

## **FOREWORD/INTRODUCTION**

The Annual Financial Statement (AFS) for 2004 has been prepared on an Income and Expenditure basis. 2004 saw Donegal County Council progressively moving towards full Accrual and Balance Sheet accounting with the continuation of the process to include all assets over a value of €5,000 which comes to a figure of €3.3bn for the 2004 AFS and the inclusion of all material income with the exception of some Development Levies on an accrued basis.

Despite progress being made in respect of the Council's Revenue Account in 2004 the overall accounts present many serious and challenging problems, which require immediate attention. As was stated for the 2002 and 2003 accounts they also provide the quality of information required to introduce professional and timely systems of financial planning, management and control. Much progress was achieved in 2004 in the development of management and financial control systems and in the induction of staff at various levels in their use.

## **REVENUE EXPENDITURE**

Our cumulative deficit on an accrued basis on the Revenue account at the end of 2004 was €13.07m compared to a deficit of €14.10m at the end of 2003. The enclosed report from the Head of Finance sets out the actual versus budgeted expenditure and income for 2004 and deals with variations in accounting treatment where relevant as between the Budget for 2004 and the Annual Financial Statement for 2004. The Annual Financial Statement represents the final outcomes for the 2004 financial year. Our overall position in 2004 improved by €1.033m approximately on a like for like basis with 2003.

The improvement in the figures of €1.033m is set out in detail by Programme Group in the report from the Head of Finance.

It is clearly urgent that we continue to tackle our cumulative deficit. This continues to be my top priority. A major performance improvement programme is underway to achieve a real return from the major investment in new organisation structures of accountability and Decentralisation of Service Delivery.

In this connection the provision of an amount of €800,000 (same as 2004) in the Budget for 2005 towards the write down of the cumulative deficit continues to be a positive development but we need to be aware that it needs to be underpinned by strict Budgetary Control against Adopted Budget - revised by additional allocations from external sources - and maintained year on year. The Council also continues to have significant difficulties with unfunded Capital Balances, which I will return to later in this foreword.

Our financial performance in 2004 as for 2003 again reflects a pattern of pressure on expenditure and activity as well as the collection of monies within our own control (see Appendix 7 in the AFS), which has been evident for many years. Our total expenditure in 2004 (Revenue and Capital) was €235.01m which was over three times more than what we spent 10 years ago in 1994 - €68.55m. This increased expenditure has been spread across a wide range of activities. It included a capital investment of €104.50m in 2004 on such infrastructure as Housing, Roads, Water, Wastewater, Waste Management etc. and revenue expenditure of €130.51m (which included spending on housing maintenance, road improvement/ maintenance,

town and village renewal, cultural services, social infrastructure, planning, enterprise development and job creation, etc).

Our financial performance on Revenue Account in 2004 also reflects:

- (a) Increased levels of activity deriving from significant increases in demand e.g. a 60% increase in planning activity over a 5/6 year period
- (b) Pressure to sustain high levels of investment supported directly and indirectly by Revenue Expenditure in improving our infrastructure by, for example, providing 25% or 50% matching funds for state grants. It also reflects the investment made by the Council in recent years in providing economic infrastructure under its general competence power to promote the economic development of the County. The Council invested, for example, €500,000 in telecommunications infrastructure in Letterkenny, €750,000 in purchasing and refurbishing a factory in Lisnennan, Buncrana to lease to a company creating 100 jobs (with potential for a further 200 when resilient telecommunications infrastructure is available), €10m matching funds in piers and harbours inclusive of the slipways needed for the Magilligan - Greencastle and Buncrana - Rathmullan car ferries, as well as co-funding many other projects from its €5m economic development fund - serviced from Revenue Expenditure - in an effort to attract job creating investment. Most of this investment derived from the fall out from job losses in the textile industry and the proactive role taken by the Council subsequently to remedy serious weaknesses in our economic infrastructure. In this context the new development contribution scheme adopted by the Council on 8<sup>th</sup> March 2004 will need to evolve and respond to dealing with critical infrastructure deficits in the County.
- (c) The major programme of changes in how we organise, manage and run our services, is creating extreme short-term pressure on expenditure currently. We opened one new electoral area office in 2004 (Donegal) following on from the opening of four new Public Service Centres in 2002 and 2003. This required some parallel running of services in Lifford and the new centres during the transition period. To assist with the retraining for relocated staff and with the installation of the new financial management and control systems, including I.T. systems we incurred significant additional costs arising from some underestimation of the scale of the effort and resources involved. We also positioned ourselves in 2004 to pilot further innovative work on the provision of integrated personal social services to each electoral area from each of the public service centres (housing, social welfare, health, FAS, Comhairle and other services) and now need to review how the costs of such developmental work can be shared with other government departments and agencies until returns on this investment begins to yield savings. In recognition of this work Donegal County Council was selected as a lead authority to implement a government decision announced in July 2004 whereby local authorities will, over a four year period, progressively assume responsibility for accommodating supplementary welfare allowance (SWA) rent supplement recipients of eighteen months or more continuous duration with a long-term housing need. As a result of this recognition I continue to seek supplementary and dedicated funding for the interagency research and development work we do through the public service centres to deliver joined-up co-ordinated income support and social services to the populations of each electoral area.
- (d) Overall I believe that our new financial management system and our new structure of accountability for the management of money, personnel and activity will help us to continue the generation of positive outcomes as achieved in 2004. A major review and evaluation of our new decentralised organisation including workloads, staffing levels, work processes and practices is being undertaken as part of our agreement with the Unions on the original

resource package we negotiated to reorganise and decentralise. Much of the review and evaluation is being done through the area offices service by service to explore the scope for more efficiency, better quality delivery, reduced costs as well as the need for increased staffing or resources where growth in demand for services is exceeding our capacity to deliver. The ultimate objective is to ensure that we benchmark our unit costs against private sector pricing comparing like with like. Inevitably there is a lead in time required between the significant investment in changing fundamentally how we do our business from the way it has been done for over 100 years and realising the potential savings and benefits deriving from the new organisation. The 2004 accounts as was the case for 2002 and 2003 are reflecting the peaking of many of the costs associated with the change over from the old to the new way of running our services.

### **CAPITAL AND OTHER EXPENDITURE**

▪ Capital expenditure in 2004 amounted to	€104.50m
▪ The total outstanding on the Mortgage Loans at 31 <sup>st</sup> December 2004 is	€21.41m
▪ The total outstanding on the Non Mortgage Loans at 31 <sup>st</sup> December, 2004 is	€61.58m
▪ Unfunded Capital Items Deficit at 31 <sup>st</sup> December, 2004	€8.31m
▪ Historic funding gap at 1 <sup>st</sup> January, 2002	€5.85m
▪ Funding gap on Mortgage Loans - Credit at 31 <sup>st</sup> December, 2004	€2.27m

Application was made to the Department of Environment, Heritage and Local Government in late 2003 and again in 2004 for some funding towards unfunded amounts in the sum of €11.70m subsequently revised downwards to €8.95m in 2003 and now €8.31m approximately across all Directorates in the Capital Account.

No indications are available at time of writing this Foreword as to what amount, if any, will become available from the Department of Environment, Heritage and Local Government to meet outstanding balances on capital accounts. It will be necessary to deal with residual amounts after receipt of funds, if any, in future Budgets or through use of proceeds from sale/disposal of surplus assets (see later).

Similarly the historical funding gap on Mortgage Loans will have to be dealt with in future budgets. We are currently continuing to investigate options for reducing this gap without the need to have to make additional provision for it in future budgets.

As stated in the Budget for 2005 the identification and disposal of Council Surplus Assets on approval by Council Members is ongoing and is a realistic option to deal directly with some of the issues in terms of the Revenue Account Deficit, Capital Account and the Funding Gap difficulties. As members are aware many of these assets are now surplus to requirements having been replaced by new modern assets such as decentralised offices, fire stations etc. The old Council offices, in the Pearse Road, Letterkenny, in Bundoran and in Dungloe are examples of such assets as are the old fire stations in Letterkenny, Donegal and so forth and many will shortly be on the market using local auctioneers. We are also reviewing landbank that is surplus to requirements. Perhaps such an option can also deal indirectly with the Revenue Account, to a lesser extent, in terms of paying bank loans, relieving overdraft requirements and thus bank interest. A complete inventory of Historical Fixed Assets is practically done and is prepared in accordance with the requirements of the new Financial Management system. We

should be in a position in the near future to present proposals to the Members with regard to the disposal of assets for their consideration and approval.

The total expenditure for Revenue and Capital in 2004 amounted to €235.01m which is an increase of €166.46m (or 243%) over our expenditure in 1994 of €68.55m. These figures reflect the enormous changes taking place in the scale and scope of the services provided through Donegal County Council and of the pressures on staff and elected members to respond to the ever increasing public expectations for more and better services and modern physical, economic and social infrastructure.

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M. McLoone  
COUNTY MANAGER.

## FINANCIAL REVIEW

PREPARED BY: AIDAN MCNICHOLAS, HEAD OF FINANCE

### INTRODUCTION

This 2004 Annual Financial Statement (AFS) is the prescribed format for the presentation of the Annual Income and Expenditure figures for Local Authorities. This Statement and its evolution is part of the ongoing changes in the context of the developments, which are currently taking place in Local Authority Accounting and Financial Management Systems. The 2004 AFS represents the continuing development in this regard with the inclusion of practically all Fixed Assets historically created or purchased by Donegal County Council over a number of years.

The Capital Account items are now shown in Balance Sheet format in accordance with Departmental Guidelines. The Accounting Policies and the "Notes to and forming part of the Accounts" should be read for further information in this regard.

Table 1 on Page 6 sets out the information on Adopted Budget and the Revised Budget which includes amendments for specific extra funding received after the Budget and the Actual Gross Expenditure and Income.

This report is required by statute in relation to Donegal County Council's expenditure outturn for 2004 when compared to the Adopted Budget for day to day operational costs. I am stating expenditure in terms of the gross position and the net position which illustrates our performance including income headings. We pursued a prudential strategy in identification of expenditure liabilities and identification of income assets in arriving at the final figures.

The main aspects and outcomes of the Annual Financial Statement for 2004 will be explained in this Review.

**Table 1**

<b>Expenditure</b>					
Programme Group	Adopted Budget	Additional Grants & Fully Recoupable Items	Revised Budget inc. Prog. 9 Adjustment	Gross Expenditure	Variance
	€	€	€	€	€
Housing & Building	15,438,524	(1,195,239)	14,204,669	14,118,943	85,726
Roads Trans. & Safety	47,589,926	1,227,732	48,695,374	48,048,198	647,176
Water & Sewerage	15,572,501	(32,800)	15,497,867	15,623,040	(125,173)
Planning	6,120,385	(263,835)	5,840,460	5,793,782	46,678
Environ. Protection	9,749,716	35,000	9,758,972	9,958,754	(199,782)
Recreation & Amenity	8,226,539	(1,629,311)	6,574,702	6,595,571	(20,869)
Agric., Ed., Health & Welfare	10,379,816	342,200	10,696,272	10,533,706	162,566
Miscellaneous	10,674,593	7,643,691	18,289,322	19,840,869	(1,551,547)
Debit Balance Provision	800,000	0	800,000	0	800,000
<b>Total</b>	<b>124,552,000</b>	<b>5,805,638</b>	<b>130,357,638</b>	<b>130,512,865</b>	<b>(155,227)</b>
<b>Income</b>					
Programme Group	Adopted Budget	Additional Grants & Fully Recoupable Items	Revised Budget inc. Prog. 9 Adjustment	Gross Income	Variance
	€	€	€	€	€
Housing & Building	9,662,556	(1,361,839)	8,306,933	8,560,925	253,992
Roads Trans. & Safety	37,367,144	1,214,632	38,601,460	37,879,252	(722,208)
Water & Sewerage	5,734,394	0	5,741,128	5,973,796	232,668
Planning	3,129,290	(300,335)	2,831,545	3,304,169	472,624
Environ. Protection	4,259,104	(85,000)	4,178,248	5,375,868	1,197,620
Recreation & Amenity	3,484,266	(1,629,311)	1,858,581	1,775,171	(83,410)
Agric., Ed., Health & Welfare	8,282,004	342,200	8,628,348	8,464,016	(164,332)
Miscellaneous	4,241,173	6,473,491	10,719,326	10,608,783	(110,543)
Local Government Fund	32,356,182	0	32,356,182	32,356,182	0
County Charge	2,173,177	0	2,173,177	2,173,178	1
Rates	13,862,710	1,100,000	14,962,710	15,074,547	111,837
<b>Total</b>	<b>124,552,000</b>	<b>5,805,638</b>	<b>130,357,638</b>	<b>131,545,886</b>	<b>1,188,248</b>
<b>Net</b>					
Programme Group	Variance Expenditure	Variance Income	Net		
Housing & Building	85,726	253,992	339,718		
Roads Trans. & Safety	647,176	(722,208)	(75,032)		
Water & Sewerage	(125,173)	232,668	107,495		
Planning	46,678	472,624	519,302		
Environ. Protection	(199,782)	1,197,620	997,837		
Recreation & Amenity	(20,869)	(83,410)	(104,279)		
Agric., Ed., Health & Welfare	162,566	(164,332)	(1,766)		
Miscellaneous	(1,551,547)	(110,543)	(1,662,091)		
Debit Balance Provision	800,000	0	800,000		
Local Government Fund		0	0		
County Charge		1	1		
Rates		111,837	111,837		
<b>Total</b>	<b>(155,227)</b>	<b>1,188,248</b>	<b>1,033,022</b>		
<i>Note: The Revised Budget is the Adopted Budget plus net additional grants notified plus amounts spent which are fully recoupable.</i>					

## REVENUE ACCOUNT

### Expenditure Information for 2004 Financial Year (All Programme Groups)

The following Table 2 sets out in summary form the information on expenditure for 2004.

**Table 2**

<b>Adopted Budget</b>	<b>€124,552,000</b>
<b>Revised Budget</b>	<b>€130,357,638</b>
<b>Expenditure Outturn</b>	<b>€130,512,865</b>
<b>Expenditure not funded</b>	<b><u>€155,227</u></b>

Section 104 of the Local Government Act 2001 allows Local Authorities exceed their budgets in certain defined circumstances.

However, the authorisation of the elected Council is necessary, except in certain limited cases, e.g. emergencies or where specific extra funding/grants become available.

The approval of Council Members was sought as appropriate to amended expenditure figure of €130,512,865 when compared to the Revised Budget of €130,357,638 (Adopted Budget as amended by additional funding received for 2004) for all Programme Groups in accordance with Subsection 7 of Section 104 of the Local Government Act, 2001.

Approval of members obtained, see minutes of the Council meeting dated 8<sup>th</sup> June 2005.

### Income Information for 2004 Financial Year (All Programme Groups)

The following Table 3 sets out in summary form the information on Income for 2004:

**Table 3**

<b>Adopted Budget</b>	<b>€124,552,000</b>
<b>Revised Budget</b>	<b>€130,357,638</b>
<b>Income Outturn</b>	<b>€131,545,886</b>
<b>Additional Income</b>	<b><u>€1,188,248</u></b>

In summary the net improvement overall in 2004 was €1,033,022 (Additional Income of €1,188,248 less Unfunded Expenditure of €155,227).

## **COMMENTARY**

This section will be used to indicate key aspects and information from the Accounts. Such matters will be illustrated as far as possible in a manner consistent with previous years Financial Statements as well as the Adopted Budget framework.

### **AFS 2004 Linked to Adopted Budget for 2004**

- (a) Mortgage Loan Charges - Principal element is not included in the Programme Structure Income & Expenditure Account. This is classified with Loans Reserves in the Balance Sheet. The revised Budget is amended to reflect this change.
- (b) Fixed Assets Purchases and Provisions made in the Budget for Capital Purposes are shown as it were "below the line" as "Transfer to and from Reserves" on the face of the Income & Expenditure Account.

When assessing the accumulated outcome at the 31<sup>st</sup> December 2004 it is necessary to consider the figure for General Reserve on the face of the Income and Expenditure Account, Page 41 which also appears in the Balance Sheet, Page 42 together with the amount stated as "Specific Revenue Reserves" on the Balance Sheet. This latter reserve is the mechanism for dealing with items that refer to accounting periods prior to 1<sup>st</sup> January 2002. The 2002 AFS represented the first year for Donegal County Council accounts being prepared on an accrued basis - and includes such matters as Income Accrued, Opening Stock as well as dealing with Accounting Adjustments in respect of a write off of income taken on for prior years.

Changes in connection with the Capital Account will be set out later in this section under the heading "Capital Account".

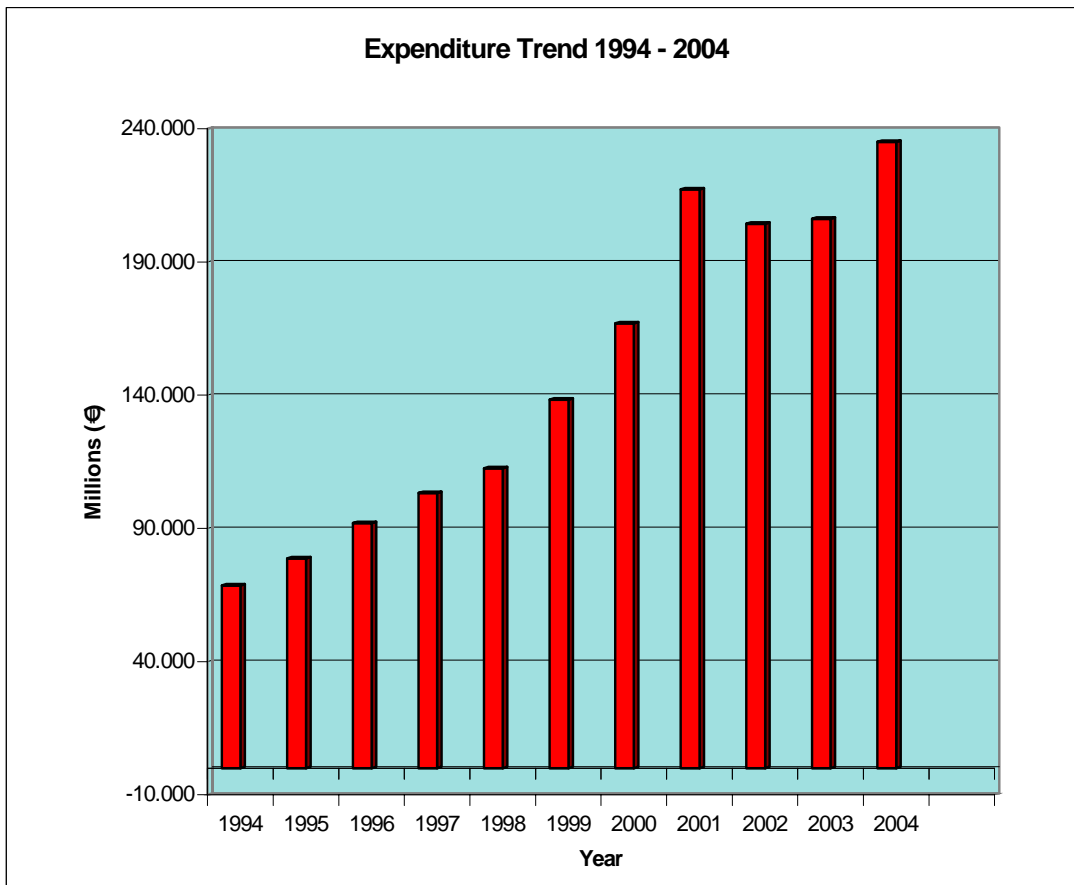
## **REVENUE & CAPITAL**

The key features of our financial performance in 2004 are as follows:

- The total expenditure for Revenue and Capital in 2004 amounted to €235,011,288.
- In the period 1994 - 2004 the level of spending increased by €166,461,187. The 2004 figure represents an increase of 243% on the total figure for 1994 (€68,550,101).

## Expenditure Trend

<u>Year</u>	<u>€m</u>
1994	68.550
1995	78.739
1996	91.942
1997	103.206
1998	112.503
1999	138.325
2000	166.932
2001	217.161
2002	204.260
2003	206.175
2004	235.011



## Revenue Account

The 2004 Income & Expenditure outcome on a cumulative basis of (€13,069,928) Dr. as below as it appears in the Balance Sheet is as indicated presented on a full accrual basis.

Specific Revenue Reserve	€ 2,242,889
General Revenue Reserve	<u>(€ 15,312,817)</u>
	<u>(€ 13,069,928)</u>

When the 2003 AFS was presented the figure, stood at (€14,102,949).

The following Table 4 illustrates the outcomes against the format of the Adopted Budget for 2004 financial year.

**TABLE 4**

	<b>2004 Expenditure (Over)/Under Estimates €</b>	<b>2004 Income Over/(Under) Estimates €</b>	<b>2004 Net Position €</b>
Housing & Building	2,624,794	306,687	2,931,481
Roads Transportation & Safety	740,821	(920,415)	(179,593)
Water & Sewerage	(95,769)	195,522	99,753
Development Incentives & Controls	97,456	472,617	570,074
Environmental Protection	(28,982)	1,197,609	1,168,627
Recreation & Amenity	269,724	(151,036)	118,688
Ag/Edc/Health	864,235	(168,093)	696,142
Miscellaneous	(217,249)	(224,516)	(441,766)
<b>Total Programme Groups</b>	<b>4,255,080</b>	<b>708,377</b>	<b>4,963,407</b>
Local Government Fund - General Purpose Grant	-	-	-
Rates	-	111,837	111,837
County Charge	-	1	1
Transfers from/(to) Reserves	(5,210,257)	368,034	(4,842,223)
Dr/Cr Balance			800,000
<b>(Deficit)/Surplus for Year</b>			<b>1,033,022</b>

## DETAILS FOR EACH PROGRAMME GROUP

Members should note where figures are enclosed by brackets - this means over-expenditure or under collection of income versus Revised Budget.

### Programme Group 1 - Housing and Building

Since the Adopted Budget the Council identified funding changes which were notified under the following headings:

(i)	PEACE II Allocation	(€166,000)
(ii)	Central Heating	€227,000
(iii)	Principal element of Mortgage Loan Charges now in Balance Sheet already referred to	(€1,184,000)
(iv)	Voluntary Housing Loan Charges	(€132,439)
(v)	Traveller/Asylum Seeker Costs	€60,200
	<b>Total:</b>	<b><u>(€1,195,239)</u></b>

### Expenditure

Revised Budget	€14,204,669
Revised Expenditure	€14,118,943
<b>Under-Expenditure</b>	<b>€85,726</b>

Net under-expenditure of approximately €86,000 occurred in the following areas:

Accommodation of Homeless (contra)	€62,000
Additional Provision for Bad/Doubtful Debts - Rents	(€400,000)
Office Accommodation - Loan Charges	€438,000
General Administration & Miscellaneous - Varied	(€14,000)
<b>TOTAL</b>	<b>€86,000</b>

## Programme Group 1 - Housing and Building

### Income

Revised Budget	€8,306,933
Revised Income	€8,560,925
<b>Additional Income</b>	<b>€253,992</b>

Net additional income of approximately €254,000 occurred in the following areas:

Accommodation of Homeless (Contra)	(€62,000)
Registration of Private Rented Dwellings	(€35,000)
Housing Rents	€149,000
Loan Repayment (Interest Element)	€135,000
Traveller Headings	€38,000
Miscellaneous including Insurance - Varied	€29,000
<b>Total</b>	<b>€254,000</b>

The overall position on this Programme Group for Expenditure and Income for 2004 is a net improvement of €340,000 or thereabouts.

## Programme Group 2 - Roads, Transportation & Safety

Since the Adopted Budget the Council identified funding changes which were notified under the following heading:

**Additional Road Grants** €1,227,732

### Expenditure

Revised Budget	€48,695,374
Revised Expenditure	€48,048,198
<b>Under Expenditure</b>	<b>€647,176</b>

Net under expenditure of approximately €647,000 occurred in the following areas:

Road Maintenance and Improvement	€676,000
General Administration and Miscellaneous - Varied	(€29,000)
<b>Total</b>	<b>€647,000</b>

Under-expenditure of €676,000 occurred on Road Maintenance and Improvements. The savings reflect a clawback of amount already expended in 2003 which was over-expenditure in that year and some grant headings which are contra.

## Programme Group 2 - Roads, Transportation & Safety

### Income

Revised Budget	€38,601,460
Revised Income	€37,879,252
<b>Under-Realisation of Income</b>	<b>(€722,208)</b>

Net under-realisation of income of approximately €722,000 occurred in the following areas:

Grant headings under collected - Some Contra	(€339,000)
Car Parking Charges	€135,000
Private Works	(€518,000)
<b>Total</b>	<b>(€722,000)</b>

A detailed review of all income headings in this Programme Group was carried out. All previous years income accruals were examined and were not re-accrued in 2004 if there was any doubt as to their collectability. We continue to assess and pursue these amounts and if they materialise as cash in 2005 there will be a positive impact on the 2005 accounts.

The overall position on this Programme Group for Expenditure and Income for 2004 is a net dis-improvement of €75,000 or thereabouts.

### Programme Group 3 - Water Services

Since the Adopted Budget the Council identified funding changes which were notified under the following heading:

**Recoupments Reduced** (€32,800)

#### Expenditure

Revised Budget	€15,497,867
Revised Expenditure	€15,623,040
<b>Over-Expenditure</b>	<b>(€125,173)</b>

Net over-expenditure of approximately €125,000 occurred in the following areas:

Maintenance of Water Supply Schemes/Maintenance of Waste Water Schemes and Public Conveniences	(€46,000)
General Administration and Miscellaneous Costs - Varied	(€79,000)
<b>TOTAL</b>	<b>(€125,000)</b>

### Programme Group 3 - Water Services

#### Income

Revised Budget	€5,741,128
Revised Income	€5,973,796
<b>Additional Income</b>	<b>€232,668</b>

Net additional income of approximately €233,000 occurred under the Water Services heading.

Water Charges	(€178,000)
Connection Fees	€56,000
Waste Water Charges	€526,000
Transfer of Functions (Buncrana)	(€212,000)
Miscellaneous including Fluoridation	€41,000
<b>Total</b>	<b>€233,000</b>

The under collection of Water Charges income can be attributed to an excessive years adjustment in favour of the 2003 accounts from monies billed in early 2004 and not billing as many new accounts as targeted for a variety of reasons. There was additional income from Connection Fees as well as Waste Water Charges (settlement of a number of old accounts).

In reassessing the calculations agreed at Budget preparation time with the Town Councils in respect of the Transfer of Water Functions from 1<sup>st</sup> January 2004 we discovered an error in our treatment of monies collected by Buncrana Town Council on the Council's behalf which was to the benefit of the Buncrana Town Council and against Donegal County Council as shown above.

The overall position on this Programme Group for Expenditure and Income for 2004 is a net improvement of €108,000 approximately.

## Programme Group 4 - Planning and Development

Since the Adopted Budget the Council identified funding changes which were notified under the following headings:

(i.)	<b>C&amp;E Projects</b>	<b>(€383,000)</b>
(ii.)	<b>Conservation Grant</b>	<b>€96,155</b>
(iii.)	<b>PEACE II Allocation</b>	<b>€23,010</b>
	<b>Total:</b>	<b><u>(€263,835)</u></b>

### Expenditure

Revised Budget	€5,840,460
Revised Expenditure	€5,793,782
<b>Over-Expenditure</b>	<b>€46,678</b>

Net under-expenditure of approximately €47,000 occurred in the following areas:

Administration Costs - Planning Control (Legal Fees Mainly)	(€115,000)
Community & Enterprise Activities - Administration	€134,000
General Administration and Miscellaneous - Varied	€28,000
<b>TOTAL</b>	<b>€47,000</b>

## Programme Group 4 - Planning and Development

### Income

Revised Budget	€2,831,545
Revised Income	€3,304,169
<b>Additional Income</b>	<b>€472,624</b>

Net additional income of €473,000 approximately occurred in the following areas:

Planning Fees	€535,000
Town Councils & Others	€115,000
Community & Enterprise Activities (Contra saving in Expenditure)	(€150,000)
Tourism	(€27,000)
<b>Total</b>	<b>€473,000</b>

The overall position on this Programme Group for Expenditure and Income for 2004 is a net improvement of €519,000 approximately, which predominantly derives from additional income from Planning Fees as shown above.

## Programme Group 5 - Environmental Protection

Since the Adopted Budget the Council identified funding changes which were notified under the following headings:

**Civil Defence** **€35,000**

### Expenditure

Revised Budget	€9,758,972
Revised Expenditure	€9,958,754
<b>Over-Expenditure</b>	<b>(€199,782)</b>

Net over-expenditure of approximately €200,000 occurred in the following areas on the basis that Landfill Charges Income was more buoyant than we originally anticipated when we adopted the budget in 2004.

Landfill Maintenance & Other Waste Headings	(€170,000)
Provision for Bad/Doubtful Debts	(€300,000)
Environmental Campaign/Awareness/Recycling	€215,000
Loan Charges	€161,000
<b>Sub-Total Waste Management</b>	<b>(€94,000)</b>
Repayment of Levies (Contra)	(€216,000)
Burial Grounds	€22,000
Water Safety	€43,000
Fire Service	€25,000
Pollution Control/Administration	€20,000
<b>TOTAL</b>	<b>(€200,000)</b>

## Programme Group 5 - Environmental Protection

### Income

Revised Budget	€4,178,248
Revised Income	€5,375,868
<b>Additional Income</b>	<b>€1,197,620</b>

The net additional income of approximately €1,200,000 occurred in the following areas:

Landfill Charges/Levies	€1,224,000
Grants	(€90,000)
Fire Service - Charges	€38,000
Pollution Control	€5,000
Miscellaneous	€23,000
<b>Total</b>	<b>€1,200,000</b>

The increase in Landfill Charges and Levies is directly linked to tonnage of waste entering the Landfill Sites which Members are already aware, was more than anticipated at the time of Budget 2004. Of the €1.2 additional income the Council has transferred €0.5m to its Fixed Assets/Capital Account to fund future Waste infrastructural development projects costs thus avoiding the need to borrow this amount.

The overall position on this Programme Group for Expenditure and Income is an improvement of €998,000 approximately.

## Programme Group 6 - Recreation and Amenity

Since the Adopted Budget the Council identified funding changes which were notified under the following headings:

(i.)	PEACE II Grants	(€1,772,633)
(ii.)	Museum Grant	€15,270
(iii.)	Donegal Tourism Grant	€26,409
(iv.)	Development Fund Recoupments	€101,643
	<b>Total:</b>	<b><u>(€1,629,311)</u></b>

### Expenditure

Revised Budget	€6,574,702
Revised Expenditure	€6,595,571
<b>Over-expenditure</b>	<b>(€20,869)</b>

Net over-expenditure of approximately €21,000 occurred in the following areas:

Library Service - All Headings	(€130,000)
Arts/Museum/Archives	€53,000
Beach Cleaning	€41,000
Superannuation	€15,000
<b>TOTAL</b>	<b>(€21,000)</b>

## Programme Group 6 - Recreation and Amenity

### Income

Revised Budget	€1,858,581
Revised Income	€1,775,171
<b>Under Realisation of Income</b>	<b>(€83,410)</b>

The net under-realisation of approximately €83,000 occurred in the following areas:

Library Charges	(€52,000)
Arts	(€31,000)
<b>Total</b>	<b>(€83,000)</b>

The overall position on this Programme Group for Expenditure and Income for 2004 is a net dis-improvement of €104,000 approximately.

## Programme Group 7 - Agriculture, Education, Health & Welfare

Since the Adopted Budget the Council identified funding changes which were notified under the following headings:

(i.)	Higher Education Grants	€603,000
(ii.)	V.E.C. Pensions	(€260,800)
	<b>Total:</b>	<b><u>€342,200</u></b>

### Expenditure

Revised Budget	€10,696,272
Revised Expenditure	€10,533,706
<b>Under-Expenditure</b>	<b>€162,566</b>

Net under-expenditure of approximately €163,000 occurred in the following areas:

Loan Charges - Marine	€99,000
Maintenance of Piers and Harbours	(€36,000)
Higher Education Grants (Part Contra)	€76,000
Miscellaneous Items	€24,000
<b>TOTAL</b>	<b>€163,000</b>

**Programme Group 7 - Agriculture, Education, Health & Welfare**  
**Income**

Revised Budget	€8,628,348
Revised Income	<u>€8,464,016</u>
<b>Under Realisation of Income</b>	<b>(€164,332)</b>

Higher Education Grants income is under collected by €144,000 approximately. Savings of €76,000 in expenditure help to reduce the net amount to €68,000. Full reconciliation of this heading, which was not completed at the closing of the books for 2004, may mean that when the reconciliation for 2005 is completed, the realisation of some of this shortfall could materialise.

The overall position on this Programme Group for Expenditure and Income for 2004 is a net dis-improvement of €2,000 approximately

## Programme Group 8 - Miscellaneous

Since the Adopted Budget the Council identified funding changes which were notified under the following headings:

(i.)	Reclassification of the provision for Irrecoverable Rates which was set off against Income in Table B when Budget 2004 was adopted and now classified in Expenditure for AFS purposes	€1,100,000
(ii.)	Programme 8.2 - Machinery and Materials Account (see note below)	€5,976,291
(iii.)	Reduction in Malicious Injuries Recoupment	(€99,000)
(iv.)	Transfer from Development Fund	€89,100
(v.)	Town Council Recoupment - Agency Services	€54,500
(vi.)	Cross Border Equal Opportunities	€18,100
(vii.)	Training Grant	€60,000
(viii.)	Programme Group 9 (Support Services) Budget for Facilities Management transferred to Programme Group 8	€295,700
(ix.)	Other Budget Increases (Extra Recoupments, Additional Grants, etc.)	€149,000
	<b>Total:</b>	<b><u>€7,643,691</u></b>

### **Note:**

#### Machinery & Materials Account

The gross expenditure and income for the Machinery/Materials Account is presented in the Budget as a net amount as required by the Department. In presenting the outturn position for 2004 I have treated the expenditure and income on a gross basis in this report. This means including an amount of €5,976,291 under both Income and Expenditure headings in the Revised Budget.

## Expenditure

Revised Budget	€18,289,322
Revised Expenditure	€19,840,869
<b>Over-Expenditure</b>	<b>(€1,551,547)</b>

Net over-expenditure of €1,552,000 occurred in the following areas:

Rates Write Offs and Refunds	(€476,000)
Overdraft Interest	€202,000
<b>Sub Total</b>	<b>(€274,000)</b>
Local Elections	(€119,000)
Coroners Costs	(€48,000)
Members Costs	(€35,000)
Organisational Development	(€259,000)
Agency Services - North Western Health Board	(€500,000)
General Administration & Miscellaneous - Payroll, Advertising, etc.	(€104,000)
Overhead items including Insurance Excesses, Postage and Recruitment Costs	(€213,000)
<b>TOTAL</b>	<b>(€1,552,000)</b>

Programme Group 8 contains many items of expenditure and is made up of 12 individual Programmes.

The principal issues to emerge from the foregoing list is that there was over-expenditure under the Financial Management heading of €274,000 in respect of Refund of Rates, Irrecoverable Rates and Overdraft Interest. This reflects ongoing difficulties with the collection of Rates and the inadequacy of the various provisions in the 2004 Budget for Refunds and Irrecoverable accounts.

Local Elections was overspent by €119,000. The Budget provision of €50,000 was on the basis that electronic voting was likely to be used.

We have used Programme Group 8 to account for a number of expenditure liability provisions referred to earlier and which were assessed on a prudential basis. In some instances the Council is working to ensure some provisions are not fully needed and this will require time and effort input with other agencies and with our own services.

## Programme Group 8 - Miscellaneous

### Income

Revised Budget	€10,719,326
Revised Income	€10,608,783
<b>Additional Income</b>	<b>(€110,543)</b>

There are a number of income headings in this Programme Group that show additional/reduced income when compared to revised budget. The net effect overall is a shortfall of €111,000 approximately for such headings as Machinery and Materials, Interest, Elections, Veterinary Service, Courthouses, REACH, Facilities Management, Integrated Services, Building Control and Agency Services.

The overall position on this Programme Group for Expenditure and Income for 2004 is a net dis-improvement of €1,662,000 approximately

### **CENTRAL MANAGEMENT CHARGE**

The Central Management Charge is included in each Programme Group as prescribed in the current accounting guidelines. The expenditure and income is accounted for in Programme Group 9 (Support Services) and apportioned to each of the 8 Programme Groups on a pro rata basis. Under-expenditure of €394,000 approximately and reduced income of €176,000 occurred when compared with the Budgeted levels for Support Services and is reflected proportionately in each Programme Group. The net amount is a saving of €118,000.

### **Rates**

Additional income of €111,837 was realised under this heading on an accrued basis.

## CONCLUSION

In conclusion this report on the Income & Expenditure Account sets out the Net Over-Expenditure against Revised Budget when all known income sources and recoupable amounts are taken into account. As requested earlier the approval of the Council Members is required in respect of this net over-expenditure amount of €155,227.

Table 5 below sets out the Income & Expenditure Account Balance as reported in the Annual Financial Statements over the period 1994 - 2004 inclusive. It also illustrates the balances as a % of overall expenditure each year in the Income & Expenditure Account. For consistency year on year the expenditure figure of €130,512,865 is inclusive of amounts classified as Income and Expenditure and some items that are included in the Balance Sheet in accordance with national guidelines.

**TABLE 5**

Year	Debit Balances as reported at 31/12 each year	Total Revenue Expenditure for year on Adopted Budget 2004 Format	Debit Balances as a % of Total Revenue Expenditure
1994	€4,688,232 Dr	€44,413,532	10.56%
1995	€4,370,309 Dr	€50,451,353	8.66%
1996	€4,284,886 Dr	€52,434,123	8.17%
1997	€1,086,832 Dr	€58,707,690	1.85%
1998	€935,603 Dr	€62,270,716	1.50%
1999	€1,746,727 Dr	€71,504,280	2.44%
2000	€3,383,586 Dr	€82,087,401	4.12%
2001	€9,959,593 Dr	€103,846,590	9.59%
2002	€9,620,599Dr	€114,647,751	8.39%
2003	€14,102,949Dr	€122,865,414	11.48%
2004	€13,069,928Dr	€130,512,865	10.01%

### Notes to Table 5

- 2002, 2003 and 2004 are shown including for full accrual of all known collectable income as at 31<sup>st</sup> December each year. All prior years for income are stated on the basis of cash collected.
- 2000 as shown in above table varies with the figures as reported on a cash basis for that year. An allowance of the Local Government Fund Allocation for 2001 was received in 2000 and the above reflects the treatment of such income in 2001 rather than 2000 which we were obliged to do at that time.

## **CAPITAL ACCOUNT/FIXED ASSET FORMATION ACTIVITY**

This account is largely presented on an Income and Expenditure basis with the exception of some Development charges/levies which are shown on a receipts basis and in respect of some old balances, that we have not accrued because we are not certain they will materialise as cash and in this context application has been made to the Department for funding. On a prudence basis we are not anticipating any of this funding at this stage.

The Capital Account as presented in the Balance Sheet sets out the de-aggregation of the Capital Ledger into the main classes of Assets - WIP/Preliminary Expenses, Completed Assets Funded and Unfunded as well as other balances therein. (See Table 6). Until 2003 the Capital Account ledgers also included the Council Loan Book. The following information for 2004 refers only to Capital/Fixed Asset formation activity and is inclusive of brought forward credits and debits.

There was gross expenditure of €104,498,423 and gross income of €107,348,178 in 2004 resulting in an overall improvement of €2,849,755. (See Table 6). The overall credit balance at 31<sup>st</sup> December 2004 is €11,518,805 compared to an overall credit balance of €8,669,051 at 31<sup>st</sup> December 2003 (the improvement in the balance arose mainly in Housing, Development Charges, Waste Management and Fire Services with decreases in balances under Roads, Water Services and the Building Programme).

It is also noteworthy that the Capital Account is inclusive of many credits that when applied for the purposes for which payments were received could have a major impact on our Capital/Fixed Assets and on the Council's cash flow. The Capital Balance includes income of €1,847,577 in respect of the future receipts from repayment of annuities by Tenant Purchasers. Such annuities are used as Internal Receipts when realised. Accordingly these future receipts are not available for current programmes for which such receipts are used. (See also Table 7).

**TABLE 6**

	<b>2004</b>	<b>2003</b>
	<b>€</b>	<b>€</b>
Expenditure	104,498,423	83,310,466
Receipts	107,348,178	95,503,252
<b>Surplus (Deficit)</b>	<b>2,849,755</b>	<b>12,192,787</b>
Opening (Debit) Balance at 1st January	8,669,051	(3,523,736)
<b>Capital Account Credit Balance at 31st December, 2004</b>	<b>11,518,805</b>	<b>8,669,051</b>

Table 7 reconciles amounts as shown on the Balance Sheet which are classified in accordance with information to hand in relation to funding in the make up of the Capital balance of €11,518,805 Credit.

**TABLE 7**

The Capital Account Balance has been de-aggregated in the Balance Sheet as follows in accordance with the New Accounting Guidelines.

	€
* Funded/Unfunded WIP and Preliminary Expenses	(6,200,349)
* Funded Project Balances	(4,620,746)
** Unfunded Project Balances	(6,643,448)
** Unfunded Non Project Balances	(1,669,634)
<b>Sub Total Debits</b>	<b>(19,134,177)</b>
General Credit Balances	9,805,741
Development Levies	13,154,076
Tenant Purchase Annuities currently available as Internal Receipts	4,225,171
Funded Non Mortgage Balances	321,887
Agent Works Recoupable	1,298,531
<b>Sub Total Credits</b>	<b>28,805,406</b>
<b>Credit Balance before Future Receipts for Tenant Purchase Annuities</b>	<b>9,671,229</b>
Future receipts from Tenant Purchase Annuities (Not available as Internal receipts)	1,847,577
<b>As at 31/12/2004 Capital Account Credit Balance</b>	<b>11,518,806</b>

For the benefit of the reader of this review "funded"\* can be defined as source(s) of funding have been identified and are still available to meet the balance as shown. Unfunded\*\* means all known sources of income have been exhausted and/or projects have overexpended known allocations for same.

Where jobs have a mixture of funded and unfunded elements we have classified it as unfunded overall and this could explain movements in unfunded balance amounts from €11.7m in 2002 to €8.9m in 2003 and €8.3m in 2004.

**Table 8 Trend Analysis Capital Expenditure Trends: 1994-2004**

This table shows expenditure for Capital Purposes for 1994-2004.

**TABLE 8**

<b>Capital Works Expenditure 1994 - 2004</b>	
<b>Year</b>	<b>€m</b>
1994	22.867
1995	28.288
1996	39.508
1997	44.498
1998	50.232
1999	66.821
2000	84.845
2001	113.614
2002	89.612
2003	83.310
2004	104.498

**FIXED ASSETS -**  
**Historical and those purchased/created since Agresso went live.**

A total value of €3,258,498,800 is included in the 2004 Accounts under this heading.

With the implementation of the Agresso Financial Management System and the attendant rollout of the New Accounting Code of Practice we have included Fixed Assets in the Council's Balance Sheet in recent years. This initially was those assets purchased/created with "go live" of the Agresso package and in 2003 and now in 2004 the progressive inclusion of Assets which the Council created/purchased in the past, which continue to underpin service provision and thus provide continuing value to the organisation. In the inclusion of such assets the Council follows guidelines as laid down by the Minister for Environment, Heritage and Local Government with respect to such matters as Valuation, Depreciation and the like.

The Council continues, and will do so, to enumerate all Historical Assets and deal appropriately with issues that may arise on an Inter Authority basis. As mentioned in the commentary on the Accounts for 2003 this process of enumeration of Historical Assets in our ownership is a lengthy and often difficult one as we need to trawl through records which are disparate in availability, range and nature.

However, the end result is giving and will give a clearer picture of the Councils options where any such Assets identified may be surplus to requirements or can be used/disposed with appropriate agreements including the Elected Members.

Fixed Assets are, as you can see from the balance sheet, classified as follows:

- (1) Operational
- (2) Infrastructural
- (3) Non Operational
- (4) Community

You should read the "Notes to and forming Part of the Account" for further information on above classifications.

## LOAN ACCOUNT

As mentioned earlier this is now separately classified on the Council's Balance Sheet.

### Mortgage Related Loans

In relation to Mortgage Related Loans a historical funding gap as between Long Term Debtors (Mortgage Account Holders) and Long Term Creditors (OPW and HFA) who provided the necessary finance existed at 1<sup>st</sup> January, 2002 in the sum of €5,847,432. This figure at 31<sup>st</sup> December, 2004 is €2,277,434 Credit and is a decrease on the 2003 deficit figure of (€2,631,978) in the amount of €4,909,412. The decrease arises mainly due to the timing of drawdowns, redemptions retained for various reasons and cash purposes and allocation of loan monies to applicants in 2004. The opening gap figure of €5,847,431 may need to be financed through the Revenue Budget Process in future years subject to the contents of Note 15 "Notes to and forming Part of the Accounts".

### Non Mortgage Related Loans

These loans have been used to finance the Council's Decentralisation Building Programme, Implementation of the Councils Waste Management Plan, Matching funding for State Grants in relation to Marine Work and DPG/ERG Grants, purchase of Housing Landbank, development of Letterkenny Theatre and so on. The balance of principal payable on all such loans at 31<sup>st</sup> December, 2004 is €61,575,465.