

# WEST DUNBARTONSHIRE COUNCIL

## Report by the Executive Director of Corporate Services

Council – 26 October 2011

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### Subject: Financial Statements 2010/2011

#### 1. Purpose

- 1.1 The purpose of this report is to submit to Members the audited financial statements for the year to 31 March 2011.

#### 2. Background

- 2.1 The financial statements for the year to 31 March 2011 were prepared by the statutory deadline of 30 June 2011. The draft financial statements and covering report were mailed out to all Elected Members on 5 August 2011.

#### 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.
- 3.3 The Audit & Performance Review Committee on 28 September 2011 received a report from Grant Macrae, Director, KPMG LLP detailing the main issues arising from the audit of the financial statements.
- 3.4 The foreword on pages 2 to 6 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 2011. In particular:
- In relation to the General Fund, the accounts show a General Fund balance of £14.967m as at 31 March 2011. Of this balance, £10.256m is earmarked for ringfenced purposes, leaving an unearmarked balance of £4.711m. The overall balance within the draft accounts totalled £13.342m.
  - The level of unearmarked balance of £4.711m compares with that of £3.376m at 31 March 2010 and confirms that the reserve position has increased by £1.335m during the year. This is summarised as follows:

	£m	£m
<b>Un-earmarked balance at 31 March 2010</b>		3.376
Planned surplus within budget	0.250	
Top up of bad debt provisions	(0.210)	
Top up of balances held for severance/ single status	(2.773)	
Accelerated payment to the Pension Fund	<u>(2.222)</u>	<u>(4.955)</u>
		(1.579)
In year surplus against budget		<u>6.290</u>
<b>Un-earmarked balance at 31 March 2011</b>		<u><b>4.711</b></u>

- The unearmarked balance of £4.711m compares to the targeted prudential level of reserve of £4.200m 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 £2.668m as at 31 March 2011. Of this balance £2.015m is earmarked to fund work leading to Stock Transfer, leaving a free balance of £0.653m. This compares with the recommended prudential level of HRA reserve of £0.653m.
- 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 £2.861m (excluding notional interest) and both operations have achieved a break even performance over the last three years in line with their statutory requirements.

**3.5** On page 8 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.

**3.6** KPMG LLP's final report to Members 2010/11 is reported to Council under a separate agenda heading. This report provides further information on both the audit of the attached financial statements, and on the overall 2010/11 audit work.

#### **4. People Implications**

**4.1** There are no people implications.

#### **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 £4.711m, reported within the draft accounts presented to Members on 5 August 2011 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, we are pleased to report that a clean opinion was received.
- 6.2** The current level of free reserves which the Council currently holds is now above the Prudential reserve 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 cash flow pressures.

## **7. Equalities, Health & Human Rights Impact Assessment (EIA)**

- 7.1** There are no impacts on any protected equalities group.

## **8. Strategic Assessment**

- 8.1** The report is for noting and, therefore, does not directly affect any of the strategic priorities.

## **9. Conclusions and Recommendations**

- 9.1** The Council has received an unqualified audit opinion in relation to the financial statements for the financial year 2010/11.
- 8.2** The unearmarked reserve at 31 March 2011 of £4.711m is above the target Prudential reserve target of £4.200m.
- 8.3** Members are requested to note the financial statements for the year to 31 March 2011.

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**Joyce White**  
**Executive Director of Corporate Services**  
**Date: 4 October 2011**

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**Appendix:** Financial Statements – Year Ended 31 March 2011

**Background Papers:** Report on Draft Annual Accounts 2010/11 – 5 August 2011.  
Report on Audit of Final Accounts 2010/11 – Audit &  
Performance Review Committee 28 September 2011.

**Wards Affected:** All