

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Corporate Services

Council – 28 October 2009

Subject: Financial Statements 2008/2009

1. Purpose

- 1.1** The purpose of this report is to submit the audited financial statements for the year to 31 March 2009.

2. Background

- 2.1** The financial statements for the year to 31 March 2009 were prepared by the statutory deadline of 30 June 2009. The revised draft financial statements were presented to, and noted by, Council at its meeting on 26 August 2009.

3. Main Issues

- 3.1** These statements have now been signed by KPMG LLP and are appended to this report.
- 3.2** We are pleased to report that a clean audit opinion has been given in relation to these financial statements.
- 3.4** The Audit & Performance Review Committee on 23 September 2009 received a report from Grant Macrae, Director, KPMG LLP detailing the main issues arising from the audit of the financial statements.
- 3.5** The foreword on pages 2 to 4 of the financial statements summarises the major matters contained within the document and provides an explanation of the Council's financial position as at 31 March 2009. In particular, the following results, which were highlighted to Members within the revised draft financial statements, remain unaltered:
- In relation to the General Fund, the accounts show a General Fund balance of £5.036m as at 31 March 2009. Of this balance, £4.778m is earmarked for ringfenced purposes, leaving an unearmarked balance of £0.258m.

- The level of unearmarked balance of £0.258m compares with that of £2.277m at 31 March 2008 and confirms that the reserve position has reduced by £2.019m during the year. This can be summarised as follows :

| | £m | £m | £m |
|---------------------------------------|--------------|--------------|--------------|
| Un-earmarked balance at 31 March 2008 | | | 2.277 |
| Planned surplus for year | | 0.436 | |
| <u>Less</u> | | | |
| Clydebank re-banding (previous years) | 0.980 | | |
| Revision of bad debt provision | 0.593 | | |
| Pay Modernisation | <u>1.000</u> | (2.573) | |
| | | (2.137) | |
| In year surplus against budget | | <u>0.118</u> | (2.019) |
| Un-earmarked balance at 31 March 2009 | | | <u>0.258</u> |

- The unearmarked balance of £0.258m compares to the targeted prudential level of reserve of £4.940m which is considered necessary to safeguard assets and to protect services against financial risk.
 - In relation to the Housing Revenue Account, the accounts show a HRA balance of £1.839m as at 31 March 2009. Of this balance £0.380m was applied to the 2009/10, leaving an unearmarked balance of £1.459m. This compares with the recommended prudential level of HRA reserve of £0.627m.
 - The Council maintains statutory accounts for two trading operations under the provisions of the Local Government Scotland Act 2003: Housing Maintenance and Grounds Maintenance/Street Cleaning. These operations returned a collective surplus in the year of £1.569m and both operations have achieved a break even performance over the last three years in line with their statutory requirements.
- 3.6** On page 6 of the accounts is the Statement on the System of Internal Financial Control. This Statement provides assurance that the Council has in place a sound system of internal financial control.
- 3.7** KPMG LLP's final report to Members 2008/09 has not yet been received. This report, which will provide further information on not just the audit of the financial statements, but on the overall 2008/09 audit, will be presented to Council on 25 November 2009.

4. Personnel Issues

- 4.1** There are no personnel issues.

5. Financial Implications

- 5.1** Agreement was reached during the audit on a number of presentational changes to the draft accounts. The unearmarked balance of £0.258m that was reported in the revised draft accounts presented to Council on 26 August 2009 remains unchanged.

6. Risk Analysis

- 6.1** If an organisation received a 'qualified' audit report, this suggests there is something within the financial statements which either cannot be verified, or which the auditors feel is mis-stated, but which also is of such a material proportion that the information could mis-lead the reader of the statements. As the Council follows the Statement of Recommended Practice and works with KPMG to ensure the information contained within the statements is correct, there should be no risk of receiving a qualified audit report.
- 6.2** The current level of free reserves which the Council currently holds is far below the Prudential target. The Prudential reserve target acts as a financial contingency for unexpected events and is also there to assist in the management of abnormal cash flow pressures. A low level of free reserves could leave the Council in a vulnerable position, in the event of any such events or cashflow pressures.

7. Officers' conclusions and recommendations

- 7.1** The Council has received an unqualified audit opinion in relation to the financial statements for the financial year 2008/09.
- 7.2** The unearmarked reserve at 31 March 2009 of £0.258m is less than target prudential reserve of £4.940m. The Council has plans in place to restore this balance to a prudential level.
- 7.3** Members are requested to note the financial statements for the year to 31 March 2009.

For Joyce White
Executive Director of Corporate Services
Date: 7 October 2009

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Appendix: Financial Statements – Year Ended 31 March 2009

Background Papers : Report on Revised Draft Annual Accounts 2008/09 – Council 26 August 2009.
Report on Audit of Final Accounts 2008/09 – Audit & Performance Review Committee 23 September 2009.

Wards Affected: All