



9th December 2010

To : The Mayor and Each Member of North Tipperary County Council.

Re: Draft Annual Budget 2011

Dear Councillor,

I enclose for your consideration and adoption the Draft Budget in the prescribed form for the year ending 31st December 2011 together with explanatory and comparative statements of the figures.

The prescribed budgetary meeting period for County Councils is 24th November 2010 to 13th January 2011. The Council has agreed to convene the Statutory Budget Meeting on Monday 20th December 2010. In accordance with the requirements of the Local Government Act, 2001, I have consulted with the Corporate Policy Group which met on 22nd November, 2010 to consider the Draft Budget. A Budget Workshop with the Council is scheduled to be held on Monday 13th December 2010.

The Draft Budget for 2011 has been prepared against the backdrop of The National Recovery Plan 2011 – 2014, which provides for a return to sustainable growth in our economy. This Plan sets out a four year strategy to address budgetary imbalances. Measures include a €15 billion budgetary correction over 4 years comprising of a reduction of €10 billion in public expenditure and €5 billion in tax and revenue raising. An adjustment of €6 billion was introduced in the recent national budget announced on the 7th December, 2010. The immediate effect of the national budgetary provisions on the local authority budget is a further reduction in our local government

funding. Over the four year period 2008 to 2011, the Council's local government grant has decreased by over 20%.

North Tipperary County Council is highly dependant on central government funding and accordingly any adjustment in funding levels negatively impacts on our finances and capacity to deliver services at current levels.

The Council is statutorily required to prepare a balanced budget, which means that expenditure provisions must match income projections. In addition to reduction of funding from central government, all major local income sources are reducing as a consequence of reduced local economic activity. Given the significant reduction in the level of income available to this Council, there is an unavoidable necessity to reduce the Council's expenditure in order to achieve a balanced budget and assure continuity in the delivery of essential local services. The application of this objective has necessitated reduced expenditure across all divisions. In many cases, the level of expenditure provided represents the minimum necessary to support the delivery of essential services.

1. Budget Objectives.

The primary objectives of the 2011 Budget are to:

- assure the continued delivery of essential and statutory services provided by the County Council.
- ensure continuity in the delivery of other services at present service levels, where possible, subject to the requirement on local authorities to maintain a balanced budget.
- continue present permanent employment at levels necessary to assure delivery of essential and other services.
- make a positive contribution to economic recovery at a local level. Notwithstanding the very significant financial challenges facing us, North Tipperary County Council will continue to assist local economic recovery through a number of measures including:
 - a further reduction of 1% in commercial rates, bringing the revised rate to 60.126 and recording the second lowest rate increase for all County and City Councils since 2005.
 - maintaining charges for services generally at existing levels. In particular, water charges and parking charges will remain unchanged.
 - maintaining "own resources" financial investment in roads infrastructure at current levels.

- establishment of a “Business Support Service” to advise new and existing enterprise seeking planning and/or environmental consents.
- introduction of a tourism initiative to promote visitor numbers to the county, details of which will be presented to the Council in the first quarter of 2011.
- continued support for our communities in retaining community grant aid generally at existing levels.
- continued support for our vibrant arts and local sports programmes.

2. Local Government Fund.

The Council has not yet received written notification of the Local Government Fund Allocation for 2011. The table below shows details of the Local Government Allocation since 2008. For 2011 and based on discussions with the Department of the Environment, Heritage and Local Government (DEHLG), I have included an assumed allocation which is down on the notified allocation for 2010.

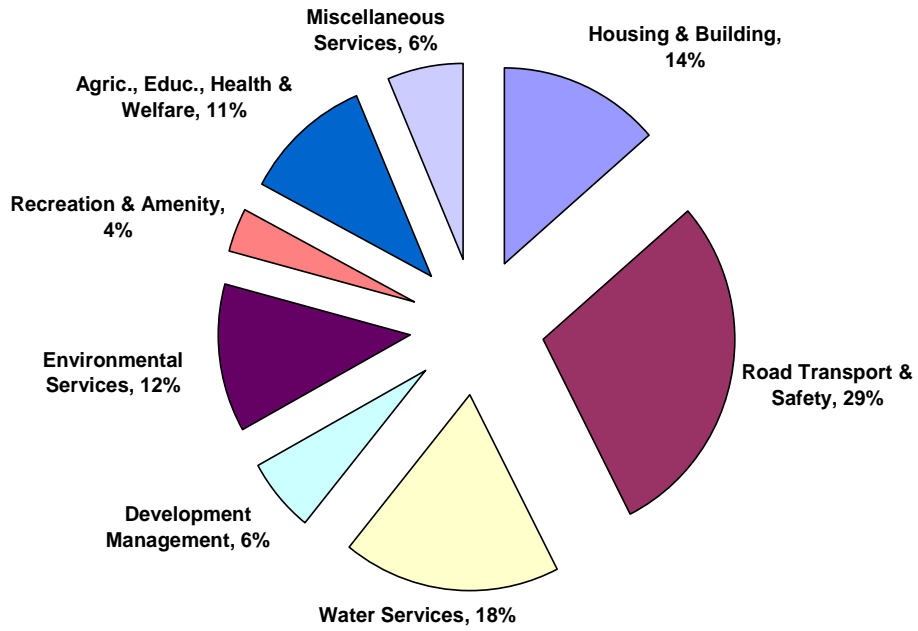
Local Government Fund Allocations			
2008	2009	2010	Assumed Allocation 2011
€20,481,309	€18,630,807	€18,005,785	€16,272,214

Over the four year period the Local Government Fund Allocation will have been reduced by 20.6% or €4,209,095. The Local Government Fund is partly paid by the retention of the Pension Related Deductions which were introduced in 2009.

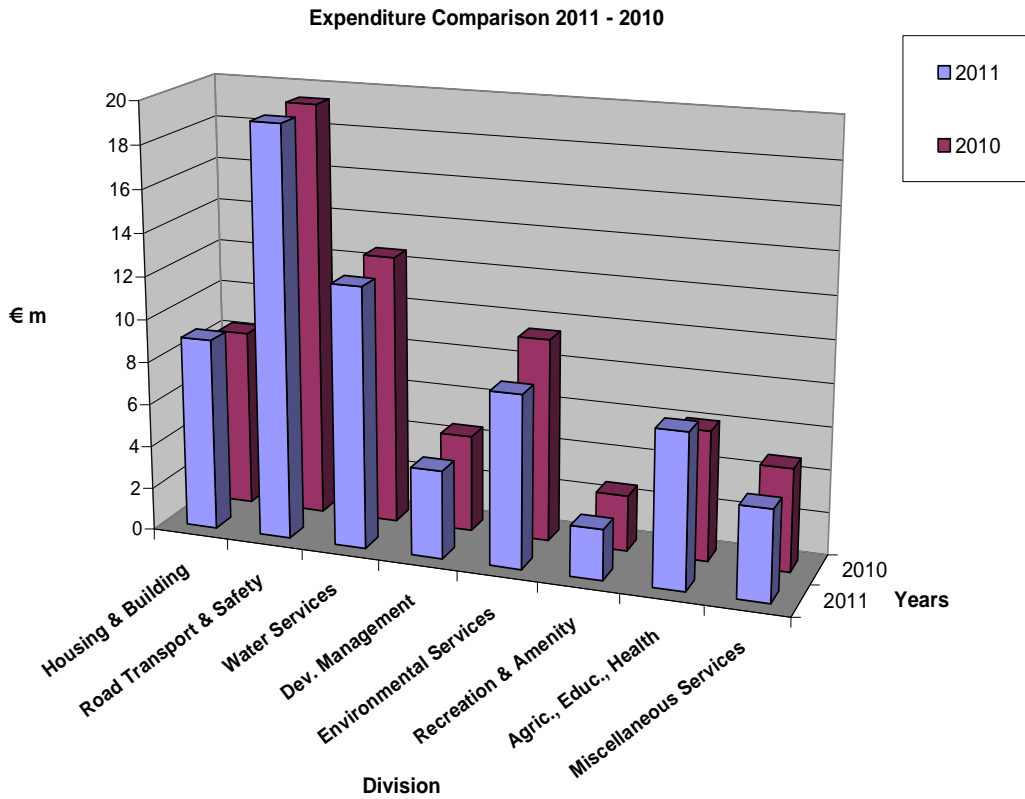
3. Expenditure Provisions.

The Draft Budget for 2011 provides for an overall expenditure of €66,351,760, which represents a reduction of €1,388,430 (or 2.05%) on the corresponding 2010 figure. However, given that some expenditure increases are in areas which are fully recoupable e.g. higher education grants, rental accommodation scheme, the real reduction in expenditure is 4.93%. The following pie chart gives a breakdown of expenditure by each division.

Budget Expenditure 2011 by Division



Comparisons of expenditure by division between 2010 and 2011 are illustrated below:



Payroll Costs for 2011 are estimated at €19.6m, which represents 94.7% of the equivalent 2010 figure and approximately 30% of our total expenditure in the Draft Budget for 2011. Over a four year period, payroll costs will have reduced from €22.6m to €19.6m, a reduction of 13.3% Payroll costs for North Tipperary County Council expressed as a percentage of the overall revenue budget compare favourably with other local authorities. Over the past number of years we have experienced reduced resources and yet in addressing these challenges, the Council and the staff have shown great resilience.

As in previous years, the Council will not be informed of our 2011 Road Grant Allocations from the Department of Transport and the National Roads Authority until early in the New Year and I have included a budgeted amount for 2011 which is 5% down on our actual 2010 allocation. If the actual allocation differs from this, it will be necessary to adjust the budget accordingly. Notwithstanding the exceptional financial challenges, North Tipperary County Council continues to invest significant own resources in the roads programme. In addition to the allocation of approximately €1.3 million of Development Levies in 2011 on road schemes already outlined to Members, a further sum of €2,170,207 from “own funds” is being provided through the revenue budget which is equal to the provision made in the 2010 budget. This is designed to protect the year on year investment in the County’s roads infrastructure.

New Department of Transport (DOT) guidelines relating to Regional & Local Roads were issued mid-year to commence with effect from December 2010 (the start of the new Roads year). The impact of the new guidelines will be to significantly reduce the overhead that can be recovered on grant-aided roads programmes together with restrictions of certain expense categories. Following strong representations by the County and City Managers Association, the DOT granted some respite on the original measures, but it is estimated that these revised guidelines will cost approximately €160,000 in 2011. This increased cost will have to be met out of our own revenue funding.

4. Income Provisions – Commercial Rates and Other Charges.

I am conscious that 2010 has been a very difficult year for businesses. The Draft Budget has been prepared on the basis of a 1% reduction in the Commercial Rate to 60.126. This reduction together with the 5% reduction applied in 2010 means that since 2005 the commercial rate has increased by 2.92%, the second lowest of all County and City Councils. I have attached for information of Members Appendix 1 which shows the Annual Rate of Valuation for County and City Councils for 2010 and the Net Effective Valuation. As with other years, it shows North Tipperary lying in the lower third of the national table.

I am not proposing any increase in other charges for 2011 in light of the current economic climate.

Rents reviews on Council houses, which are assessed on the basis of household income, will take cognisance of the revised social welfare rates recently announced in the national budget.

5. Landfill Operations.

At a Special Meeting of the Council held in November a decision was taken to discontinue landfilling at Ballaghveny Landfill once the current cell (Cell 10a) is full. It is estimated that there is approximately 10,000 tonnes capacity left in the cell and that it will be full in early 2011. It has also been decided that the Civic Amenity facility at the landfill will remain open for two days (Friday and Saturday) each week and that the facility will continue to accept the full range of recyclable materials. The facility will also accept, at a charge, bags of segregated household waste. The operation of the Civic Amenity Facility will be fully reviewed in the third quarter of 2011. Consultants have been instructed to explore, through the public procurement process, the sale or lease of the landfill facility and the Members will be kept informed of progress. The Draft Budget makes financial provision to ensure the implementation of these decisions.

6. Public Sector Expenditure Measures and the Public Service Agreement 2010 – 2014.

Members will recall that the Council was informed by the Department of the Environment, Heritage and Local Government (DEHLG) that cost savings were to be achieved in 2009 and following years. These included reductions in payroll costs, consultancy costs, advertising, etc. Payroll reductions have already been outlined.

Since the notification of the requirement to achieve these measures the financial situation has significantly deteriorated, with a consequent necessity to reduce expenditures year-by-year. In particular, there has been a significant reduction in payroll through the management of vacancies, application of the incentivised career break scheme, the application of the early retirement scheme and staff term time leave. Other savings have been achieved through revised procurement measures, reduction in agreed rates for certain suppliers and services, etc. These measures further accentuated existing cost reduction initiatives particularly in the area of energy costs and efficiencies.

In addition, the Public Service Agreement (Croke Park Agreement) covering the period 2010- 2014 provides a change management mechanism to

implement flexibilities and efficiencies across the public sector during the course of the agreement. The local action plan for North Tipperary was recently completed. The objective of the plan is to achieve greater efficiencies and savings over the period of the Plan.

7. Local Government Funding–The National Recovery Plan

The National Recovery Plan recently published proposes the introduction of an interim Site Value Tax in 2012, applicable to all land other than agricultural land and land subject to commercial rates. The express stated purpose of such a tax is to provide funding for Local Authorities. As the tax won't be introduced until 2012, and will be matched by a corresponding reduction in the Local Government allocation, no account has been taken of it in the 2011 Budget. Provision is however made for the NPPR (second homes charge) at the same income level as 2010.

8. Divisional Reports.

The following reports for each Division have been prepared on a revised format from previous years. Each report now contains a brief description of the main elements contained under both Expenditure and Income codes. This is intended to assist the Members in your analysis of the Budget. The following provisions are of particular note:

- Provision of €762,304 for the maintenance of local authority housing.
- Continued provision of €1,200,000 for disabled persons grants with capacity for any additional funding that may be made available to the Council during the year from national sources.
- Increased provision of €769,954 for the Rental Accommodation Scheme (RAS).
- Provision of €2,170,207 from own funds towards the roads programme.
- Increase by 12% to €2,677,275 in the provision for direct costs of the fire service in 2011.
- Increase in the provision for fire service training by €185,000
- Continued provision of €70,000 for Tidy Towns / Tidy Estates
- Provision of €4,391,943 for direct operation costs for the supply of public water and provision of €3,849,368 for the direct operation costs of public sewerage schemes.

- Provision of €40,000 in respect of unfinished housing estates.
- Continued provision of €130,000 in respect of Enforcement Costs.
- Continued provision of €70,000 for Burial Ground Grants
- Provision of €131,500 for Arts Grants and the Arts Programme.
- Provision of €147,510 for the Regional Arts Centre, Thurles.
- Provision of €135,000 in respect of contribution to Roscrea, Thurles and Nenagh Swimming Pool operating costs.
- Continued provision of €40,000 to North Tipperary Sports Partnership.

9. Conclusion

The preparation of the 2011 Draft Budget has been extremely challenging. As indicated, expenditure levels have now been set at the lowest possible level in order to assure the continued delivery of essential services. Notwithstanding these challenges, North Tipperary County Council will continue to deliver these services and assist in stimulating local economic activity.

I wish to thank the members of the Corporate Policy Group for their input into the preparation of the Draft Budget and I would also like to record my appreciation to the Management Team and all staff, with particular thanks to Mr. Liam McCarthy, Head of Finance and his staff for their assistance in the preparation of this Draft Budget.

I recommend adoption of the Draft Budget at your Statutory Budget Meeting on the 20th December 2010.

Yours sincerely,

**Joe MacGrath,
North Tipperary County Manager**