



**LOCAL GOVERNMENT AUDIT SERVICE**

**Statutory Audit Report**

**to the**

**Members of South Dublin County Council**

**for the**

**Year Ended 31 December 2011**



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

## CONTENTS

	<b>Paragraph</b>
Introduction	1
Main Issues	2
Financial Performance	3
Financial Standing	4
Capital Account	5
Major Revenue Collections	6
Specific Matters	7

## 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 2011. My audit opinion on the Annual Financial Statement (AFS) of the Council, which is unqualified, is stated on page 7 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:

- There has been a significant decrease in the collection percentage for rates to 74% in 2011 from 80% in 2010 (paragraph 6.2)
- The commercial water charges collection percentage remained low in 2011 at 53% despite an increase from 48% in the previous year (paragraph 6.3)
- The review of old capital balances (paragraph 5.4)

### 3. Financial Performance

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

	<b>2011</b>	<b>2010</b>
	<b>€000</b>	<b>€000</b>
Expenditure	225,290	235,901
Income	<u>240,650</u>	<u>252,650</u>
Surplus for Year before Transfers	15,360	16,749
Transfers from/(to) Reserves	<u>(15,350)</u>	<u>(16,736)</u>
Overall Surplus for Year	10	13
Opening Balance at 1 <sup>st</sup> January	<u>12,083</u>	<u>12,070</u>
Closing Balance at 31 <sup>st</sup> December	<u>12,093</u>	<u>12,083</u>

- 3.2 Expenditure in excess of the budget on various divisions was approved by the Council.

## Manager's Response

Financial management procedures are in place to compare performance against the adopted Budget throughout the year. Income targets are reviewed at regular intervals as part of this process to allow for early intervention if income does not match expectations. Expenditure is likewise monitored against the adopted budget to prevent an overall financial deficit by year end. Changes that increase the divisional budget above that which has previously been adopted, are formally approved by the members. The overall revenue expenditure (including transfers to reserves) for 2011 did not exceed the approved budget and matched to income earned in 2011.

### 4. Financial Standing

4.1 The Balance Sheet shows net assets of €3,742m at 31 December 2011, consisting of the following:

	<b>2011</b>	<b>2010</b>
	<b>€000</b>	<b>€000</b>
Fixed Assets	3,594,184	3,601,983
Work In Progress and Preliminary Expenses	152,842	135,669
Long Term Debtors	210,291	214,473
Net Current Assets	39,378	82,399
Long Term Creditors	<u>(255,034)</u>	<u>(269,634)</u>
<b>Net Assets</b>	<b><u>3,741,661</u></b>	<b><u>3,764,890</u></b>
Represented by:		
Capitalisation Account	3,594,184	3,601,983
Income WIP	120,681	94,738
Specific Revenue Balance	10,805	11,528
General Revenue Balance	12,093	12,083
Other Balances	<u>3,898</u>	<u>44,558</u>
	<b><u>3,741,661</u></b>	<b><u>3,764,890</u></b>

### 4.2 Fixed Assets

The value of fixed assets after accounting for depreciation decreased from €3,601m to €3,594m. The net depreciation charge in the year of €21.1m exceeded the net total of additions and disposals of €13.3m.

#### 4.3 Net Current Assets

Net current assets mainly comprised trade debtors and prepayments €68.8m (2010 €159.9m), creditors and accruals €60.6m (2010 €111.7m) and bank investments and cash of €31.1m (2010 €34.2m). The decrease in creditors and accruals with a corresponding decrease in trade debtors and prepayments mainly related to balances due and recoupable on capital projects. Trade debtors and prepayments have also decreased as a result of a change in the national accounting policy for the treatment of affordable housing in the AFS of local authorities (see paragraph 5.6).

#### 4.4 Creditors (Amounts greater than one year)

Creditors (Amounts greater than one year) are mainly comprised of loans payable, which have decreased in the year by €14.3m. Loans payable include bridging finance loans of €35.3m (2010 €49.1m) used to finance the Council's investment in affordable housing.

#### 4.5 Other Balances

The total of other balances is a net credit balance of €3.9m (2010 €44.6m) and the decrease is mainly due to the increase in the loan repayment reserve as result of the change in accounting policy and treatment of affordable housing (see paragraph 5.6).

### 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 2011 is as follows:

	<b>2011</b>	<b>2010</b>
	<b>€000</b>	<b>€000</b>
Expenditure (Including Transfers)	75,240	162,109
Income (Including Transfers)	<u>116,701</u>	<u>164,309</u>
Outturn for the year	41,461	2,200
Opening Balance (Adverse)/Favourable	<u>(3,318)</u>	<u>(5,518)</u>
Closing Balance (Adverse)/Favourable	<u>38,143</u>	<u>(3,318)</u>

5.3 Capital expenditure in 2011 mainly included expenditure on housing and building of €31.4m, roads and infrastructure of €20.8m and environmental services of €8.6m.

#### **5.4 Old Capital Balances**

A review of old capital balances was carried out by the Council during 2011 to follow up on funding from the Department of the Environment, Community and Local Government (the Department) or from other sources as appropriate. Following this review, inter capital transfers were made in the 2011 AFS to close and reduce a number of these debit balances. There are still a number of old capital debit balances, which need to be reduced and they should be closely monitored.

- 5.5** The net total of Work in Progress and Preliminary Expenses includes balances of €3m expended on projects that have shown little movement in recent years. These are mainly housing projects and the funding of these balances and their classification as work in progress should be reviewed.

#### **Manager's Response**

An extensive review of capital balances was carried out in 2010 and 2011 and a bi-annual review is included in financial management procedures. Capital balances are monitored to ensure grants and recoupments are maximised and actions are in place to progress outstanding claims. The Council is engaged in discussions with the Department, the National Roads Authority and the Department of Transport, Tourism and Sport about ongoing and completed schemes so that issues that affect outstanding balances are resolved without delay. Provision has been made as appropriate and where possible to provide for other unfunded balances from sources such as internal capital receipts, revenue account, development contributions, borrowings and income from disposals of assets. The work in progress and preliminary expenses related capital balances will be examined and re-classified as appropriate for the 2012 balance sheet.

#### **5.6 Affordable Housing**

The national accounting policy for the Affordable Housing Scheme was amended for AFS 2011 and this is set out in note 18 to the statement of accounting policies. The amended policy was introduced to appropriately reflect the changing circumstances in the housing market, which impact on the scheme, including the deployment of unsold affordable homes for other purposes, including temporary use under the social leasing or rental accommodation schemes. For AFS 2011, the bridging finance is being brought into the relevant capital jobs and the impact can be seen in current asset debtors (agency works recoupable) and other balances (loan repayment reserve).

At the 31 December 2011 the Council's stock of affordable housing units acquired under the provisions of Part V of the Planning and Development Acts 2000-2007 was mainly leased for a five year period

under the terms of the Department 's Affordable Leasing Scheme. The cost of these units has been funded by bridging loans of €35.3m from the Housing Finance Agency. The income from the leasing scheme is funding the relevant interest charges on the loans.

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

#### **5.7 M50 Improvement Scheme (N4 Interchange to Ballymount Interchange)**

Cumulative expenditure to 31 December 2011 on this project was €324.2m, of which payments to the contractor amounted to €261m. Significant additional costs have been incurred on this project arising from approved additional works and contractual claims. The final account costs have been agreed and are included in the above costs. The project is funded by the National Roads Authority.

**5.8** Total capital income in 2011 amounted to €116.7m and consisted mainly of grants €50.3m, non mortgage loans €47.3m (including €35.3m in respect of prior year bridging finance loans for affordable housing), sale of land and houses €5.3m, development contributions €1.4m and transfers from revenue €6.9m.

#### **5.9 Three Year Capital Programme Report**

A report on proposed capital projects 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:

	<b>2011</b>	<b>2010</b>
Rates	74%	80%
Housing Rents	75%	77%
Housing Loans	100%	103%
Commercial Water Charges	53%	48%

#### **6.2 Rates**

There has been a further significant decrease in the collection percentage for rates to 74% in 2011 from 80% in 2010 and this resulted in an increase in the arrears to €38.6m at 31 December 2011 (2010 €27.4m). In 2010 the collection percentage decreased from 86% in 2009 and in 2009 it decreased from 92% in 2008. Commercial

rates income is the major source of income to the Council and accounted for 52% of the Council's total revenue income in 2011.

### **Manager's Response**

Ratepayers with cashflow problems have increasingly requested payment arrangements that extend beyond 12 months and the number of accounts in receivership has also increased. These circumstances along with increased vacancies in rated properties have affected collection. The Council has prioritised the early collection of income and is committed to vigorous follow up and pursuit of debt. Debtors are offered a range of payment options and accounts are closely monitored so that payment arrangements can be initiated before debt accumulates.

## **6.3 Commercial Water Charges**

The commercial water charges collection percentage increased to 53% in 2011 from 48% 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.

### **Manager's Response**

The Council has prioritised billing and the early collection of non domestic water charges and this is reflected in the improvements made in collection in 2011. A range of payment options are offered to non domestic water consumers and accounts are closely monitored so that bills are followed up with reminders and telephone contacts before debt can accumulate. The annual collection improved again in 2011 resulting in €0.8m additional cash collected during the year in addition to the €1.1m improvement in the 2010 collection.

## **6.4 Rents and Annuities**

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

### **Manager's Response**

South Dublin County Council has a policy of early intervention for rent accounts that fall into arrears. The current economic crisis and reductions to some social welfare benefits has affected tenants in difficult circumstances. In excess of 5,000 rent assessments were carried out during 2011 requiring considerable allocation of staff resources to this aspect of housing rents. The Council is committed to working with tenants who experience financial problems affecting their ability to meet their rent obligations.

The Council's Rent Section is responsible for preventing, monitoring and collecting arrears on all rent accounts. It is policy to monitor and identify rent accounts that are falling into arrears as early as possible,



and to initiate early intervention actions to correct this. As part of this approach tenants who incur rent arrears are contacted immediately to help them address the problem rather than letting the arrears build up.

A Rent Arrears team offers tenants in arrears support and guidance on how to address the arrears, including advice in relation to possible alternative payment arrangements. Staff from the Rent Arrears team liaise with outside agencies such as Money Advice Budgeting Services (MABS), Community Welfare Officers, Social Welfare and Citizens Advice and provide referrals to the Council's Housing Welfare Officer. Tenants in arrears must engage with the Rent Arrears team before they can become eligible for routine maintenance works or qualify for the windows and doors programme.

There has been a significant increase in enforcement actions in 2011 as shown in the table below.

2010	88
2011	114
2012 (Oct.)	83

## 7. Specific Matters

### 7.1 Development Levy Debtors

The Council's development levy debtors totalled €30.7m at the year end and are included in trade debtors and prepayments in the AFS. The provision for doubtful debts includes €17m in respect of these debtors. These balances are mainly in excess of one year old.

#### **Manager's Response**

There is currently a balance of just over €30m of development contributions outstanding relating to approximately 250 separate developments, differing widely in scale and type. The Council has taken cognizance of the expiration of the statutory period for the taking of enforcement action and priority is accorded to cases where development has occurred and the expiration is nearing. An increasing number of cases are engaged in long term instalment plans with the Council. Debtors are dealt with on a case by case approach and payment arrangements are agreed if they are considered fair and reasonable, particularly given the current economic climate and the ability of debtors to pay. Development contributions are tied to both the planning permission and the property and can not be written from the ledger until the planning permission has expired and it has been confirmed that the development was not carried out. Commencement notices received in the period 2006-2008 for a significant level of development will expire in the next three years and development contribution debt associated with these permissions will be reviewed. Extensions of time on planning permissions also affect development contributions. The collection of contributions has continued to improve and the bad debt provision has been reviewed and is considered appropriate.

## **7.2 Waste Collection Service**

In April 2011 the Council disposed of its waste collection service to a commercial operator. The Council had incurred significant operating losses on this service in recent years with the increased availability of refuse services from private refuse companies and a change in demand for refuse services.

## **7.3 Trade Debtors and Prepayments Old Balances**

Included in Trade Debtors and Prepayments under the categories of Government Debtors and Other Services are old balances over one year old of approximately €2m. The Commercial Debtors category also contains old balances over one year old of approximately €1m relating to refuse collection, shop lettings and other miscellaneous items. The collection of these old balances should be reviewed and the bad debts provision increased if necessary.

### **Manager's Response**

There is significant existing provision for bad debts against commercial waste and shop lettings debtors with some additional provision proposed in the 2013 Revenue Budget. Debt is prioritised and legally pursued if other options have failed to clear the balance due and it is economically viable. It is anticipated that the remaining waste collection service debts will be pursued and the debt cleared by the end of 2013.

## **7.4 Procurement**

The Council introduced a new Procurement Procedures Manual in December 2011, updating its procedures on public procurement and tendering. Departments are required to monitor their aggregate spend in order to determine best value means of purchasing.

As part of the audit, purchasing procedures and controls were reviewed and tested, covering all divisions in the Council. While controls were found to be generally satisfactory, some audit test exceptions were noted and reported to management.

## **7.5 Risk Register**

As part of its risk management function The Council has developed an intranet based computerised risk register which identifies and records on a divisional basis operational and corporate risks facing the organisation. A number of sections have input and recorded their risk assessments on the system with a number of others to be completed.

## 7.6 Internal Audit

Internal audit is an important part of the overall control environment and during the year the section carried out a number of reviews and made recommendations for improvements in internal control. In the course of my audit I placed reliance on the work of internal audit.

## 7.7 Value for Money

The Value for Money Unit of the Local Government Audit Service issued Report No. 25 –“Part V of the Planning and Development Acts, 2000-2007”, “Social and Affordable Housing “in October 2009; Report No. 26 – “Development Contributions” in September 2010; and Report No. 27 – “Management and Maintenance of Vacant Dwellings in Local Authorities” in May 2011. These reports contained a number of recommendations, which drew on best practice to be implemented by local authorities.

A review of the actions taken by local authority management in implementing the recommendations contained in these reports has since been carried out and will be summarised in Value for Money Progress Reports No. 3, 4 and 5 which are due to issue later this year. It showed that South Dublin County Council has made substantial progress in implementing the recommendations relevant to this authority contained in these three VFM reports.

## 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  
30 November 2012

