

FINANCE DIRECTORATE

Prepared by: **B. McGlynn**
A/Head of Finance

INTRODUCTION RÉAMHRÁ

The Finance Directorate provides a major support service to the organisation in relation to the provision of the following:

- (a) Paymaster Function and related Accounting and Revenue/Taxation implications
- (b) Maintenance, Development, and ensuring the integrity of all Accounting systems
- (c) Foster, sponsor and provide assistance/expertise in the identification and implementation of new systems in the Finance and related areas
- (d) Statutory Accounting for all monies which have at one time or another flowed through the accounts and records of the County Council and provide assistance as and when required to the Town Clerk of each Town Council under the Donegal County Manager
- (e) Planning and controlling the activities of the organisation to establish Annual and Periodic Budgets, their subsequent management and to assist in the control of costs
- (f) Oversight of the Management of Debtors throughout the organisation and ensure adequate cash is available to meet ongoing needs
- (g) Line Management of the Council's independent Internal Audit function
- (h) Support to other Directorates by way of advice, support and provision of analytical breakdowns on an ongoing basis
- (i) Provide an essential liaison for the organisation with the External Auditor and his/her team and the Audit Committee.

ORGANISATIONAL WIDE FINANCIAL ISSUES

1. LOCAL GOVERNMENT FUND ALLOCATION FOR GENERAL PURPOSES

The allocation for 2010 has not yet been notified by the Department of Environment, Heritage and Local Government. The initial allocation for 2009 was €41,475,164 (Circular FIN08/2008 dated 16th October 2008). The allocation was reduced by €1,334,748 to €40,140,416 (letter dated 24th June 2009). The amount included in the Draft Revenue Budget for 2010 is €40,140,416, same level as the 2009 revised allocation. It is expected that the 2010 allocation will be reduced. At the time of writing this report there is no indication of how much the actual amount of the allocation will be in 2010.

It is also anticipated that the pay reductions announced in the National Budget on 9th December 2009 will offset the Local Government Fund allocation reduction to give a financially neutral position.

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

LGF ALLOCATIONS 2001 - 2010	
2001	€22.800m
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%
2009	€40.140m - 6.70%
2010	As per 2009

4. NON MORTGAGE RELATED LOANS

In July 2009, a non mortgage loan relating to land acquisition was redeemed in the sum of €3.6 million

In June 2007, non mortgage loans to the sum of €5.5m were redeemed. This amount is still carried on overdraft pending receipt of monies from asset disposal

It is proposed, based on all the necessary sanctions that the Council will borrow monies under the following headings in 2010:

Water - Non Domestic	900,000
Water Capital	4,000,000
Waste Management	250,000
Non-Mortgage Borrowings	5,150,000

Provision is made under Loan Charges in the Water, Environment & Emergency Services Directorate to facilitate the drawdowns in 2010.

5. WRITE DOWN OF THE ACCUMULATED REVENUE DEFICIT.

The Accumulated Revenue Deficit stood at €10.75m as at the 31st December 2008. Again as for 2007, 2008 and 2009, in drafting the budget for 2010 it has not been possible, given other requirements for 2010, to provide for a further write down in 2010.

6. CHARGES ON TOWN COUNCILS

The charges on Town Councils for provision of County Wide Services are at the same levels as 2009 and are listed below :-

1. Letterkenny Town Council	€1,069,810
2. Buncrana Town Council	€355,944
3. Bundoran Town Council	<u>€384,000</u>
Total	<u>€1,809,754</u>

7. TRANSFER OF WATER FUNCTION TO DONEGAL COUNTY COUNCIL

On the 1st of January 2004 Donegal County Council became the Water Authority for the whole of the County of Donegal. We were required to effect the transfer on a Revenue Neutral Basis. This resulted in the following, which are dealt with separately from the County Charge:

	€
Letterkenny Town Council	144,000
Buncrana Town Council	163,300
Bundoran Town Council	(80,900)

These amounts, which are the same each year, are receivable or (payable) annually by Donegal County Council and are included in Division C, Water Supply & Sewerage. There has been no adjustment in respect of this in the Local Government Fund Allocations for Donegal County Council and each of the Town Councils since 2004.

It is note worthy that increasing costs in the Water/Waste Water area, since the transfer of the function, are not passed on to the Town Councils on the basis that Donegal County Council recovers such costs from the Non-Domestic Sector and the Departments' Local Government Fund meets the cost of providing services to the Domestic Sector. As members will be aware it is not at all transparent that the Local Government Fund does provide such funding on an adequate basis for Water Services provided by Donegal County Council to the Domestic Sector. Due to economic and other reasons Donegal County Council, in the proposed charges for 2010, will not be recovering in full the cost of provision of Water Services to the Non Domestic Sector.

8. OTHER CHARGES ON TOWN COUNCILS

Other Payments receivable from Town Councils in respect of Agency Services & Contributions

Town Council	Roads	Planning	Town Plans	Other	Total
	€	€	€	€	€
Letterkenny	75,000	110,590	93,750	264,380	543,720
Buncrana	3,000	30,830	21,920	211,155	266,905
Bundoran		41,150		106,643	147,793
TOTAL	78,000	182,570	115,670	582,178	958,418

**FINANCE DIRECTORATE
STIÚRTHÓIREACHT AIRGIDIS**

Draft Revenue Budgeted Expenditure:	€14,248,319
Draft Revenue Budgeted Income:	€71,759,130

The table on the next page sets out the work processes in Finance and analyses the Draft Budget of €14,248,319 between Pay, Non Pay and the number of Whole Time Equivalentents (WTE) in the Directorate.

The pages thereafter set out the above as per each Relevant Division.

Finance Directorate Work Processes			Draft Budget 2010			
Work Process	Sub Service Code	Sub Service Description	Pay	Non-Pay	Total	WTE
114. To pay wages, salaries and pensions	D1201	Agency & Recoupable Service ***	270,662		270,662	xxx
	H1101	Agency & Recoupable Service	385,178	2,073,024	2,458,202	yyy
115. To provide accounts payable services	D1001	Property Management Costs		43,300	43,300	
	G0505	Contribution to VEC		29,600	29,600	
	H0801	Malicious Damage		100,000	100,000	
116. To provide accounts receivable services	A0802	Debt Management Housing Loans	130,025	234,500	364,525	3.20
	C0301	Debt Management Water & Waste Water	95,637	30,000	125,637	2.20
	H0301	Administration of Rates Office		75,000	75,000	
	H0302	Debt Management Services Rates	253,153	30,000	283,153	3.00
	H0303	Refunds & Irrecoverable Rates		3,328,368	3,328,368	1.00
	H1102	NPPR		601,000	601,000	1.00
118. To prepare the Annual Financial Statement	J0601	Financial Accounting	822,497	106,500	928,997	4.00
119. To co-ordinate the preparation of the Annual Budget, Three-year Capital Programme and produce regular budget reports	J0602	Management Accounting	273,650	356,935	630,585	2.50
124 To provide financial services	J0603	Financial General *		908,000	908,000	12.70
122. Manage Council Loan Book	A0101	Maintenance of LA Housing Units		264,800	264,800	
	A0801	Loan Interest and Other Charges**		1,028,300	1,028,300	0.40
	A0902	Loan Charges DPG/ERG		656,700	656,700	
	B0901	Maintenance & Management of Car Parks		84,700	84,700	
	C0101	Water Plants & Networks		4,700	4,700	
	D0901	Urban & Village Renewal		696,300	696,300	
	E1101	Operation of Fire Brigade Service		200	200	
	F0501	Administration of the Arts Programme		139,600	139,600	
	G0203	Operation of Harbours		962,200	962,200	
123. To provide an audit service	J0202	Audit Services	238,790	25,000	263,790	5.00
		Overall Totals	2,469,592	11,778,727	14,248,319	35.00
xxx - County Enterprise Board Payroll						
yyy - Town Council Employees Payroll						
* - Includes Employees in Finance involved in all Work Processes such as No.'s 114, 115 and 118.						
** - 0.40 WTE is in respect of all the Loan Headings that come under Work Process 122.						

HOUSING & BUILDING
TITHÍOCHT AGUS FOIRGNÍOCHT

Draft Revenue Budgeted Expenditure:	€2,314,325
Draft Revenue Budgeted Income:	€1,058,300

(Pages 10 - 12 Blue Pages)

LOAN CHARGES - MORTGAGE RELATED LOANS

The Draft Revenue Budget includes a figure of €1,028,300 for these loan charges in the Housing Programme for the interest repayable in respect of a variety of Housing Loan schemes as introduced by various Governments over many years.

There is a corresponding income of €1,028,300 in respect of the interest element of repayments by mortgagees (including new borrowings).

The inclusion of interest only is in accordance with the Accountancy Guidelines for the establishment of Budgets in this regard as issued by the Department of Environment, Heritage and Local Government.

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

The determination of Loan Charges for 2010 for variable rate loans includes for minimal increases.

The balance of income in the sum of €30,000 is a contra item reflecting an increased income under Mortgage Protection Insurance.

INCOME FROM HOUSING LOANS

The Annual Accrual amounts to €2,450,000 approx. for this heading with the interest element of €1,028,300 included in the Draft Revenue Budget for 2010 in accordance with Accounting Guidelines.

The work in relation to the accruals and follow up of same as well as handling issues such as Interest Rate Charges, Mortgage Protection Insurance and Tax Relief at Source is handled by Debtors Management Section in the Finance Directorate.

Pursuit of defaulters is largely done through a long standing process including issue of Final Demands and consequential legal actions.

Gross arrears of €529,013 were outstanding at 31st December 2008. The gross amounts do not include credits where Mortgagees pay in advance for whatever reason and/or arise due to failure to cancel Bank standing orders following redemptions of loans by them. We follow up such matters on an ongoing basis to resolve as quickly as we can.

At this point in 2009, it is estimated that the gross arrears amount at the 31st December 2009 will be broadly similar to the 2008 figure quoted above. The challenge for 2010 will be to hold arrears at current levels given the current economic climate.

Division B

**ROAD TRANSPORT & SAFETY
IOMPAR AGUS SÁBHÁILTEACTH AR BHÓITHRE**

Draft Revenue Budgeted Expenditure: € 84,700
Draft Revenue Budgeted Income: € Nil
(Pages 13 - 15 of Blue Pages)

LOAN CHARGES

The Draft Revenue Budget for 2010 includes a provision of €84,700 in respect of Loan Charges for Navenny Street Car Park in Ballybofey.

Division C

WATER SERVICES SEIRBHÍSI UISCE

Draft Revenue Budgeted Expenditure: € 125,637
Draft Revenue Budgeted Income: Nil
(Pages 16 - 17 of Blue Pages)

WATER CHARGES - PROPOSALS FOR 2010 CHARGING

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

All income from Water Charges is available to the Water Services and budgeted details are set out in Division C (Blue Page 17).

COLLECTION OF WATER CHARGES

As noted for the 2009 Draft Revenue Budget the issue of bills processed by Finance and follow up of these charges is now based on the Electoral Area Offices through the Corporate Services Directorate who work with the Water, Environment & Emergency Directorate on a day to day basis.

In doing this work including dealing with some of the accounts seriously in default Corporate Services rely on expertise and back up from the Debtors Management Section, Finance Directorate based in Lifford. The Debtors Management Section is primarily responsible for all system aspects in this regard including Database Management, Customer Set Ups and development of reporting templates as requested. This periodically requires Debtors Management to interface with the software supplier to ensure from a system perspective accurate and detailed billing and the issue of customer statements. This allows for the accurate "bringing to account" of this important area of income in the Annual and Periodic Financial Statements.

Historically the Debtors Management Section dealt, through the legal process, with the more persistently difficult cases where efforts by Corporate Services at the local level had been exhausted without achieving the necessary payment and where the legal process was deemed to be the best option to enforce collection. As part of the discussions on the re-organisation of the Council services, the entire function of Income collection management is under review.

Donegal County Council is, since the 1st January 2004, the Water Authority for the whole county and all bills are issued in the name of the County Council.

WATER DEBTORS - ARREARS

The total amount outstanding for Water Charges is projected to be €11.5m approximately when the 2009 Annual Financial Statement is completed. This will be following issue of bills in early 2010 that refer to 2009 consumption, estimated to be €2.9m approximately, and the completion as well of all necessary reconciliations and the detailed examination of all individual accounts outstanding.

The delay in issuing bills in previous years due to the roll out of the metering project and the need to develop adequate Customer Databases no longer applies. All bills are processed and issued on time. This Projected Debtor Balance of €11.5m shows a disimprovement on the figure of €9.5m at the 31st December 2008 (Source: Draft (Unaudited) Annual Financial Statement 2008) which in itself was very unsatisfactory.

As stated earlier the Council are examining the entire function of Income Collection management and it will be necessary to vigorously enforce collection through legal and other means including implementation of the Council Policy for disconnection and/or restriction of supply.

With the projected level of Uncollected Debtors at €11.5m, it is prudent that the provision for Bad and Doubtful Debts is increased from €881,500 to €950,000. This latter figure represents circa 10% of the anticipated income of €9,500,000. This 90% collection rate is well ahead of the current collection rate for bills issued and represents a major work agenda in 2010 to attain such a level of collection.

CUSTOMER BILLING 2009

This section relies on accurate and timely interfaces as between the Service Provider Laing O'Rourke and its systems in terms of the generation of bills for issue by Corporate Services and establishment of new customers. In these respects liaison with Corporate Services and Water Services locally in each Electoral area is a necessary ingredient in the process.

In 2009 - and it is expected as well in 2010 - the Finance Directorate has worked with and assisted in developing systems interfaces, processes and procedures to allow for the timely issue of accurate Water Bills.

Regular meetings were held by the Head of Finance during 2009 to ensure progress was achieved in having all bills for 2009 and residual bills for 2008 issued following transition from the old system to working with the service provider Laing O'Rourke.

LOANS FOR WATER SCHEMES

The Draft Revenue Budget for 2010 includes a provision of €4,700 in respect of Loan Charges for borrowings from the Office of Public Works for Water Schemes.

Division D

**DEVELOPMENT MANAGEMENT
BAINISTIU FORBRAIÖCHTA**

Draft Revenue Budgeted Expenditure: €1,010,262
Draft Revenue Budgeted Income: €270,662
(Pages 18 - 20 of Blue Pages)

COUNTY ENTERPRISE BOARD

The Draft Revenue Budget for 2010 includes €270,662 in expenditure to cover payroll costs of the County Enterprise Board. These costs are 100% recoupable.

LOAN CHARGES

A provision of €696,300 is included in the Draft Revenue Budget 2010 in respect of the Economic Development Fund.

OFFICE RENTAL

A provision of €43,300 is included in the Draft Revenue Budget 2010 in Respect of office rental from Bundoran Town Council.

Division E

**ENVIRONMENTAL SERVICES
SEIRBHÍSI COMHSHAOIL**

Draft Revenue Budgeted Expenditure: €200.00
Draft Revenue Budgeted Income: Nil
(Pages 21 - 24 of Blue Pages)

LOAN CHARGES

The Draft Revenue Budget for 2010 includes a provision of €200.00 in respect of Loan Charges for borrowings from the Office of Public Works for the Fire Service.

Division F

**RECREATION AND AMENITY
CAITHEAMH AIMSIRE AGUS TAITNEAMHACHT**

Draft Revenue Budgeted Expenditure: €139,600
Draft Revenue Budgeted Income: €69,800
(Pages 25 - 27 of Blue Pages)

LOAN CHARGES

The Draft Revenue Budget for 2010 includes a provision of €139,600 in respect of Loan Charges for An Grianán Theatre (€102,000) and the County Museum (€37,600). These costs are 50% recoupable from Letterkenny Town Council.

Division G

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

Draft Revenue Budgeted Expenditure: €991,800

Draft Revenue Budgeted Income: Nil

(Pages 28 - 29 of Blue Pages)

LOAN CHARGES

The Draft Revenue Budget for 2010 includes a provision of €962,200 in respect of Loan Charges for Piers and Harbours Improvement Works.

CONTRIBUTION TO VOCATIONAL EDUCATION COMMITTEE

The Draft Revenue Budget for 2010 includes a provision of €29,600 in respect of the statutory contribution to the Vocational Education Committee.

Division H

MISCELLANEOUS ÉAGSÚIL

Draft Revenue Budgeted Expenditure: €6,845,722
Draft Revenue Budgeted Income: €5,344,092
(Pages 31 - 33 of Blue Pages)

FINANCIAL MANAGEMENT SYSTEM DEVELOPMENTS

Previous years' reports set out the progress made from being a pilot site to the completion and publication of our Final Accounts in accordance with the Department's Accounting Guidelines based on a new Accounting Code of Practice.

This Budget has been prepared in the services costing format which has been developed in partnership between local authorities and the Department of the Environment, Heritage and Local Government and was implemented across all councils in 2008/2009.

Central overheads are assigned to cost pools and thereafter allocated to service costs using appropriate cost drivers defined at national level. The shareout of these charges is included in the sub-service entitled "Service Support Costs" in each of the services in the Budget Tables. The cost pools and drivers being used for 2010 onward are set out in the table on the following page.

Cost Drivers/Flow Sequence -Central Management Charge

Sequence	Cost Pool		Driver Basis
1	Pensions & Lump Sums		Salary and Wages costs
2	Corporate Buildings		m ²
3	Corporate Affairs		Staff numbers
4	IT	Web Intranet Applications Network GIS	Percentage usage basis No. of networked PC's Percentage usage basis No. of networked PC's Percentage usage basis
5	Post Room		Recorded Post Out Costs and usage basis of photocopying facilities
6	Human Resources		Weighted staff nos.
7	Finance		Transactions
8	Area Offices		Time Spent on Service by Area Office Staff

Each Directorate, has set out their Draft Revenue Budget for 2010, which identifies the work processes in the Directorate and the sub services that these processes are accounted for in.

In 2009 we continued progress in relation to processes for Budgeting and Budgetary control. This involved, on a periodic basis, reporting and systematically tabling at the Senior Management Team level issues in regard to Revenue income and expenditure with required follow-up by each Directorate.

IRRECOVERABLE RATES

The Draft Revenue Budget for 2010 includes a provision of €3,328,368 for this heading an increase of €1m which in effect is a provision for Bad and Doubtful Debts. This equates to about 15% of the rate warrant of €21,935,917 for 2010.

Rates prove irrecoverable for a number of reasons including downturn in economic activity, closure of operations, properties vacant and for renting and so on. With the completion of the Annual Financial Statement in recent years Commercial Rates Debtors have been carefully scrutinised and collectable debts have been clearly identified.

It should be noted that, notwithstanding the increased provision for this heading, all Commercial Rate Debtors will be pursued for payment of amounts due, the Council will continue to facilitate all forms of payment and will seek at all times to help ratepayers obtain satisfactory payment schedules thus avoiding unnecessary hardship. It is acknowledged that the environment for the collection of Commercial Rates is becoming a greater challenge particularly in the current economic climate. The Council would like to acknowledge those ratepayers, who despite these difficult financial times, have continued to fulfil their obligations.

OVERHEAD FUND

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

The fund will provide €4,100,000 in 2010. The table overleaf sets out the uses of the monies generated and these are included in each Division as set out. The overall position estimated at the 31st December 2009 shows this account to be in deficit when known and/or likely commitments are accrued in full or in part. This is mainly due to the reduction in Road Grants in 2009 resulting in a lesser amount of income being generated than estimated.

There is a 10% decrease in our Insurance Premia for 2010 in respect of Public Liability and the Council is self-insured for any one claim up to €6,500.00 (excess). In the context of excesses our Insurers have advised that there may be a potential liability to Donegal County Council of €2.58m (Source: Draft (Unaudited) Annual Financial Statement 2008) in relation to claims with

them. This figure was included in a note to the Draft (Unaudited) Financial Statement of 2008. The Council has not accrued for this level of liability in

our accounts and in terms of 2010 in the Draft Revenue Budget we have provided €2,000,000 which includes premia of €1,437,800 and excess claims amount of €562,200.

An overhead charge of 44% as allowed by Department Circular No 15/2005 dated 6th May 2005 will be applied in 2010 to direct labour costs to jobs funded 100% by Department Road Grant allocations which are notified in January/February of each year.

DETAILS OF DISBURSEMENT OF OVERHEAD FUND MONIES

		2010	2009
		€	€
Division A	Holiday Pay and Sick Pay	61,900	61,900
Division B	Holiday Pay and Sick Pay	870,000	800,000
Division C	Holiday Pay and Sick Pay	420,000	420,000
Division G	Holiday Pay	20,000	20,000
Division H	Insurance	2,000,000	2,045,000
"	Postage	170,000	190,000
"	Telephone Bills	75,000	95,000
"	Recruitment Costs	Nil	40,000
"	Goods & Services General	10,000	15,000
Support Services	Contribution to IS Costs	200,000	200,000
"	Contribution to Superannuation Costs	273,100	964,500
	TOTAL	4,100,000	4,851,400

NON PRINCIPAL PRIVATE RESIDENCES CHARGE

Income of €2,500,000 is included in the Draft Revenue Budget for 2010 and accounted for in the Finance Directorate with assistance from Corporate Services in the Electoral Areas.

SUPPORT SERVICES/CENTRAL MANAGEMENT CHARGE
SEIRBHÍSI TACAÍOCHTA

Draft Revenue Budgeted Expenditure:	€2,467,582
Draft Revenue Budgeted Income:	Nil

(Pages 35 of Blue Pages)

OVERDRAFT INTEREST

The Draft Revenue Budget for 2010 includes a provision for this heading of €825,000 which is a decrease of €130,000 on the 2009 provision.

We did not exceed our overdraft limit of €50m at any stage in 2009.

The need for all Directorates to ensure payments/recoupments to the Council are invoiced in good time and followed up in a timely fashion is crucial. The Council is required to manage its cash very closely given the fact of the accumulated over-spending on the Revenue Account, the carrying of unfunded Capital balances of €12.1m as at 31st December 2008 as well as problems with ongoing recoupments in the Capital/Fixed Asset Formation Account area. We still await receipt of an amount of €5.5 million which we are carrying on overdraft in relation to the redemption of a non mortgage related loan made in June 2007 and for which we await the proceeds the sale of fixed assets.

Donegal County Council is charged the Ulster Bank Group's Cost of Funds plus a margin of 0.5% which amounts to 1.9% (at 4th December 2009) currently on overdrawn amounts. This contract is due to expire at the end of 2009. In future the Council will be charged at Cost of Funds plus 1.4%

In recent years the existence of collected Development Levies and Internal Housing Capital Receipts cushioned our overdraft requirements somewhat. As you can see from other Directors reports, receipt of funds under these two headings are on the decline

We are again providing for Loan Charges for Loans for which we await approvals and/or will be progressed in 2010 and our Overdraft requirement calculation allows for this. To the extent that Loans are not approved monies will be carried on overdraft and the extra cost of overdraft will be mitigated by Loan Charges savings.

BANK CHARGES

Our contract with Ulster Bank in relation to bank charges and interest rates expires at the end of 2009. Due to the evident turmoil in the financial markets and its subsequent expression on liquidity, it was felt that tendering for a long term contract of this nature would represent poor value for money. Bearing this in mind the Council entered into a short term contract (one year) with Ulster Bank to provide banking services to the end of 2010. It is the Councils intention to initiate a full tender for banking services once financial markets normalise.

The Draft Revenue Budget for 2010 includes for a provision of €77,000, for Bank Charges in line with the agreement we have with Ulster Bank Ltd to 31st December 2010.

INTERNAL AUDIT UNIT

In the Draft Revenue Budgeted Expenditure for 2010, €263,790 is included. This is to cover Pay and Non Pay costs of the section as well as the costs of the Audit Committee.

The Unit provides the Internal Audit service to the Council and to the Town Councils.

- Internal audit looks at how the Councils are identifying and managing their risks. It does not focus only on financial statements or financial risks: much of its work is looking at reputational, operational or strategic risks. It also gives an independent opinion on whether internal controls - such as policies and procedures - put in place to manage these risks are actually working as intended. The responsibility to manage risk always resides with management. Internal Audit's role is to identify potential problem areas and recommend ways of improving risk management and internal control. In reporting, Internal Audit is also required to liaise with the recently established Audit Committee.
- The Audit Committee has made a valuable contribution towards the strengthening of internal controls throughout the organisation.
- The Audit Committee operates under a written charter and has a membership of five with an external representation of three with

appropriate expertise. They are required to submit a formal report to the Council on an annual basis.

The scale, complexity and diversity of our business, allied to the need for transparency and accountability, serves to highlight the importance of this committee, one of whose chief aims will be to encourage all of us to strive for continuous improvement in our own performance and in the delivery of services to the general public.

CONCLUSION

In the previous pages the various Directors of Service have set out the service details and the related Draft Revenue Budgetary provisions for 2010

It is hoped that the level and scope of detail provided has assisted the Elected Members in their consideration of the Draft Revenue Budget for 2010.

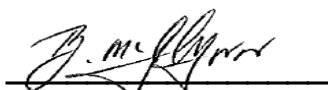
In drafting the Budget for 2010 we have been faced, as set out in my introduction and at the Corporate Policy Group Budget Workshops, 5th November 2009 and 7th December 2009, with dealing with major % decreases in many economic activity related income sources as well as the Local Government Fund. Every effort has been made to deal with service issues after meeting adequately the provision for the Council's obligations in terms of fixed/non discretionary costs.

At this stage I wish to thank the aforementioned Elected Members for their contributions at the Corporate Policy Group Workshops as we prepared for the 2010 Draft Revenue Budget.

I wish to thank my Senior Management Colleagues and staff from all the Directorates for their assistance, help and co-operation.

I wish to acknowledge the commitment and help given to me by my own Finance Staff, who contributed to various preparations for meetings and completion of the 2010 Budget Process including this document.

On a personal note I wish to acknowledge all the guidance and support I got over the years from my colleague, Aidan McNicholas, recently retired Head of Finance. I want to wish Aidan all the very best in his retirement.



B. McGlynn

A/HEAD OF FINANCE

14th December, 2009