



LOCAL GOVERNMENT AUDIT SERVICE

Statutory Audit Report

to the

Members of South Dublin County Council

for the

Year Ended 31 December 2010



Comhshaol, Pobal agus Rialtas Áitiúil
Environment, Community and Local Government

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AUDITOR'S REPORT TO THE MEMBERS OF SOUTH DUBLIN COUNTY COUNCIL

1 Introduction

- 1.1 I have completed the statutory audit of the accounts of South Dublin County Council for the year ended 31 December 2010. My audit opinion on the Annual Financial Statement (AFS) of the Council, which is unqualified, is stated on page 6 of the AFS.
- 1.2 This report is issued in accordance with Section 120 of the Local Government Act, 2001.

2. Main Issues

Attention is drawn to the following main issues in this report:

- The cost of the Council's stock of affordable housing units at 31 December 2010 was €39.2m. The cost of these units has been funded by bridging loans from the Housing Finance Agency. Due to the current depressed housing market the demand for affordable housing units remains low and these units have mainly been leased for a five year period under the terms of the Department of the Environment, Community and Local Government's Affordable Leasing Scheme. The Council is also committed to purchasing additional affordable housing units. Any shortfall in the sales value of these units will have to be funded by the Council (paragraph 5.4).
- The commercial water charges collection percentage remained low in 2010 at 48% despite an increase from 43% in the previous year (paragraph 6.2).
- There has been a significant decrease in the collection percentage for rates to 80% in 2010 from 86% in 2009 with a consequent increase in the closing arrears at the year end (paragraph 6.3).

3. Financial Performance

- 3.1 The Income and Expenditure Account with comparative figures for the previous year may be summarised as follows:

	2010	2009
	€000	€000
Expenditure	235,901	241,174
Income	<u>252,650</u>	<u>253,288</u>
Surplus for Year before Transfers	16,749	12,114
Transfers from/(to) Reserves	<u>(16,736)</u>	<u>(12,463)</u>
Overall Surplus / (Deficit) for Year	13	(349)
Opening Balance at 1 st January	<u>12,070</u>	<u>12,419</u>
Closing Balance at 31 st December	<u>12,083</u>	<u>12,070</u>

- 3.2 The Council recorded a small surplus for the year of €12,932 and had a closing surplus of €12m on the revenue account.
- 3.3 Expenditure in excess of the budget on various divisions was approved by the Council.

Manager's Response

The Council monitored income and expenditure closely during 2010 and made adjustments as necessary to ensure that the overall financial performance was not in deficit at year end.

4. Financial Standing

- 4.1 The Balance Sheet shows net assets of €3,765m at 31 December 2010, consisting of the following:

	2010 €000	2009 €000
Fixed Assets	3,601,983	3,605,476
Work In Progress and Preliminary Expenses	135,669	135,676
Long Term Debtors	214,473	214,212
Net Current Assets	82,399	74,907
Long Term Creditors	<u>(269,634)</u>	<u>(264,886)</u>
Net Assets	<u>3,764,890</u>	<u>3,765,385</u>

Represented by:

Capitalisation Account	3,601,983	3,605,476
Income WIP	94,738	90,128
Specific Revenue Balance	11,528	11,528
General Revenue Balance	12,083	12,070
Other Balances	<u>44,558</u>	<u>46,183</u>
	<u>3,764,890</u>	<u>3,765,385</u>

4.2 Fixed Assets

The value of fixed assets after accounting for depreciation decreased from €3,605m to €3,601m. The net depreciation charge in the year of €21.4m exceeded the net total of additions and disposals of €18m.

4.3 Work in Progress and Preliminary Expenses

Work in progress and preliminary expenses mainly includes gross expenditure on roads and infrastructure, water and sewerage networks, and housing construction projects. The funding of these projects, which mainly includes grants, is included in Income WIP.

4.4 Net Current Assets

Net current assets mainly comprised trade debtors and prepayments €159.9m (2009 €116.9m), creditors and accruals €111.7m (2009 €70.6m) and bank investments and cash of €34.2m (2009 €28.5m). The increase in trade debtors and prepayments and creditors and accruals mainly related to balances due and recoupable on capital projects.

4.5 Creditors (Amounts greater than one year)

Creditors (Amounts greater than one year) are mainly comprised of loans payable which have increased in the year by €4.9m. Loans payable include bridging finance loans of €49.1m (2009 €47.2m) used to finance the Council's investment in affordable housing (see paragraph 5.4).

4.6 Other Balances

The total of other balances is a net credit balance of €44.6m (2009 €46.2m) and includes debit balances on unfunded project/non project balances of €87.3m (2009 €73.6m) and funded project/non project balances of €48m (2009 €56.9m). Unfunded balances on these capital accounts may need to be financed from the revenue account.

5. Capital Account

5.1 The capital account records income and expenditure in respect of the acquisition and provision of assets related to services provided by the Council. It has been de-aggregated with the various accounts included under relevant account headings in the balance sheet.

5.2 A summary of the transactions on the capital account, with comparative figures for 2009 is as follows:

	2010	2009
	€000	€000
Expenditure (Including Transfers)	162,109	228,375
Income (Including Transfers)	<u>164,309</u>	<u>208,605</u>
Outturn for the year	2,200	(19,770)
Opening Balance Favourable	<u>(5,518)</u>	<u>14,252</u>
Closing Balance (Adverse)/Favourable	<u>(3,318)</u>	<u>(5,518)</u>

5.3 Capital expenditure in 2010 mainly included expenditure on housing and building of €45.5m, roads and infrastructure of €73.4m, water and sewerage network of €15.7m. There was a debit balance of €3.3m on the capital account at 31 December 2010.

5.4 Affordable Housing

Under the provisions of Part V of the Planning and Development Acts 2000-2007, the Council acquired affordable housing units for sale to qualifying purchasers. The cost of the Council's stock of affordable housing units at 31 December 2010 was €39.2m and is included in agents' works recoupable under trade debtors and prepayments in the balance sheet. The cost of these units has been funded by bridging loans from the Housing Finance Agency. Due to the current depressed housing market the demand for affordable housing units remains low and these units have mainly been leased for a five year period under the terms of the Department of the Environment, Community and Local Government's Affordable Leasing Scheme. The income from the leasing scheme is funding the relevant interest charges on the loans, with the loan principal repayments to be funded from the sale of units. Any shortfall in the sales value of these units will have to be funded by the Council.

The Council is also committed to purchasing additional affordable housing units that will require additional funding.

Manager's Response

The Council has transferred 148 unsold affordable stock units into social housing use in accordance with Department of the Environment, Community and Local Government's circular AHS.1.2009. The loan interest in respect of the borrowings for these units is recouped from the Department of the Environment, Community and Local Government. The scheme provides for recoupment of the loan interest by the housing authority for up to five years. The tenants can opt to purchase the property during this period or at the end of the five year term.

The Council continues to engage with relevant stakeholders (developers/agents/receivers) to negotiate terms that satisfy Part V requirements. However due to contractual legal commitments in some cases, the Council may be required to honour agreements in accordance with the original terms.

5.5 M50 Improvement Scheme (N4 Interchange to Ballymount Interchange)

Cumulative expenditure to 31 December 2010 on this project was €316.1m, of which payments to the contractor amounted to €259.3m. Significant additional costs have been incurred on this project arising

from approved additional works and contractual claims. The final account has been agreed and is included in the above costs. The project is funded by the National Roads Authority.

- 5.6 Total capital income in 2010 amounted to €164.3m and consisted mainly of grants €109.2m, non mortgage loans €21.3m, sale of land and houses €8.9m , development contributions €4.7m and transfers from revenue €9.4m.

5.7 **Three Year Capital Programme Report**

A report on proposed capital projects for the period 2011 to 2013 was prepared under section 135 of the Local Government Act 2001.

6. **Summary of Major Revenue Collections**

- 6.1 The percentage yields from the main revenue collection accounts were as follows:

	2010	2009
Rates	80%	86%
Housing Rents	77%	79%
Housing Loans	103%	105%
Commercial Water Charges	48%	43%
Refuse Domestic	45%	82%
Refuse Commercial	19%	41%

6.2 **Commercial Water Charges**

The commercial water charges collection percentage increased to 48% in 2010 from 43% in the previous year. Despite the favourable increase, the collection percentage remains low and this is mainly due to the high level of arrears being brought forward from previous years, the late reading of water meters and the resulting late issue of bills.

6.3 **Rates**

There has been a further significant decrease in the collection percentage for rates to 80% in 2010 from 86% in 2009 and this resulted in an increase in the arrears to €27.4m at 31 December 2010 (2009 €18.1m). In 2008 the collection percentage was 92%. Commercial rates income is the major source of income to the Council and accounted for 49% of the Council's total revenue income in 2010.

6.4 **Rents and Annuities**

The collection percentage for housing rents remains weak and this area requires attention to improve collections.

8. Acknowledgement

- 8.1 I wish to record my appreciation for the courtesy and co-operation extended to the audit team by the management and staff of the Council.



Conor Cummins
Principal Local Government Auditor
23 December 2011