

# **Audited**

## **Kilkenny County Council**

Comhairle Chontae Chill Chainnigh



## **ANNUAL FINANCIAL STATEMENT**

**For year ending 31<sup>st</sup> December, 2020**

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## 2020 Financial Review

### 1. Introduction

The Council's 2020 Annual Financial Statement (AFS) has been prepared in accordance with the requirements of the Department of the Housing, Local Government and Heritage Guidelines. In the adoption of FRS102, the financial statements have been renamed as per the new naming conventions.

### 2. Statement of Comprehensive Income (formerly Income & Expenditure Account)

The total expenditure incurred on the provision of services by the Council in 2020 was €116.9m. This total included the following COVID-19 expenditure:

1. An amount of €11.7m relating to the Government re-start grants which were administered by the Council.
2. An amount of €8.6m relating to the nine month commercial rates waiver.
3. €1m relating to other enterprise supports administered by the Local Enterprise Office.

The net expenditure incurred in 2020, excluding the Covid related items was €95.6m compared with an adopted Budget of €83.56m. Housing, Roads and Water Services account for the vast majority of the increase in expenditure compared with Budget. The net surplus for the year was €16.6k bringing the cumulative surplus to €44.6k at the end of 2020.

As many businesses were closed for an extended period during the year commercial rates totalling €8.6m were written off. Compensation matching this amount was provided by Government.

Income from goods and services was severely reduced and additional costs were also incurred as a result of Covid-19. The total impact amounted to €2.29m which was fully compensated by Government.

The total compensation provided by Government due to Covid amounted to €10.9m. This compensation package was absolutely essential to ensure that Council could continue to provide services during the crisis.

### 3. Financial Position (formerly Balance Sheet) at 31<sup>st</sup> December 2020

Covid-19 has also had a significant impact on the Council's balance sheet. A strong focus on cash management was maintained throughout the year. An increase of €7m in the overdraft facility was secured early in the crisis as a precautionary measure.

Additional non-mortgage loan finance of €5m was drawn down in early 2020 to provide match funding for capital expenditure incurred in 2019. The total non-mortgage bank loans outstanding at the end of 2020 was €15.9m. The total commitments on completed capital projects amounted to €9.3m, bringing the total capital funding balance outstanding to €25.2m.

Covid had a serious impact on the collection of commercial rates. Arrears increased by €691k as a result of the pandemic. The collection rate dropped to 83%, down from 94% at the end of 2019. The collection rate on housing rents increased by 1% while the collection rate on housing loans remained static. The historic income collection performance since 2016 is set out below in table 1.

<b>Table 1</b>	<b>Collection %</b>	<b>Collection %</b>	<b>Collection %</b>	<b>Collection %</b>	<b>Collection %</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Commercial Rates	94	95	93	94	83
Rents & Annuities	93	92	93	95	96
Housing Loans	80	85	88	90	90

### **3. Capital Project Funding Arrangements**

The total expenditure on capital projects delivered under the Capital Programme in 2020 was €59.4m. Housing and Roads accounted for 85% of the total expenditure. The outstanding commitments on completed capital projects amounted to €9.3m as at December,2020. The annual budget provides for repayment of this commitment over a period of 8 years.

The Council adopted a Capital budget for the 3 year period 2018 to 2020 in May 2018. This budget sets out the estimated cost of the capital projects under consideration and the related funding sources. This capital budget will be updated and presented to Council in the coming months. The Council can only initiate capital projects that have an identified funding source.

### **4. Conclusion**

Covid-19 is continuing to have a severe impact on the council's finances in 2021. Many businesses are still closed due to Government restrictions. A six month commercial rates waiver has been announced by Government but is more restrictive than the waiver that applied in 2020. A number of discretionary expenditure items in the adopted budget have been deferred until more clarity is available on the impact that covid will have on income for 2021. The Council remains focused on delivering value for money services and capital projects where resources permit

# Kilkenny County Council

## Certificate of Chief Executive & Head of Finance for the year ended

**31<sup>st</sup> December, 2020**

- 1.1 We, the Chief Executive and Head of Finance, are responsible for preparing an annual financial statement in accordance with the accounting code of practice issued by the Minister under section 107 of the Local Government Act, 2001.
- 1.2 We are responsible for maintaining proper books of account that disclose with reasonable accuracy the financial position of the local authority and enable it to ensure that financial statements prepared comply with the statutory requirements.
- 1.3 We are responsible for the safeguarding of assets of the local authority and for taking reasonable steps for the prevention and detection of fraud and other irregularities.
- 1.4 When preparing financial statements we have:
- stated that the financial statements have been prepared in accordance with the Accounting Code of Practice and the accounting policies have been applied consistently; and,
  - made judgements and estimates that are reasonable and prudent;
- 1.5 We certify that the financial statements of the Kilkenny County Council for the year ended 31<sup>st</sup> December, 2020, as set out on pages 6 to 27, are in agreement with the books of account and have been prepared in accordance with the accounting requirements as directed by the Minister for the Housing, Local Government and Heritage.

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**Colette Byrne,  
Chief Executive.**

**31<sup>st</sup> March, 2021**

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**Martin Prendiville,  
Head of Finance.**

**31<sup>st</sup> March, 2021**

**Audit Opinion**

**To the Members of Kilkenny County Council**

# STATEMENT OF ACCOUNTING POLICIES

## 1. General

The accounts have been prepared in accordance with the Accounting Code of Practice (ACoP) on local authority accounting, as revised by the Department of Housing, Local Government and Heritage (DHLGH) at 31<sup>st</sup> December, 2020. Non-compliance with accounting policies as set out in ACoP must be stated in the Policies and Notes to the Accounts.

## 2. Statement of Funds Flow (Funds Flow Statement)

A Statement of Funds Flow was introduced as part of AFS 2011. While the guidance of International Accounting Standard 7 Statement of Cash Flows has been followed, the business of local authorities is substantially different to most private sector organisations and therefore some minor changes to the format have been agreed to ensure the data displayed is meaningful and useful within the local government sector. For this reason the statement is being referred to as a 'Statement of Funds Flow'.

The financial accounts now include a Statement of Funds Flow shown after the Statement of Financial Position (Balance Sheet). Notes 17 – 22 relate to the Statement of Funds Flow and are shown in the Notes on and forming part of the Accounts section of the AFS.

Note 19 details Project/Non Project/Affordable/Voluntary balances, which can be either a debit or a credit balance. The funds flow assumes that these are debit balances and bases the (Increase)/Decrease description on this.

## 3. Accruals

The revenue and capital accounts have been prepared on an accruals basis in accordance with the Code of Practice.

### Exception to this policy:

Local Enterprise Office (LEO) accounted for on a cash basis.

## 4. Interest Charges

Loans payable can be divided into the following two categories:

- Mortgage related loans
- Non-mortgage related loans

### 4.1 Mortgage Related Loans

Mortgage related loans have a corresponding stream of income from long term advances (i.e. monies lent by the local authority to borrowers), for the purchase of houses. Only the interest element is charged or credited to the Statement of Comprehensive Income (Income and Expenditure Statement).

## **4.2 Non Mortgage Related Loans**

Note 7 to the accounts sets out the types of borrowing under this heading. Loans relating to asset/grants and revenue funding will not have a corresponding stream of income. Bridging finance will eventually become part of permanent funding. Loans in respect of the other headings will have a corresponding value in Note 3.

## **5. Pensions**

Payments in respect of pensions and gratuities are charged to the revenue account in the accounting period in which the payments are made. The cost of salaries and wages in the accounts includes deductions in respect of pension contributions (including Widows and Orphans) benefits under the Local Government Superannuation Scheme and the Single Public Service Pension Scheme.

The Single Public Service Pension Scheme (“Single Scheme”) commenced with effect from 1 January 2013. Employee contributions for the Single Scheme continue to be deducted by local authorities but are remitted centrally to DPER.

Footnote: From 2017 onwards, local authorities no longer retain PRD locally. Accordingly, an upward adjustment was made to the LPT baseline of each local authority, to include an additional amount equivalent to the PRD income retained by local authorities in 2014.

## **6. Overheads**

Within the Service Division structure, there are certain costs that can be attributed to more than one division. These costs are defined as Service Support Costs. The net Service Support Costs are allocated on the basis of the cost drivers attributable to each division.

## **7. Agency and Other Services**

Expenditure on services provided or carried out on behalf of other local authorities is recouped at cost or in accordance with specific agreements.

## **8. Provision for Bad & Doubtful Debts**

Provision has been made in the relevant accounts for bad & doubtful debts.



## 9. Fixed Assets

### 9.1 Classification of Assets

Fixed assets are classified into categories as set out in the Statement of Financial Position (Balance Sheet). A further breakdown by asset type is set out in Note 1 to the accounts.

### 9.2 Recognition

All expenditure on the acquisition or construction of fixed assets is capitalised on an accrual basis.

### 9.3 Measurement

A Statement of Financial Position (Balance Sheet) incorporating all of the assets of the local authority was included for the first time in the Annual Finance Statement for 2003. The assets were valued based on the 'Valuation Guideline' issued by the DHLGH. All assets purchased or constructed as from 1/1/2004 have been included at historical cost. Accounting policies relating to leases are currently being developed and will be reflected in the financial statements at a future date.

Asset Category	Basis of Valuation
1. Land	Depending on anticipated use, it is valued at either:  (a) Cost plus allowable rolled up charges or estimated allowable costs, or (b) Market value.
2. Local Authority Housing	Market value with vacant possession
3. Buildings	Depending on the use of the building  (a) Market value (b) Current replacement cost
4. Plant & Machinery, Equipment, Furniture	Estimated current value taking account of condition
5. Road Network	Value based on the current cost of replacing the existing network

## 9.4 Revaluation

As set out in a revision to the Accounting Code of Practice it is policy to show fixed assets at cost. Maintenance and enhancement costs associated with Infrastructure assets are not currently included in fixed assets but will be reviewed at a future date. Due to their physical nature, the vast majority of assets are unique to local authorities and are not subject to disposal. Any loss or gain associated with the net realisable value of the remaining general assets subject to disposal, are accounted for at time of disposal.

## 9.5 Disposals

In respect of disposable assets, income is credited to a specific reserve and is generally applied in the purchase of new assets. Proceeds of the sale of local authority houses are to be applied as directed by the DHLGH.

## 9.6 Depreciation

Under the current method of accounting, the charge for depreciation is offset by the amortisation of the source of funding the asset. This method has a neutral impact on the Income & Expenditure and consequently the charge for depreciation and the corresponding credit from amortisation is excluded from the Statement of Comprehensive Income (Income & Expenditure Statement). All assets other than the road network, heritage, library books, buildings and housing are depreciated.

The policies applied to assets subject to depreciation are as follows:

Asset Type	Bases	Depreciation (%) P.A.
Plant & Machinery		
- Long Life	S/L	10
- Short Life	S/L	20
Equipment	S/L	20
Furniture	S/L	20
Heritage Assets		Nil
Library Stock		Nil
Playgrounds	S/L	20
Parks	S/L	02
Landfill sites (*See note)		
<b>Water Assets</b>		
- Water Schemes	S/L	Asset life over 70 years
- Drainage Schemes	S/L	Asset life over 50 years
<b>Roads</b>		Nil

The Council does not charge depreciation in the year of disposal and will charge a full year's depreciation in the year of acquisition.

**\*The value of landfill sites has been included in Note 1 under land. Depreciation represents the depletion of the landfill asset.**

## **10. Government Grants**

Government grants are accounted for on an accrual basis. Grants received to cover day-to-day operations are credited to the Statement of Comprehensive Income (Income & Expenditure Statement). Grants received, relating to the construction of assets, are shown as part of the income of work-in-progress. On completion of the project the income is transferred to a capitalisation account.

## **11. Development Debtors & Income**

Short term development levy debtors are included in Note 5. Income from development contributions not due to be paid within the current year is deferred and not separately disclosed in the financial statements.

## **12. Debt Redemption**

The proceeds from the early redemption of loans by borrowers are applied to the redemption of mortgage related borrowings from the HFA and OPW.

## **13. Lease Schemes**

Rental payments under operating leases are charged to the Statement of Comprehensive Income (Income & Expenditure Statement). Assets acquired under a finance lease are included in fixed assets. The amount due on outstanding balances is shown under current liabilities and long term creditors. The funding element of lease principal is transferred and offset against a lease repayment reserve in a similar manner to non-mortgage related loans.

## **14. Stock**

Stocks are valued on an average cost basis.

## **15. Work-in-Progress & Preliminary Expenditure**

Work-in-Progress and preliminary expenditure is the accumulated historical cost of various capital related projects. The income accrued in respect of these projects is shown in the Statement of Financial Position (Balance Sheet) as 'Income WIP'.

## **16. Interest in Local Authority Companies**

The interest of Kilkenny County Council in companies is listed in Appendix 8.

## **17. Related Parties**

A related party transaction is a transfer of resources, services or obligations between the local authority and a related party. The main related parties for a local authority include the following:

- i. Management and Personnel
- ii. Council members
- iii. Government Departments
- iv. Local Authority Companies

Local Authority council members and key personnel are bound under the relevant sections of the Local Government Act 2001 and subsequent amending legislation to:

- a. furnish an annual declaration of 'declarable interests' set out in section 175 of the Act;
- b. disclose under sections 167, 178 and 179 any beneficial interests that they or a connected person has; and
- c. follow a code of conduct issued by the Minister for Housing, Local Government and Heritage under section 169 of the Local Government Act 2001 in 2004.

'Declarable interests' cover both financial and certain other interests such as land etc.

Local authority management and personnel salary and remuneration is determined by the Department of Housing, Local Government and Heritage in line with central government policy on rates of pay.

Local Authority interests in companies and joint ventures are disclosed in Appendix 8 to the Annual Financial Statements. Local Authority transactions with government departments are governed by central government controls and procedures driven by government accounting rules.

## **18. Management of and Accountability for Grants from Exchequer Funds**

In 2018 the Department of Culture Heritage and Gaeltacht awarded a grant of €2m to this organisation, under the ACCESS II Scheme. This grant was for the specific purpose of “The Butler Gallery relocating to Evan’s Home”. This grant is for €2m is to be drawn down from the Department prior to 31 March 2020. This grant was claimed on a vouched expenditure basis and certified by an Auditor. The amount claimed in 2020 was €213.5k, prior years 2019 and 2018 were €1,370.2k and €299k respectively and are fully recorded in these statements.

In 2017 Failte Ireland awarded a grant of €1,085,129 to this organisation, under the Grants Scheme for Large Tourism Projects Stage Two Pass. This grant was for the specific purpose of “The Butler Gallery relocating to Evan’s Home”. This grant for €1,085,129 was to be drawn down from Failte Ireland prior to 31 March 2020. This grant was claimed on a supported expenditure basis. The amount claimed in 2020 was €124.1k, prior years 2019 and 2018 were €797.8k and €163.2k respectively and are fully recorded in these statements. The full grant awarded has been drawn down.

In 2020 the Department of Defence paid Civil Defence grant payments to a value of €145.7k.

# **FINANCIAL ACCOUNTS**

## **APPENDICES**

## APPENDIX 8

## INTEREST OF LOCAL AUTHORITIES IN COMPANIES

Where a local authority as a corporate body or its members or officers, by virtue of their office have an interest in a company (controlled, jointly controlled and associated), the following disclosures should be made for each entity:

Name of Company	Voting Power %	Classification: Subsidiary / Associate / Joint Venture	Total Assets	Total Liabilities	Revenue	Expenditure	Cumulative Surplus/Deficit	Consolidated in Local Authority accounts (Y/N)	Reporting date of financial statements
<b>Kilkenny Civic Trust</b>	N/A	Associate	1,319,203	678,944	806,590	932,798	253,916	N	31.12.2020
<b>Watergate Theatre Company Ltd</b>	N/A	Associate	396,140	408,759	482,790	387,504	(45,835)	N	31.12.2020
<b>Kilkenny Tourism Ltd</b>	N/A	Associate	99,009	98,187	164,587	164,587	822	N	31.12.2020
<b>Kilkenny Local Authorities Complex Ltd</b>	100%	Subsidiary	11,101,617	5,165,787	826,422	1,785,152	(8,264,270)	N	31.12.2020
<b>Carlow Kilkenny Energy Agency</b>	N/A	Associate	1,238,210	437,317	1,670,842	1,566,454	800,893	N	31.12.2020
<b>Kilkenny Community Enterprise Centre Ltd</b>	N/A	Associate	379,847	329,433	59,735	57,507	50,414	N	31.12.2020
<b>Kilkenny Abbey Quarter Development Partnership</b>	N/A	Partnership	9,523,149	6,545,952	Nil	365,816	(1,016,425)	N	31.12.2020
<b>Kilkenny Abbey Quarter Development Ltd</b>	N/A	Associate	290,115	290,114	49,497	49,497	-	N	31.12.2020