Financing in 2006 and prior to that made strong representations to the Minister to widen and improve our revenue raising base. In particular, the Council recommended that the legislation be changed to enable it levy charges on holiday homes/non-principal residences by way of a property tax and water charges and to allow it increase planning fees to reflect the actual cost of the service. Pending the review by the Commission on taxation of Local Government Financing or indeed the consideration by government of any views in the Green Paper about Local Government financing, this Council will need to address the capacity of existing sources of funding to meet rapidly rising costs particularly in the operation and management of water services and the provision of waste management services to comply with changing requirements for environmental protection.

External Sources of Funding

A major priority this year and in future years is to identify and utilize all possible external sources of funding including funds relating to the National Development Plan, cross-border, etc in order to achieve the Council's aims and objectives. The Strategic Policy Unit of Community and Enterprise will be focused from early 2008 on this work and will co-ordinate efforts across Directorates and with external partners.

6. OVERVIEW

Draft Budget 2008

Total Expenditure	€	€
		178,944,900
Income		
State Grants	62,428,200	
Water Charges	8,495,000	
Other Income	40,390,435	111,313,635
<u>Net Requirement</u>		<u>67,631,265</u>
Local Government Fund	44,097,787	
County Charge	<u>2,740,788</u>	<u>46,838,575</u>
To be levied from Commercial Rates		20,792,690
(This amount requires an Annual Rate Multiplier on Valuation of €75.90 for 2008, which represents an increase of 5% on the 2007 Rate Multiplier on Valuation of €72.29).		<u>67,631,265</u>

RECOMMENDATION

I recommend that the Council should raise the balance of funding it requires from commercial rates (€20,792,690) by a 5% increase in Commercial Rates Multiplier on Valuation from €72.29 to €75.90



M. McLoone,
County Manager.