



# Annual Accounts

As at 31 March 2018  
Audited

September 2018



# Dundee City Council

## Annual Accounts 2017/2018

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**PART 1 - INTRODUCTION & BACKGROUND**

**Introduction**

We are pleased to present the Audited Annual Accounts for Dundee City Council (“the Council”) and its Group for the year ended 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018 (“the Code”). This management commentary provides context for the annual accounts, an analysis of financial and non-financial performance and an insight into the priorities and plans of the Council and the key developments during the period. The principal financial risks and uncertainties facing the Council are identified, together with the potential impact and actions being taken.

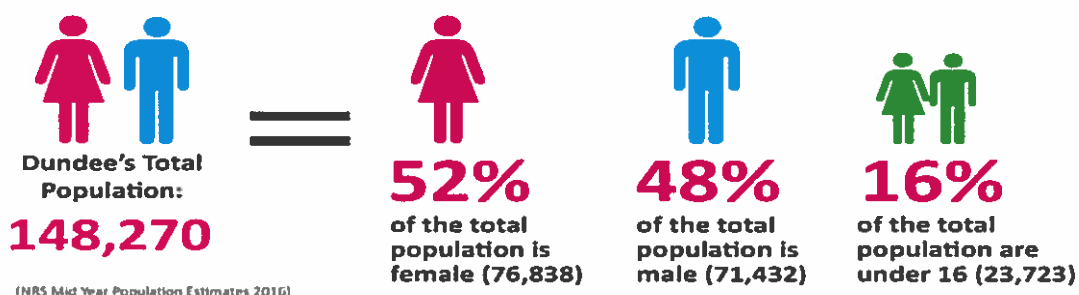
**Service and Management Structures**

There were no significant changes to service and management structures during 2017/18. The Council's five strategic service areas and two key partnerships are:

|   |  |   |
|---|--|---|
|    | <b>Children and Families</b>                       | The Children and Families Service is responsible for Nursery, Primary and Secondary Education, Community Justice Services and Integrated Children’s Services  |
|    | <b>City Development</b>                            | City Development Services is responsible for the promotion of jobs, the city’s road network, transportation facilities and Council properties and the control of development and building operations.   |
|    | <b>Dundee Health &amp; Social Care Partnership</b> | The Dundee Health and Social Care Partnership brings together adult health and social care services.  |
|   | <b>Neighbourhood Services</b>                      | Neighbourhood Services is responsible for the management and maintenance of housing and the environment, waste management, supporting people to develop their communities and keeping people safe and healthy.                                  |
|  | <b>Leisure &amp; Culture Dundee</b>                | Leisure and Culture Dundee is a Scottish Charitable Incorporated Organization responsible for Leisure and Sport, Libraries and Culture.   |
|  | <b>Corporate Services</b>                          | Corporate Services is responsible for Corporate Finance, Customer Services, IT, Democratic and Legal Services, Human Resources and Business Support.  |
|  | <b>Chief Executive’s Services</b>                  | The Chief Executive’s Service is responsible for the efficient and effective management of the Council and its resources and for Community Planning, Transformation and Performance, Communications and National Entitlement Card for Scotland. |

**Dundee City Council**

Dundee is Scotland’s fourth largest city, situated on the north coast the Tay Estuary in a stunning location and is Scotland’s sunniest city, with an average of over 1,500 hours of sunshine per year. The Dundee City Council area covers 60 square kilometres and is, geographically, the smallest local authority area in Scotland. Dundee is home to 148,270 people and is bordered by Perth and Kinross Council to the west and Angus Council to the north and east. Dundee continues to serve as the regional centre for this area and North-East Fife, with an estimated catchment population of some 490,000 people. Dundee has a sizeable student population, and is home to the University of Dundee, Abertay University and Dundee & Angus College.



**PART 2 - FINANCIAL MATTERS****Review of the 2017/2018 Financial Year - Revenue Budget**

The 2017/2018 General Services Revenue Budget was agreed at the meeting of the Policy & Resources Committee on 23 February 2017. The Council Tax was increased by 2.5%, after service developments of £1.823m and budget savings totalling £3.413m were approved. No amounts were taken from accumulated General Fund balances in setting the 2017/2018 budget. The 2017/2018 Housing Revenue Account Budget was agreed at the meeting of the Policy & Resources Committee on 23 January 2017 and the Neighbourhood Services Committee on that date agreed that rent levels would increase on average by 1.25%. The Policy & Resources Committee received regular revenue monitoring reports during 2017/2018 in order to keep elected members fully apprised as to the projected outturn position.

The Consolidated Income & Expenditure Statement (page 47) shows a deficit on the provision of services of £50.311m for 2017/2018, measured on an accounting basis. This deficit is carried forward to the Movement in Reserves Statement (page 49), where adjustments totalling -£57.282m have been made to restate the accounting position to a funding basis. Therefore, the overall increase in usable reserves is £6.971m on a funding basis. The Expenditure and Funding Analysis (page 43) provides a detailed reconciliation between the funding and accounting bases, with the former also providing a direct linkage back to the regular revenue monitoring reports to Committee.

Within the overall increase in usable reserves of £6.971m, the increase in the General Fund and Housing Revenue Account balances over the year was £4.005m. This was against a budgeted reduction in General Fund and Housing Revenue Account balances of £1.463m (due mainly to the carry forward of underspends from 2016/2017 and allocations from the Organisational Change Fund during 2017/2018), i.e. this represents an overall net underspend of £5.468m against the 2017/2018 Revenue Budget. The main components of the net underspend are as follows:

|   | (Under)/ Over<br>Spend<br>£m |
|---|------------------------------|
| Children & Families Services  | 3.297                        |
| City Development  | 3.150                        |
| Neighbourhood Services  | 0.539                        |
| Chief Executive   | (0.082)                      |
| Corporate Services  | (0.949)                      |
| DCS Construction  | (0.005)                      |
| Housing Revenue Account   | 2.167                        |
| Other Miscellaneous Service Budgets   | 0.958                        |
| <b>Net Overspend on Services</b>  | <b>9.075</b>                 |
| Financing & Investment Income & Expenditure                                 | (14.671)                     |
| Taxation and Non Specific Grant Income                                      | (0.636)                      |
| <b>Net Underspend per Comprehensive Income &amp; Expenditure Statement</b>  | <b>(6.232)</b>               |
| Items in Movement in Reserves Statement:                                    |                              |
| Pension Contributions   | (1.088)                      |
| Loan Repayments & CFCR  | 1.752                        |
| <b>Net Underspend Before Appropriations</b>                                 | <b>(5.568)</b>               |
| Additional Contributions to / (from) Reserves:                              |                              |
| Deficit on Housing Revenue Account (transferred from Renewal & Repair Fund) | (0.824)                      |
| Repair & Renewal Fund   | 0.479                        |
| Insurance Fund (surplus transferred to reserve)                             | 0.445                        |
| <b>Net Underspend After Appropriations</b>                                  | <b>(5.468)</b>               |

At a more detailed level, the main areas of variance against budget are:

| <b>Overspends:</b>  | <b>£m</b> |
|---|-----------|
| In Children & Families Services increase in the number and length of residential placements in addition to an increase in expenditure in relation to fostering and adoption.                                      | 2.781     |
| Pupil transport costs higher than anticipated.  | 0.254     |
| Additional winter maintenance costs.  | 1.292     |
| Overspends incurred in relation to non-domestic rates applicable to vacant properties, unplanned repairs and maintenance of buildings, health & safety contracts and property security.                           | 1.353     |
| Lower income on vacant properties, planning application and building warrant fees. Also loss of rental income following termination of leases with DERL.  | 0.926     |
| Reflects overspend on consultancy fees and increased cost of residual waste disposal following finalisation and implementation of new contract.   | 1.737     |
| Reflects reduction in chargeable income from Waste Management activities including skip uplifts and rentals, special collections, recycle disposal and commercial trade waste.                                    | 0.411     |
| Reflects higher than anticipated expenditure on housing repairs, maintenance and relets due to increased demand together with non-recurring expenditure on fire safety measures within multi-storey developments. | 2.218     |
| Write off of service debt following sale of DERL.   | 2.719     |
| Write off of consolidated loans fund advances relating to DERL plant partly offset by reduction in loan repayments due to slippage in capital programme.  | 1.821     |
| <b>Underspends:</b>   | <b>£m</b> |
| Net savings in staff costs across all services including pension contributions.   | 3.582     |
| Increased school meals income, SEN recharge and government grants.  | 1.209     |
| In Neighbourhood Services, contract expenditure on materials and sub contractors was less than anticipated because a number of contracts were not completed by the end of the financial year.                     | 0.247     |
| Recoveries of amounts from significant fraud case.  | 0.897     |
| Additional income from rent of houses   | 0.148     |
| Savings in interest costs due to lower than anticipated interest rates and debt rescheduling.   | 0.910     |
| Receipt from sale of investment in DERL net of amount payable to Angus Council and write off of DERL loans.   | 13.777    |
| Additional Tayside Contracts surpluses.   | 0.302     |
| Additional grant from Scottish Government received as part of 2018/2019 grant settlement but required to be accounted for in 2017/2018.   | 0.961     |

The General Fund balance has increased over the year by £4.005m, to £13.846m at 31 March 2018. Within this overall total it is estimated that £7.0m is uncommitted. This equates to 2.1% of annual budgeted net expenditure.

### NET COST OF SERVICES 2017/18 (£m)

|                                   |   |   |                                   |
|-----------------------------------|---|---|-----------------------------------|
| Children & Families<br>153.216    | Dundee Health & Social Care Partnership<br>78.227 | City Development<br>65.481                  | Neighbourhood Services<br>31.402  |
| Corporate Services<br>33.903      | Chief Executive<br>11.827                         | DCS Construction<br>(1.247)                 | Housing Revenue Account<br>20.132 |
| Discretionary NDR Relief<br>0.340 | Tayside Valuation Joint Board<br>0.903            | Write off DERL debt (DCC Services)<br>2.719 | Miscellaneous Items<br>(0.979)    |



The value of net assets shown in the Council's Balance Sheet (page 50) has increased from £440.5m (at 31 March 2017) to £720.5m (at 31 March 2018) ie an increase of £280m. The main reasons for this movement are increases in the value of Property, Plant & Equipment (£115.9m) and a reduction in the net Pension Liability (£243.3m), partly offset by increases in Borrowing (£39.6m) and PPP / DBFM Liabilities (£25.7m). The Cash Flow Statement (page 51) shows that cash and cash equivalents have decreased by £0.509m over the period, with a closing net overdrawn balance of £3.085m.

### Management of Reserves

Under the Council's Standing Orders and Schemes of Administration, the Executive Director of Corporate Services has delegated powers to:

- manage the Council's various reserves and balances in accordance with the agreed protocol and any other relevant guidance, and to
- transfer funds between reserves as part of the Council's overall financial management arrangements.

The agreed protocol for the operation of the Council's Reserves states that the Executive Director of Corporate Services shall include a statement showing the movements in the Council's Reserves in the Annual Accounts. The following table shows the movements in the Council's available cash-backed reserves during 2017/18.

|  | General<br>Fund<br>£m | Housing Revenue<br>Account<br>£m | Renewal &<br>Repair<br>Fund<br>£m | Insurance<br>Fund<br>£m | Capital<br>Fund<br>£m | Total<br>£m   |
|--|-----------------------|----------------------------------|-----------------------------------|-------------------------|-----------------------|---------------|
| <b>Opening Balance 1<br/>April 2017</b>                | <b>9.841</b>          | <b>-</b>                         | <b>6.732</b>                      | <b>1.118</b>            | <b>2.100</b>          | <b>19.791</b> |
| Surplus / (Deficit) for<br>the Year                    | 4.505                 | (0.824)                          | (0.558)                           | 0.445                   | 0.010                 | 3.578         |
| Transfer of HRA<br>Deficit                             | -                     | 0.824                            | (0.824)                           | -                       | -                     | -             |
| General Reserve<br>Transfers Under<br>Delegated Powers | (0.500)               | -                                | 0.500                             | -                       | -                     | -             |
| <b>Closing Balance 31<br/>March 2018</b>               | <b>13.846</b>         | <b>-</b>                         | <b>5.850</b>                      | <b>1.563</b>            | <b>2.110</b>          | <b>23.369</b> |

### Review of the 2017/2018 Financial Year - Capital Budget

On 31 October 2016, the Policy & Resources Committee approved a combined five year Capital Plan for General Services and Housing totalling £447.1m over the period 2016 to 2021. The gross capital budget for 2017/2018 totalled £159.819m, including an allowance for slippage. The Policy & Resources Committee received regular capital monitoring reports during 2017/2018 to keep elected members apprised of project cost to date, the projected outturn position and projected completion dates. Actual gross capital expenditure for the year was £127.423m. The following table compares the actual outturn position with budget for capital expenditure and the associated funding. The underspend against the original capital budget was due to slippage across a range of projects. There were no major asset disposals during the financial year.

|                           | Budget<br>£m   | Actual<br>£m   | Variance<br>£m  |
|---------------------------|----------------|----------------|-----------------|
| Gross Capital Expenditure | 159.819        | 127.423        | (32.396)        |
| <i>Funded by:</i>         |                |                |                 |
| Borrowing                 | 92.736         | 74.330         | (18.406)        |
| Capital Grants & Receipts | 60.101         | 52.057         | (8.044)         |
| CFCR                      | -              | 1.036          | 1.036           |
| Slippage Allowance        | 6.982          | -              | (6.982)         |
|                           | <b>159.819</b> | <b>127.423</b> | <b>(32.396)</b> |

In-year gross spend on key projects in the capital programme was as follows:



### Capital Funding / Treasury Management

In terms of the funding of capital expenditure, borrowing has the effect of increasing the Council's overall indebtedness and the level of principal repayments and loan interest charges each year. Capital expenditure met directly from revenue resources (CFCR) increases total net revenue expenditure in that particular year but does not result in an increase in overall indebtedness. The Council uses these methods of funding capital expenditure as part of its long and short term capital financing strategy. The Council has several sources available to it in terms of borrowing to fund capital expenditure. The most significant of these is the Debt Management Office (an Executive Agency of HM Treasury), although the Council can also issue bonds and borrow from the money markets and the European Investment Bank. During 2017/2018 the Council's Capital Financing Requirement (CFR) increased by £75.4m, from £578.1m to £653.5m. The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be financed in future years by charges against revenue. The figure includes outstanding financing liabilities under the Schools PPP and DBFM contracts. The Council manages its CFR level in line with the requirements of the Prudential Code. The Council's external debt was £635.4m at 31 March 2018 (£569.8m at 31 March 2017). The fact that this is below the CFR confirms the Council is not borrowing for revenue purposes and is partly funding its capital expenditure from existing resources.

In terms of treasury management, the Treasury Policy Statement sets out the policies and objectives of the Council's Treasury Management activities and the practices to be used to achieve these. There is a separate Treasury Management Risk Register which identifies the risks associated with Treasury Management Activity as well as the measures taken to minimise or mitigate these risks where possible. Whilst these risks are continuously monitored, the Risk Register is presented to the Policy & Resources Committee on a six monthly basis (in conjunction with Treasury Activity Reporting), and maintained within the Council's Risk Management system. The Treasury Management Strategy Statement and Annual Investment Strategy for 2017-2018, required by the Council's Treasury Policy Statement and the CIPFA Code of Practice on Treasury Management, stated that the 2017/2018 Revenue Budget had been set to include a provision of £26.182m for Capital Financing Costs, based on an average Loans Fund Interest rate of 4.1%. It identified a new net borrowing requirement in 2017/2018 of £69m which would be funded through phased borrowing during the year. During the financial year, long-term borrowing of £45.0m was undertaken, including repayments of existing loans totalling £11.5m. This net borrowing was low due to more use of short term borrowing and slippage within both capital programmes. These loans had an average interest rate of 2.34% and an average term of 48.8 years.

Over the period of 31st August to 15th September 2017, a debt rescheduling exercise was undertaken to refinance 20 loans with maturity dates between 2022 and 2033, paying average annual interest rates of 8.03%. These loans were replaced on 31st August with a £20m loan with an annual rate of 2.3%, with tactical repayment on 15th September when the applicable rate had risen to 2.39%, which reduced the premium charge by £263,812. The details of the repayment are noted below:

|                |                    |
|----------------|--------------------|
| Loan Repayment | £13,920,392        |
| Premium        | £8,875,775         |
| Interest       | £404,791           |
|                | <u>£23,200,958</u> |

#### **Pension Liability (International Accounting Standard 19)**

Under International Accounting Standard 19 (Employee Benefits) the Council is required to include figures in its Annual Accounts relating to the assets, liabilities, income and expenditure of the pension scheme for its employees. It has been estimated that the Council had a net pension liability of £138.5m as at 31 March 2018 (£381.9m at 31 March 2017). The significant reduction in the net liability was due to a number of factors:

Strong asset performance led to an increase in the asset value: over the year the Fund assets have significantly outperformed the discount rate assumption. This has led to an increase in assets of £33.2m. There was also a fall in the value placed on the liabilities. There are three main reasons for this:

1. Change in financial assumptions: the pension and salary increase assumptions both have decreased since 2017. While this is partly offset by the fall of the discount rate, overall the change in financial assumptions reduces the liability value by £67.8m.
2. Change in demographic assumptions: for the 2017 valuation the actuaries updated their demographic assumptions which are mainly made up of a change to the mortality assumption following an analysis of mortality experience in the Fund. This review which has led to an overall decrease of estimated future life expectancies and thus a decrease of the liabilities by £86.1m.
3. Experience loss/(gain) on defined benefit obligations: the March 2017 liability figure was determined by rolling forward the value of the Council's liabilities calculated for the 2014 valuation. Following the completion of the 2017 valuation, the liability figure in this year's accounting report has been calculated by rolling forward the Council's liabilities as at 31 March 2017. This leads to an experience gain of £73.3m, which reflects the differences between the actuarial assumptions used and the actual development of the liabilities over the intervalation period. The difference mainly comes as a result of lower inflation over the period (e.g. lower pension increases were paid compared to those assumed).



### Material Assets, Liabilities, Charges and Credits

On 28 November 2017, the Council sold its shareholding in DERL to MVV Environment Limited (MVV). On the same day, the Council entered into a 28 year contract with MVV Environment Baldovie Limited (the renamed DERL company) for the disposal of residual waste. Under the terms of an Inter Authority Agreement, Angus Council were entitled to £2.766m from the sale proceeds and this amount was paid over in December 2017. A further £96k was received from MVV in April 2018, following the finalisation of the DERL Completion Accounts. These transactions (net receipt of £14.330m) relate to investment activity and have been included within the Financing and Investment Income and Expenditure line in the Council's 2017/18 Comprehensive Income & Expenditure Statement.

Following on from the sale of the Council's shareholding in DERL, a number of write-offs were required. The following write-offs, which impact on General Fund Balances, are reflected in the Council's 2017/18 accounts:

| Write-off Item  | Amount Accounting Statement (£m)                |
|---|---|
| Various Invoiced Debts Raised By DCC Services                         | 2.719 CIES - Net Cost of Services               |
| Loans - Unfunded  | 0.600 CIES - Financing & Investment Expenditure |
| Interest Payable on Loans   | 0.082 CIES - Financing & Investment Expenditure |
| Loans - Funded by Loans Fund Advances                                 | 0.344 MIRS - Loan Repayments                    |
| DCC Capital Expenditure on DERL Plant - Funded by Loans Fund Advances | 2.924 MIRS - Loan Repayments                    |
| <b>Total Impact on General Fund Balances</b>                          | <b>6.669</b>                                    |

Write-offs against Property, Plant & Equipment (£2.469m) have also been reflected in the Council's 2017/18 accounts, however these do not impact on General Fund balances.

There were no other material transactions in relation to assets, liabilities, charges or credits outwith the normal scale of activities of the Council during the 2017/2018 financial year, other than those already separately disclosed in the Accounts.

### Provisions, Write-offs and Contingencies

Provisions for the non-collection of various types of debt totalled £32.439m at 31 March 2018, a decrease of £3.251m from the previous year. The level of provisions is partly a reflection of the difficult economic climate and the resulting increased potential for debtors to default on payment. Full details of provisions are shown in note 35. Following the sale of the Council's shareholding in DERL, various write-offs totalling £6.669m were made during the 2017/2018 financial year. The Council includes a prudent level of contingencies within its annual revenue budget and also carries a prudent level of uncommitted reserves. These provide a cushion against any items of unforeseen or emergency expenditure or shortfalls in income or savings targets.

### Contingent Assets & Liabilities

There were no contingent assets or contingent liabilities as at 31 March 2018.

### Subsequent Events

There have been no events occurring after 31 March 2018 that would have a material impact on the figures shown in the 2017/2018 Annual Accounts.

### Accounting Policies (see note 1 to the Core Annual Accounts)

The Accounting Policies set out the basis upon which the Annual Accounts have been prepared, and explains the accounting treatment of both general and specific items. There were no significant changes in the accounting policies shown in note 1 during 2017/2018.

## CIPFA's Telling the Story Review of the Presentation of Local Authority Financial Statements

Following publication in 2015 of CIPFA's Telling the Story Review of the Presentation of Local Authority Financial Statements, the 2016/2017 Code changed the segmental reporting arrangements for the Comprehensive Income and Expenditure Statement and introduced the Expenditure and Funding Analysis. The Expenditure and Funding Analysis brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund and Housing Revenue Account. Both the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis include a segmental analysis which requires local authorities to report performance on the basis of how they are structured and how they operate, monitor and manage financial performance.

### Group Accounts

The Group Accounts on pages 119 to 129 bring together Dundee City Council and its interests in entities which would be regarded as its subsidiaries or associates or joint ventures if the local authority was subject to the Companies Act. The impact of consolidating group entities is shown on page 124.

### Pension Fund Accounts

Dundee City Council is the administering authority for both the Tayside Pension Fund (Main Fund) and the Tayside Transport Pension Fund (Transport Fund). Further information can be found in the Tayside Pension Funds' Annual Report and Accounts which is available from the Fund's website ([www.taysidepensionfund.org](http://www.taysidepensionfund.org)).

### Financial Indicators

The following financial indicators are intended to support interpretation of the Annual Accounts and the Council's financial position and performance. They present a picture of the financial sustainability and affordability of the Council's financial plans. They also indicate how effective financial management is within the Council.

| Category / Financial Indicator  | 2017/18  | 2016/17  |
|---|----------|----------|
| <i>Reserves</i>   |          |          |
| Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure | 2.08%    | 1.52%    |
| Movement in the Uncommitted General Fund Balance                                    | +1.997m  | -£1.977m |
| <i>Council Tax</i>  |          |          |
| In-year collection rate   | 93.9%    | 93.4%    |
| Ratio of Council Tax Income to Overall Level of Funding                             | 13.1%    | 12.8%    |
| <i>Financial Management</i>   |          |          |
| Actual Outturn Net Service Expenditure compared to Budgeted Net Service Expenditure | 102.3%   | 101.9%   |
| Actual contribution to / from Unallocated General Fund Balance compared to Budget   | -£1.997m | +£1.977m |
| <i>Debt / Long Term Borrowing</i>   |          |          |
| Capital Financing Requirement for the current year                                  | £653.5m  | £578.1m  |
| External Debt Levels for the current year   | £635.4m  | £569.8m  |
| Ratio of financing costs to net revenue stream – General Services                   | 8.2%     | 7.4%     |
| Ratio of financing costs to net revenue stream – HRA                                | 38.4%    | 39.5%    |
| Impact of Capital Investment on Weekly Rents  | £0.69    | (£0.30)  |

### Significant Fraud Case

A significant fraud was perpetrated against the Council by a long-term employee, over the period August 2009 to May 2016. At the High Court in Glasgow in August 2017, the individual concerned plead guilty to the charge of embezzling £1.065m from the Council and was sentenced to 5 years 4 months imprisonment. The loss has been recovered, almost fully, through a range of methods including the pension of the convicted individual, an ex-gratia payment from a third party and the proceeds from the Council's fidelity insurance policy. The related income is included within the Miscellaneous Items line in the 2017/18 Comprehensive Income & Expenditure Statement. Appropriate action has been taken and continues to be taken by management, to strengthen internal controls and thereby enhance public confidence by improving the Council's resilience to fraud and corruption. Following the conclusion of legal proceedings, a comprehensive report was submitted to the Council's Scrutiny Committee. A report by Audit Scotland under Section 102 of the Local Government (Scotland) Act 1973 was submitted to the City Council and the recommendations in this report have been agreed and are being actioned.

## PART 3 - KEY DEVELOPMENTS DURING 2017/18

### Dundee Fairness Commission

The Council first adopted a Fairness Strategy in June 2012 and in September 2014, the Policy & Resources Committee considered a report which outlined the revised Child Poverty Strategy for Scotland and highlighted progress on the actions which respond to this in the Dundee Fairness Action Plan to further drive forward the efforts to promote fairness. A Fairness Commission for Dundee was formed in April 2015 and considered the nature and extent of poverty in the area, examined evidence of what has worked elsewhere to challenge poverty and assessed the effectiveness of the Council and partners' existing action plan. It presented its report to the Dundee Partnership in May 2016 including a range of practical recommendations for policy and action to reduce poverty in Dundee. This was reported to Dundee City Council's Policy and Resources Committee on 13 June 2016 and an action plan was agreed in November 2016. A new Fairness Commission has been established and met for the first time on 1 June 2017 and is expected to produce its recommendations in late 2018.

### Welfare Reform

The Council continues to respond proactively and positively to the many challenges presented by welfare reform. Universal Credit (UC) Live Service was introduced in Dundee in November 2015 and migration to Full Service occurred on 8 November 2017. The demand for new claims support and digital support for customers has significantly increased following the introduction of UC Full Service. Assistance to make and manage a UCFS claim online has been provided at the Central Library by way of a drop in service. Customers can use the computers themselves or receive assistance from staff within the library.

Council Advice Services (incorporating Welfare Rights, Connect, DEEAP and Making Money Work) continue to offer advice and assistance to claimants through co-location within Dundee Jobcentre and the Corporate Debt Team have also been working in partnership with Dundee Jobcentre in an effort to minimise rent arrears for UC customers. The Council's Single Point of contact was set up in November 2017 to coordinate any issues with Universal Credit with Dundee Jobcentre and feedback outcomes with all partners including Housing Associations and Third Sector Agencies. The Council's Single Point of Contact has proven to be a proactive approach in addressing any issues raised via its dedicated email address.

Since the roll out of UCFS further awareness sessions have been delivered to Tayside Advice Workers Forum, Financial Inclusion Strategy Group, Health & Social Care Partnership Team, Children & Families Services and frontline housing staff. Demand for the Connect Team's Personal Budgeting Support (PBS) service has increased since the introduction of Universal Credit Full Service in November 2017.

In 2017/18 GP practice based Welfare Rights Officers service expanded from 5 venues to 9 venues across the city (now reaching 48,905 patients). In all venues they use consensual access to clients' medical records to assist people with problems arising from welfare reform changes introduced for sick and disabled citizens in Dundee. Council Advice Services are working to support claimants making new PIP applications across the city. Help to complete claim forms has significantly increased and representation at appeal tribunals by Welfare Rights Officers has tripled in the last 2 years as a result. Council Advice Services' income maximisation gains rose 26% in 2017-18 and now total over £10 million per annum for Dundee citizens



## Dundee Drug Misuse Commission

The Dundee Drug Misuse Commission was launched at a Dundee Partnership Forum conference on 26 March 2018. The Commission will be chaired by Dr Robert Peat and will include members with a wealth of experience and expertise from public, voluntary, academic and treatment backgrounds. It will consider the extent and impact of drug misuse and drug deaths, scrutinise local practice and services, identify best practice examples and recommend practical and achievable action. The work is expected to take up to a year and the fact finding stage of the process began in April. A major engagement process will gather the lived experience of people who have accessed services and their families and communities and a call for evidence from all interested parties will be issued and widely publicised.

## Integration of Health and Social Care

Dundee Integration Joint Board (DIJB) became responsible for the strategic planning, operational management and oversight of delegated health and social care services with effect from 1st April 2016 under the Public Bodies (Joint Working) (Scotland) Act 2014. The Board consists of six voting members appointed in equal number by NHS Tayside and Dundee City Council with a number of representative members who are drawn from the third sector, staff, carers and service users. The relationship between the IJB, NHS Tayside and Dundee City Council is set out within the Integration Scheme for Dundee. The Chief Officer of the IJB is an integral part of Dundee City Council's Management Team and the Board also receives professional financial advice through its Chief Finance Officer.

2017/18 represents the second full financial year of the IJB being formally responsible for the planning and delivery of integrated health and social care services in line with the ambitions set out in its Strategic and Commissioning Plan. During 2017/18, the IJB continued to develop its operational delivery structure with a view to embedding a full locality based model of integrated health and social care services based around the eight locality areas in Dundee. Through its Transformation Programme, the IJB has supported investment in a range of tests of change in service delivery which has enabled new models of care to emerge, which in addition to service redesign, aims to improve outcomes for those in need in the city, in a more efficient way. The effectiveness of these measures are monitored by the IJB's Performance & Audit Committee through a comprehensive suite of national and local performance indicators.

The Dundee Health and Social Care Integration Joint Board is a key part of the Dundee Partnership, and the Chief Officer is an integral member of the City Council's Management Team. Close working with Children and Families Services will be important to deliver better outcomes.

## Our People

The implementation and development of the Our People Strategy continued in 2017/18 with particular links with the Digital Strategy, opening up opportunity, access and communications for our workforce with no daily access to IT in line with our commitments to equality and developing our people. We introduced our leadership and professional development frameworks, started our journey towards having a strategic workforce plan and succession planning across services and developed actions plans to take forward the key themes from the Employee Survey, all with direct linkages to the themes of managing our people and enhancing our leadership. Other achievements over the year - Developing the Young Workforce agenda has continued to gather pace. During the year 2017/18, there were 79 Modern Apprentices working across service areas; there were 8 Graduate apprenticeships with Dundee University as we continue to 'grow our own' for the future and we funded 12 graduate work experience opportunities with direct links to change projects. A refocussing of our approach to managing absence was introduced following a collaborative working group with the trade unions. A new policy - Health and Wellbeing - Promoting Attendance was published with an action plan for implementation. These are the first steps towards an overarching Health and Wellbeing Framework which is due to be launched early in the new financial year. Performance indicators for the Our People Strategy have also been developed and will be live for 2018/19, allowing us to closely monitor our continued progress and improve the information we can share with our workforce.

## Awards & Achievements

We view scrutiny, including external inspection and self-assessment, as a means of identifying best practice and securing improvement. We also showcase best practice through National awards. During 2017/18 we have been externally recognised for some of our achievements including;

- Dundee Flower and Food Festival won the prestigious David Welch Memorial Award for Something Special at the Beautiful Scotland Awards.
- Our project to locate welfare rights advisers within GP surgeries won the Chairman's Award at the COSLA Excellence Awards. In the same awards, the Support U+ young person's mental health project at The Corner won a silver award and Lochee Community Hub and the team that planned the resettlement of refugees from Syria won bronze awards.
- The Children with Disabilities Team received a Special Recognition Award for Leadership at the SASW Social Work Awards.
- The Council won the Local Authority Leadership category of the Living Wage Champion Awards.
- The National Entitlement Card Project Office, serving all of Scotland but based in Dundee City Council, won the Excellence in Innovation and Technology Award at the Scottish Transport Awards for the project to replace over 1 million cards giving people access to travel concessions.
- Longhauigh Nursery School won the Creative Learning Award at the Scottish Education Awards while two of our inspirational teachers were recognised in the prestigious Scotland Women in Technology Awards.
- The External Wall Insulation programme, which cuts fuel bills, won the insulation and fabric installer of the year awards at the Energy Efficiency and Retrofit Awards.
- Due to our sector leading work in 'green' fleet we were shortlisted for four categories of the Fleet News Awards in March 2018 and were Highly Commended in the Fleet of the Year (up to 1,000 vehicles).

Major achievements in 2017/18 include:

- Pupils moved into three new schools: Tayview Primary School (which also houses Menzieshill Nursery), Sidlaw View Primary and Jessie Porter Nursery and the new Baldrigon Academy.
- The £1.2 million Community Infrastructure Fund set up for projects agreed at community level. The Dundee Decides process has seen over 11,000 people taking part on decisions on where money should be spent in their local area. We also introduced a new fund allowing young people to decide where £25,000 of grants should go.
- The Council reduced its carbon footprint by 10% - the fourth year in a row there has been a drop.
- There are now 31 accredited Living Wage companies in Dundee employing almost 10,000 people. We are gearing up to become Scotland's first accredited Living Wage City.
- 94.2% of all school leavers achieved positive destinations, remaining above national performance levels and delivering our commitment to skills for life and work.
- Dundee will be the HQ of the new Scottish Social Security Agency, bringing hundreds of jobs to the city;
- We secured £2.97 million from the Big Lottery Fund and European Social Fund to deliver the Dundee Money Action Project to help reduce inequalities by providing advice with financial issues.
- Dundee has appeared on a number of international 'must see' guides for 2018, including Lonely Planet's 10 Places to Visit in Europe, Wall Street Journal's Top 10 locations in the world and Bloomberg's list of 22 'especially compelling' places to visit.

## Sickness Absence

The Council's sickness absence figures, expressed as an average number of days per employee, are as follows:

|           |            |
|-----------|------------|
| 2016/2017 | 10.84 days |
| 2017/2018 | 11.43 days |

A key factor in improving employee attendance will be ensuring our commitment to the new Health and Wellbeing - Promoting Attendance Policy approach consistently across services. This includes providing more individual information to employees and to managers to assist them and providing more practical training and development for managers engaged in this activity. The launch of the Health and Wellbeing Framework will also focus on this improvement agenda. The main objectives of this framework are creating a safe and health working environment and culture, develop resilience within our culture, to improve physical, mental and emotional wellbeing, to encourage employees to develop and maintain a healthy lifestyle, to support employees with health issues to maintain attendance at work, and to improve employee satisfaction, recruitment and retention, reduce sickness absence and improve attendance, engagement and satisfaction.

### **New Contract for the Disposal of Residual Waste**

In November 2017, the Council entered into a 28 year contract with MVV Environment Baldovie Limited (MEB) for the disposal of residual waste. This followed a major procurement exercise, undertaken jointly by Dundee City Council and Angus Council, to secure a long-term partnership contract. As part of the new contract arrangements, the Council sold its shareholding in DERL to MVV Environment Limited (MVV), following a Balance Sheet restructuring of the DERL group companies. The existing DERL plant is now being utilised by MEB to deliver the contractual requirements during a 3 year interim service period, whilst a new plant is constructed on an adjacent site. Preparation for the new plant is already well underway and, upon completion, the full service period of the contract will commence and run for 25 years. As part of the contract, a number of community benefits will be provided by MEB, including:

- engagement with schools and colleges for work placements and input to courses
- engagement with community groups through awareness raising and community liaison activity
- assisting employability partners through the provision of development opportunities
- apprenticeship opportunities for young people through direct employment on the delivery of the contract as well as through a reciprocal arrangement with Michelin and other MVV plants across Europe
- benefits for local suppliers and businesses through the procurement of local services
- engagement with the public through open days and participation in local events.

The contract is supporting jobs in the Dundee City Region, at present principally through the construction programme which is anticipated to employ around 300 people in addition to the wider supply chain benefit. The ongoing plant operation will continue to support a number of permanent positions through the service delivery period. Since commencement in November 2017, the principal service objectives of the contract are being delivered satisfactorily. A contract management process is being developed and implemented to ensure effective delivery of the contractual obligations and commitments, including budget monitoring. Dundee City Council and Angus Council now have an appropriate delivery partner to ensure that all residual waste from the Councils is treated appropriately at a fixed cost and in compliance with all applicable regulations, with appropriate risk transfer to the contractor.

### **Climate Change and Sustainability**

The Climate Change (Scotland) Act 2009 places duties on the Council requiring it to contribute to carbon emissions reduction targets; contribute to climate change adaptation; and to act sustainably. The 2017–2022 Council Plan details priorities directly related to climate change and sustainability, including delivery of a significant reduction in CO2 emissions and a target to reduce energy consumption within the Council's estate.

To provide the leadership, commitment and planning necessary for this transition, the Lord Provost and Leader of the Administration signed up to the global 'Covenant of Mayors' movement in March 2018. This has committed the City of Dundee to develop and deliver a Sustainable Energy and Climate Action Plan (SECAP) and achieve a 40% reduction in CO2 emissions by 2030. The city-wide strategy will align with the Scottish Government's new Climate Change Plan, Scottish Energy Strategy and Cleaner Air for Scotland Strategy. It will also have a shared vision and objectives with the Council's City Plan and Tay Cities Deal of supporting sustainable economic growth, reducing social inequality, and enabling entrepreneurship and innovation. Six Strategic Programme Areas covering Energy Efficiency, Renewables, District Heating, Resource Use, Sustainable Transport and Adaptation are being prepared which combine to form a single integrated plan. This has been coupled with the development of a 'Sustainable Dundee' brand to promote the efforts of Council and Dundee Partnership activities further afield and encourage inward investment.



The Council also demonstrated its commitment to the UN's Sustainable Development Goals in 2017/18 by setting out 51 actions that it will take across the 17 goals to support Scotland's efforts in ending extreme poverty, fighting inequality and tackling climate change.

Climate change reporting is now mandatory across the public sector in Scotland, reflecting the expectation that the public sector will lead by example in tackling climate change. The introduction of a new standard reporting regime aims to improve the quality of climate change information being reported and ensure that a consistent approach is adopted across the public sector in Scotland. Required reporting focusses on corporate emissions arising from organisational operations and service delivery, as well as key information on: Organisational Profile; Governance, Management and Strategy; Adaptation; Procurement; and Validation.

The Council's latest Public Bodies Climate Change Duties (PBCCD) Report for 2017/18 is available to view at: <https://www.dundee.gov.uk/reports/reports/371-2017.pdf>

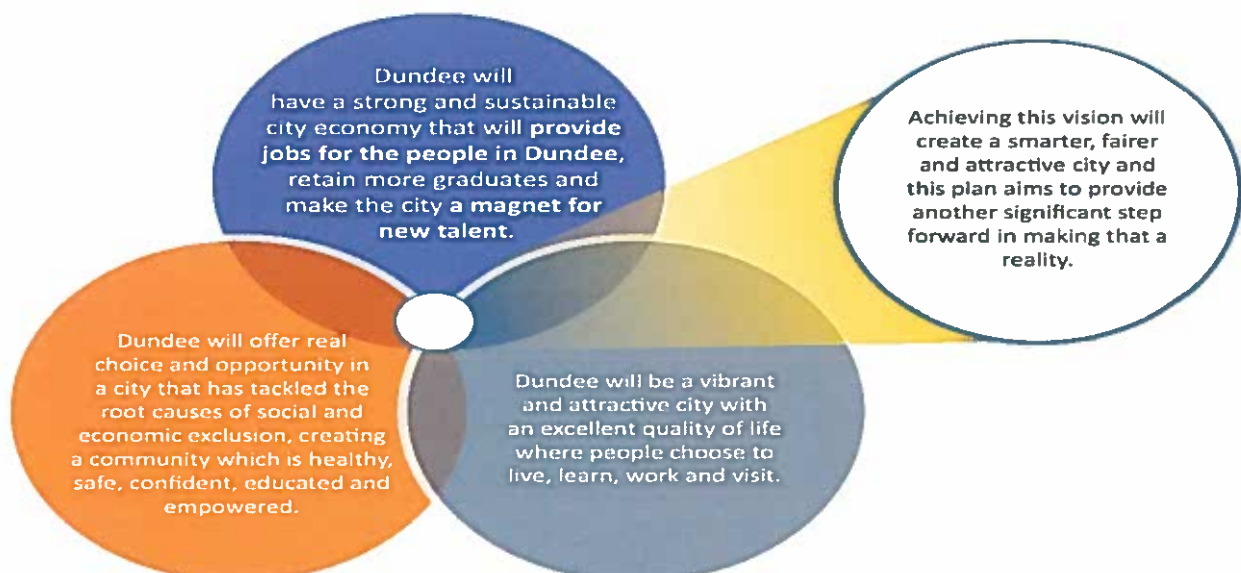
## PART 4 - PLANS, PRIORITIES & RISKS

### Strategic Planning

The V&A Dundee is a perfect illustration of Dundee forging a new and exciting path, and the city as a whole looks to match this transformation for every resident, worker and visitor. We all know there is much more to our city than just the Waterfront, with real investment and regeneration taking place in every community in Dundee. We also recognise that there is still a way to go. We have never shied away from the challenges around deprivation and inequality and, our strategic plans set out how we intend to deliver a step change in prosperity and fairness over the next decade.

The City Plan for Dundee 2017-26 (Dundee's Local Outcome Improvement Plan) builds on the work that has already been undertaken through the collective efforts of our communities, private, public and third sector partners. The City Plan was created after listening to the people of the city, and focuses on key priorities such as tackling poverty and inequality, increasing job opportunities, improving the lives of our young people, addressing health problems and creating stronger, safer communities. A huge amount of work has already been done by the Council and our partners to harness the city's potential, but more lies ahead so we can make our shared vision of a smarter, fairer, more vibrant and attractive city a reality.

The Council Plan for 2017- 2022 (our Corporate Plan) sets out how we as a local authority will play our part in achieving the vision set out in the City Plan. The Plan sets out the main priorities and how we will approach them – including scorecards to measure progress. It provides a roadmap to navigate through the challenges of unprecedented pressures on public sector finances and the resulting need to deliver services differently. The Council Plan was informed by the consultation with partners on the City Plan, the Engage Dundee Process and consultation with employees. This highlighted a consensus around the Vision for the City:



The Council Plan is the strategic plan for Dundee City Council as a corporate entity. It sets out our main corporate approach and our priority targets and actions for the purposes of public accountability on delivering. But this Plan is even more ambitious. It sets out to tackle the root causes of social exclusion to ensure no one is left behind in the development of the new city economy. Delivering our Fairness Action Plan, Employability Partnership and measures to close the attainment gap are top priorities. We want Dundee to be a great place to live, work and invest in. In order to deliver on the priorities set out in the City Plan and our Council Plan we will:

- Make best use of the financial resources available to us, ensuring best value for the public purse;
- Have a flexible, skilled and motivated workforce;
- Listen to, and be responsive to, our customers, shaping our services around their needs and focusing our resources where they are most needed; and
- Work closely with our partners, including local communities, to deliver a single set of outcomes for all the citizens of Dundee.

The Council Plan is supported by Strategic Service Area Plans and a variety of service strategies, financial, investment and management plans. These plans and strategies set out what we want to achieve, how we will deliver this and the resources we need to secure the desired outcome.

### **Management of Risk**

The challenges and risks facing the Council have evolved over time and to reflect this the Risk Register has been significantly refreshed to be aligned with the recently developed City Plan and Council Plan. The Council operates within a significantly changing environment and, as a result of resource constraints, it is expected that the level and pace of change will continue for the foreseeable future. Locally, changes include an organisational re-structure comprising the amalgamation / realignment of former departments, establishment of the new Dundee Health and Social Care Partnership, responsible for the operational delivery of health and social care services, as well as the development of new City and Council Plans setting out the organisation's vision and priorities. As a result of this continually changing and complex landscape, governance arrangements, including risk management, require to continually evolve to support it. Whilst the Council will face many levels of risk going forward the Register has identified eleven key areas which cover the wider risk environment. It is expected that more detailed risks identified at service level will be reflected within these broader strategic areas. The eleven areas identified are Financial Sustainability, Effectiveness of Partnerships, Resilience, City Vision, Governance, Corporate Health and Safety, Information Governance, Workforce, Statutory and Legislative Compliance, Major Project Delivery and Transformation.

### **Performance**

During 2017/18, the Council developed a new Performance Management Framework which sets out the framework for our improvement journey. This framework supports continuous improvement and measures delivery of the Council's Vision, Priorities and Outcomes. We set challenging targets against which we measure performance for a wide range of services. This is supported by our performance management system which analyses data, tracks progress and summarises actions for improvement. Regular reporting keeps our key stakeholders, including our communities, Elected Members and partners up to date on our performance. This is key to ensuring informed judgements are made about our services, to support effective decision making and to challenge performance. New performance reports have now also been developed to reflect the new City Plan and Council Plan.

The first annual Council Plan progress report was presented to Committee on 20 August 2018. The progress report is structured around the strategic services areas in the Council and provides for each a performance scorecard. To allow members to read an integrated report on progress, the Dundee Health and Social Care Partnership and Leisure and Culture Dundee have updates included in our annual Council Plan progress report.

There are 90 Key Performance Indicators (KPIs) with targets up to 2027 in the plan. Where data is available 64.4% of those are the same or better than the previous year. The report provides an analysis of where we are succeeding and where we need to do more.

We also use benchmarking to compare our performance with other organisations to support our improvement journey. The Local Government Benchmarking Framework (LGBF) provides performance data for all 32 local authorities in Scotland and is now in its sixth year, therefore provides valuable trend based insights as well as robust comparisons. The most recent data available is for 2016/17 and reveals that over the five year period to March 2017, the Council has maintained or significantly improved performance for 83% of the LGBF indicators.

A further benchmark which the Council regularly uses is how Dundee performs in relation to the other main cities of Aberdeen, Edinburgh and Glasgow as regards top performance finishes (i.e. 1st of four). In 2016/17 we had 28% of our indicators ranked 1st and overall we sit 2nd behind Edinburgh. Dundee performs well compared to the other cities especially since Aberdeen and Edinburgh are not in the same family group as Dundee for Social Care, Children and Families and Housing where deprivation factors are a significant influence.

The overall performance monitoring of the council through the Council Plan, Local Government benchmarking and customer satisfaction monitoring shows the council maintaining a high level of continuous improvement and maintaining high levels of customer satisfaction. More information on how we compare can be found on our website [www.dundee.gov.uk/service-area/chief-executive/chief-executives-services/dundee-performs](http://www.dundee.gov.uk/service-area/chief-executive/chief-executives-services/dundee-performs)

## **PART 5 - LOOKING TO THE FUTURE**

### **Impact of the Current Economic Climate – Key Financial Risks and Uncertainties**

On 11 December 2017, the Policy & Resources Committee considered a report on the financial outlook at a national level for the three year period 2018-2021. The report included expenditure and funding projections over a three year period and highlighted a number of significant risks and uncertainties around future grant funding levels:

- the UK Government's policy approach to future public spending levels and the timescales for bringing the national finances back into balance.
- the impact of Brexit, particularly around economic growth and the consequential impact on the taxation revenues available to fund public spending.
- the relative performance of the Scottish economy in comparison to the rest of the UK (this will be a key factor in whether the Scottish Budget is better or worse off under the new Fiscal Framework).
- the continuing operation of the Barnett formula.
- Scottish Government policy on the devolved taxation streams and the key variables around the Scottish Rate of Income Tax ie income tax bands and the tax rate itself (around 40% of devolved expenditure is now funded by tax revenues generated in Scotland).
- the continuing protection of priority policy areas within the Scottish Government portfolio eg health, policing, childcare, educational attainment.
- Scottish Government policy in relation to Non Domestic Rates and Council Tax.
- conditions attaching to the Local Government Finance Settlement eg cap on Council Tax increases etc.



Following the Scottish Government announcements on the 2018/19 local government finance settlement, a further report was submitted to the Policy & Resources Committee on 8 January 2018. This report set out the key aspects of an updated medium term financial strategy to help address the challenging financial landscape:

- the Council's corporate approach to identifying savings and efficiencies will be co-ordinated through a new Changing for the Future transformational change programme (C2022).
- the Organisational Change Fund will help support and resource, on a spend-to-save basis, the organisational transformation that will be needed to deliver the required savings and efficiencies.
- the Council will set annual balanced budgets, taking on board the prevailing constraints e.g. limits on Council Tax increases, reducing grant settlements, unavailability of balances etc.
- the Council will seek to achieve an overall outturn position each year in line with or below budget.
- the uncommitted element of the General Fund balance will be maintained at a minimum level of the lower of £5 million or 1.5% of budgeted revenue expenditure but, ideally, a higher level will be held for operational purposes.
- services will be expected to operate within the limits of their overall revenue budget allocation. Cost pressures which emerge in-year should, where possible, be accommodated within the relevant service revenue budgets. The General Contingency should normally be used to fund items of a non-recurring or emergency nature. Expenditure of a recurring nature should normally be funded from within service revenue budgets.
- allocation of resources will be informed by a thematic approach designed to reflect the strategic priorities of the Council.
- budget provision will be made for estimated pay awards and, in limited circumstances, for areas of specific price inflation. The costs of incremental progression for staff will be funded from service revenue budgets.
- the initial costs associated with VERs (Voluntary Early Retirements)/ VRs (Voluntary Redundancies) will be met from service revenue budgets. On-going staff costs savings from VERs / VRs will be reflected in service revenue budgets.
- the Council's Capital Plan will be prudent, sustainable and affordable. In particular, affordability will be assessed with reference to the level of loan charges and additional running costs (including lifecycle maintenance) that can be reasonably included within future revenue budgets.
- the Council's immediate planning horizon for revenue expenditure will be three years. In the continuing absence of three year grant allocations from the Scottish Government, years two and three of the budget period will, by necessity, be provisional in nature.
- proposals for service re-design and service development will be underpinned by a comprehensive and robust business case, including options appraisal.

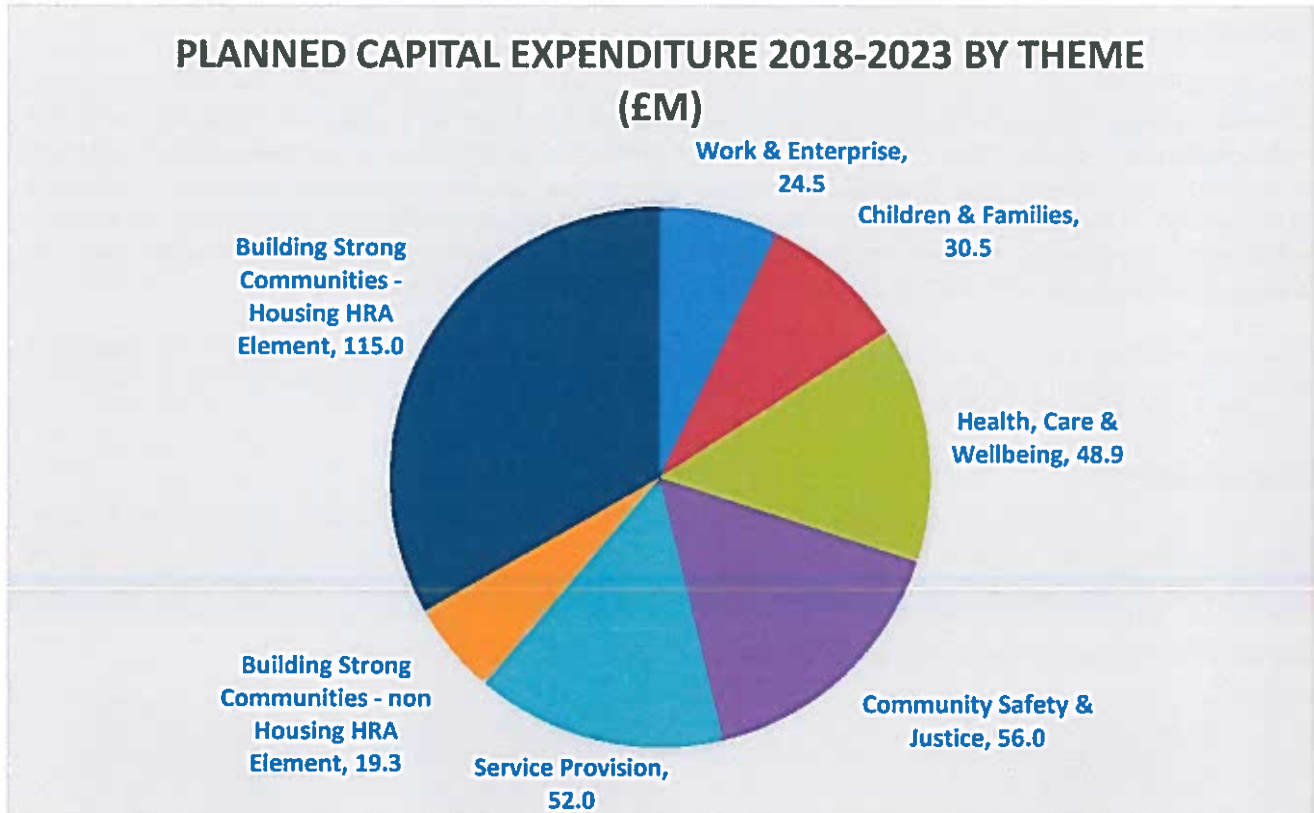
The 2018/19 Revenue Budget and Council Tax was agreed by the Policy & Resources Committee on 22 February 2018. A three year Revenue Budget was presented, as part of the Council's commitment to improving medium-term financial planning. The covering budget report identified a range of savings requirements over the period 2018 to 2021, based on different scenarios for future grant funding levels:

|         | Cumulative Savings Required (£m) |                    |                    |                    |
|---------|----------------------------------|--------------------|--------------------|--------------------|
|         | Flat Cash Grant                  | 1% Grant Reduction | 2% Grant Reduction | 3% Grant Reduction |
| 2018/19 | 7.3                              | 7.3                | 7.3                | 7.3                |
| 2019/20 | 14.8                             | 17.7               | 20.5               | 23.4               |
| 2020/21 | 30.7                             | 36.4               | 42.0               | 47.6               |

In setting the 2018/19 Revenue Budget savings totalling £5.825m were agreed, together with a 3% increase in the Council Tax level. An update report on the medium term financial outlook and strategy will be submitted to the Policy & Resources Committee later in 2018.

## Future Developments – Capital Plan

Despite the problematic macro-economic situation, the Council is confident that it is well placed to tackle the challenges that lie ahead. In October 2017, the Policy & Resources Committee approved a combined five year Capital Plan for General Services and Housing totalling £346.3m over the period 2018 to 2023. In developing the five year Capital Plan, there has again been a focus on a thematic approach which highlights the Council's strategic priorities.



During 2017/18, construction work on the V&A Museum of Design was completed in early 2018; the museum is now being fitted out in preparation for its opening in September. With approximately 500,000 new visitors to the V&A expected in its first year of operation, this project is expected to create additional new investment in hotel and hospitality projects over the next 5 years in the city. The new Railway Station is also nearing completion and will open in July 2018, including a new hotel and commercial facilities; this facility will provide a new and fitting gateway into the city for the many new visitors expected. Work commenced in January 2018 on the construction of a mixed use development on Site 6 in the Central Waterfront which will include Grade 'A' offices, an upscale hotel and residential apartments. It is planned that work will also commence towards the end of 2018 on a further mixed use development on Site 2 which will include apartments and studio space dedicated to retaining and attracting young talent to the city along with office studios targeted at emerging creative sector businesses. It is also anticipated that the Heads of Terms on the Tay Cities Deal will be agreed with both the Scottish and UK Governments before the year end; this long term investment programme will be delivered through regional collaborative working and is aimed at closing the productivity gap in the Tayside area and creating fair and sustainable jobs across all four local authorities involved. All four Councils have been collaborating with Scottish Government officials and Ministers on the Tay Cities Deal and are awaiting feedback in early course. 2017/18 also saw the completion of the new Baldrigon Academy in December 2017 and Tayview Primary School in August 2017. The construction of Coltside Primary School and the new North East Campus are nearing completion and will open in 2018/19.

In December 2017, the Policy & Resources Committee approved a new ten year Capital Investment Strategy. The strategy is based on the themes identified in the City Plan and identifies the investment required to achieve outcomes over the ten year period. One of the key parts of the overall strategy is the Tay Cities Deal, which underpins many of the projects. The strategy also identifies as key priorities the continuing development of both the school and housing estate across the city.

## PART 6 - CONCLUSION & ACKNOWLEDGMENTS

### Conclusion

Throughout 2017/18 we continued to deliver high quality services to the people of Dundee. We continue to demonstrate sound financial management and where pressures emerge, as with services delivered on behalf of the Health and Social Care Partnership, we take corrective action. This is achieved through effective collaborative working within the Council and across Partnerships. We continue to face significant challenges from the high levels of deprivation in some of our communities, economic and demographic pressures, legislative and regulatory changes, increasing demands and expectations from our communities. Our Fair Strategy and action plan sets out our plans to reduce inequalities across our localities.

We are ambitious and innovative and are committed to delivering the best possible services with the resources we have, improving our performance and achieving our vision by delivering on our priorities. This is reflected in our plans for 2018/19.

### Acknowledgements

We would like to thank Bailie Willie Sawers, the Senior Councillor with responsibility for Finance, all other elected members and officers of the Council for their active support and co-operation in the effective management of the Council's finances during another challenging year. Finally, we would conclude this report by thanking all the Corporate Finance Division staff who contributed to the management and control of the Council's finances and to the finalisation of the Council's 2017/2018 Annual Accounts.



**Gregory Colgan BAcc (Hons), ACMA, CGMA**  
Executive Director of Corporate Services  
Dundee City Council  
26 September 2018

**David Martin**  
Chief Executive  
Dundee City Council  
26 September 2018

**Councillor John Alexander**  
Leader  
Dundee City Council  
26 September 2018



## ANNUAL GOVERNANCE STATEMENT

### Scope of Responsibility

Dundee City Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards. This is to ensure that public funds and assets at its disposal are safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty to make arrangements to secure continuous improvement in the way its functions are carried out.

In discharging these responsibilities elected members and senior officers are responsible for implementing effective arrangements for governing the Council's affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

To this end the Council has approved and adopted a local Code of Corporate Governance that is consistent with the principles of the CIPFA/SOLACE (Chartered Institute of Public Finance & Accountancy / Society of Local Authority Chief Executives) framework Delivering Good Governance in Local Government. This statement explains how Dundee City Council delivers good governance and reviews the effectiveness of these arrangements.

In addition the Council is responsible for confirming effective corporate governance arrangements exist within its other group entities. In line with Accounts Commission guidance, including Following the Public Pound and Arm's Length External Organisations (ALEOs): are you getting it right?, part of that responsibility is about ensuring that public money is being used appropriately and achieving value for money.

### The Council's Governance Framework

The governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled. It also describes the way it engages with, accounts to and leads the local community. It enables the Council to monitor the achievement of its objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The Local Code of Corporate Governance is supported by detailed evidence of compliance which is regularly reviewed by a working group of senior officers.

Within the overall control arrangements the system of internal financial control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded, and material errors or irregularities are either prevented or would be detected within a timely period. It is based on a framework of regular management information, financial regulations, administrative procedures and management supervision.

The overall control arrangements include:

- Identifying the Council's objectives in the Council Plan, Community Plan and Local Outcomes Improvement Plan (City Plan).
- Monitoring of objectives by the Council and senior officers.
- A systematic approach to monitoring service performance at elected member, senior officer and project level.
- Reporting performance regularly to Council committees.
- Clearly defined Standing Orders and Schemes of Administration covering Financial Regulations, Tender Procedures and Delegation of Powers.
- A Monitoring Officer to ensure compliance with laws and regulations.
- A Scrutiny Committee and individual Service Committees.
- Approved anti-fraud and corruption strategies including "whistle-blowing" arrangements under the Public Interest Disclosure Act 1998.
- An Integrity Group.
- Senior officer Resilience Group.
- Council Management Team and each Service's Senior Management Teams.
- Participating in National Fraud Initiative strategy for sharing and cross-matching data.
- Formal project appraisal techniques and project management disciplines.
- Setting targets to measure financial and service performance.
- Formal revenue and capital budgetary control systems and procedures.

- Clearly defined capital expenditure guidelines.
- A Capital Governance Group consisting of senior officers from across Council services and chaired by the Executive Director of Corporate Services is in place.
- The Council, together with NHS Tayside have established an Integrated Health and Social Care Partnership (HSCP). The HSCP has established a governance structure and an integrated senior management structure to support delivery of its key objectives.
- A People Strategy is in place to support the delivery of the Council Plan and its strategic priorities.
- The assurances provided by internal audit through their independent review work of the Council's internal control systems.

### Review of Effectiveness

Members and officers of the Council are committed to the concept of sound governance and the effective delivery of Council services and take into account comments made by external and internal auditors and other review agencies and inspectorates and prepare actions plans as appropriate.

The effectiveness of the governance framework is reviewed annually by a working group of senior officers. Their regular review of the Local Code of Corporate Governance has identified the Council as being 94% (2016/2017: 85%) compliant with guidelines.

In addition Executive Directors from each service have made a self-assessment, in conjunction with their senior management teams, of their own governance, risk management and internal control arrangements. This involved the completion of a 54-point checklist covering seven key governance areas of Service Planning and Performance Management, Internal Control Environment, Fraud Prevention and Detection; Budgeting, Accounting and Financial Control; Risk Management and Business Continuity; Asset Management and Partnerships. This again indicated a high level of compliance, with an overall score above 87% (2016/2017: 87%).

The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards and reports functionally to the Scrutiny Committee. Conformance with the PSIAS has been confirmed independently, through the completion of a formal External Quality Assurance process. Internal Audit undertakes an annual programme of work, which is reported to the Scrutiny Committee. The Senior Manager – Internal Audit provides an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. The overall audit opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control.

The Executive Director of Corporate Services complied fully with the five principles of the role of the Chief Financial Officer, as set out in CIPFA guidance.

### Continuous Improvement Agenda

The Council's progress against the Continuous Improvement Agenda items for 2017/2018 are detailed in tables 1 and 2. Several items are still in progress and have been carried forward to be actioned in 2018/2019. Additional areas for improvement have also been identified by the Council's Corporate Governance Assurance working group and these are included, along with the areas for improvement carried forward, on tables 3 and 4 and form the Continuous Improvement Action Plan for 2018/2019. These were identified by Executive Directors and Heads of Services in the self-assessment checklists that were completed as part of the Council's assurance gathering process. A summary of the Council's Governance structure is also detailed.

### Group Entities

In respect of the Joint Boards, Joint Committee, Charities and Companies that fall within the Council's group boundary, the review of their governance, risk management and control framework is informed by:

- Annual Governance Statements included in the respective financial statements of the Joint Boards and Tayside Contracts Joint Committee.
- Assurances from company directors and/or the other senior company officials.

- The work of the relevant bodies respective external auditors (and where relevant internal audit function) and other interim reports.
- Completion of self-assessment checklists.

The Dundee Integrated Joint Board (IJB) / Dundee Health and Social Care Partnership was formed in April 2016, by which time an approved Strategic and Commissioning Plan was in place and proper due diligence had been carried out in respect of the financial contributions transferred to the IJB at the outset. The Scottish Government, Integrated Resources Advisory Group, Finance Guidance includes a section on Following the Public Pound which details the requirement to put in place arrangements to maintain control and clear public accountability over public funds. More specifically, these arrangements should cover the resources delegated to the IJB by the Council and NHS Tayside as well as the resources allocated to the Council and NHS Tayside by the IJB to be used as directed and set out in the Strategic and Commissioning Plan. In terms of Council resources, projected outturns against budgets have been and will continue to be monitored and reviewed on a continuous basis with corresponding reports being presented to the IJB at regular intervals. In addition, the Council's Policy and Resources Committee is responsible for scrutiny of integrated health and social care. The S95 Officers from the Council and the IJB have worked, and will continue to work, together closely. Over time, the format and focus of monitoring will change as budgets and services become more integrated and aligned with the priorities set out in the Strategic and Commissioning Plan.

### Conclusion

The annual review demonstrates sufficient evidence that the code's principles of delivering good governance in local government operated effectively and the Council complies with the Local Code of Corporate Governance in all significant respects. It is proposed over 2018/2019 steps are taken to address the items identified in the Continuous Improvement Agenda to further enhance the Council's governance arrangements.




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**David R Martin**  
Chief Executive, Dundee City Council  
26 September 2018




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**John Alexander**  
Leader of the Council  
26 September 2018

**CONTINUOUS IMPROVEMENT AGENDA FOR 2017/2018 - WITH PROGRESS UPDATES**

The Council's Corporate Governance working group has identified the following areas for improvement, full details are included in the Council's Local Code of Corporate Governance (<https://www.dundeeccity.gov.uk/reports/reports/223-2017.pdf>) to be taken forward during 2017/2018:

**TABLE 1:**

| ORIGINAL IMPROVEMENT AGENDA ON P&R REPORT           |           |                 |   |                        |   | PROGRESS UPDATES              |  |
|---|-----------|-----------------|---|------------------------|---|-------------------------------|--|
| Improvement   | Principle | Code Reference  | Responsible Officer                             | Target Completion Date | Comments  | Actual Completion Date        |  |
| 1 Develop Ethical Values Framework                  | 1         | 2.1 to 2.4      | Head of Democratic and Legal Services           | 31/03/2018             | In Progress. Draft report has been circulated to CMT.   | Carried Forward to 2018/2019. |  |
| 2 Communication Strategy 2017 2020 to be launched   | 2         | 2.1, 3.2 to 3.4 | Service Manager Communications                  | 31/12/2017             | In Progress. Approved by P&R Committee on 23 April 2018.  | Carried Forward to 2018/2019. |  |
| 3 Roll Out Integrated Impact Assessment Tool        | 3         | 1.2             | Service Manager Transformation and Performance  | 30/09/2017             | Rollout commenced 1st Aug 2017. Phased approach to implementation to ensure that it is fully utilised by all Services.  | Carried Forward to 2018/2019. |  |
| 4 Align quarterly performance reports with services | 4         | 2.4             | Service Manager Transformation and Performance  | 31/12/2017             | Reports are aligned with restructured Council Services but new data and system being developed around new City and Council Plan. Update reported to CMT on 3 April 2018. There will be a range of Performance Reports staggered over the year rather than quarterly reports all at once. This process will begin after the summer recess. | Carried Forward to 2018/2019. |  |
| 5 Develop medium-term financial forecasting         | 4         | 2.7, 3.1 to 3.3 | Executive Director of Corporate Services        | 31/03/2018             | A 3 year revenue budget was presented to P&R Committee in February 2018.  | Completed 22/2/18.            |  |
| 6 Update Corporate Asset Management Strategy        | 5         | 1.1             | Executive Director of Corporate Services        | 31/03/2018             | Strategy currently being updated with input from CIPFA.   | Carried Forward to 2018/2019. |  |
| 7 Re-launch Whistleblowing Policy                   | 5         | 2.7             | Head of Human Resources and Business Support    | 31/12/2017             | Cascaded to employees via email. Also on August 2017 payslip, advertised on Intranet and Internet, and posters throughout council premises.   | Completed 24/8/17.            |  |
| 8 Implement new Internet System                     | 6         | 2.6             | Head of Customer Services and IT                | 31/10/2017             | Launched in 2017.   | Completed 20/10/17.           |  |
| 9 Develop Risk Management Framework                 | 6         | 1.1 to 1.2      | Executive Director of Corporate Services        | 30/09/2017             | Corporate Risk Register approved at P&R on 23 April 2018, including a Formal Risk Management Improvement Plan.  | Carried Forward to 2018/2019. |  |
| 10 Continue to develop Business Continuity Strategy | 6         | 1.3             | Service Manager Community Safety and Resilience | 31/12/2017             | Senior Officer Resilience Group established in January 2018. Representation on group from Heads of Service or above. Training workshops being organised. The workshop provider has produced a programme and is awaiting confirmation of availability for holding workshops. Completion target date of 31/12/18.                           | Carried Forward to 2018/2019. |  |
| 11 Provide Performance Training for Elected Members | 2         | 2.2             | Service Manager Transformation and Performance  | 31/03/2018             | In progress.  | Carried Forward to 2018/2019. |  |

\* Carried forward items have been included in Table 3 with new target completion dates.



**CONTINUOUS IMPROVEMENT AGENDA FOR 2017/2018 - WITH PROGRESS UPDATES**

In addition, the following areas for improvement were identified in 2017/2018 by Executive Directors in the self-assessment checklists (SACs) completed as part of the Council's assurance gathering process where further improvement could be made:

**TABLE 2:**

| ORIGINAL IMPROVEMENT AGENDA ON SCRUTINY REPORT |  |  |               |  |                        |   |                               |
|--|--|--|---------------|--|------------------------|---|-------------------------------|
|  | Improvement  | Governance Area                            | SAC Reference | Responsible Officer                            | Target Completion Date |   | Actual Completion Date        |
| 1  | Continue to review approach to grant funding bids and claims                                 | Budgeting, Accounting & Financial Controls | 4.1 to 4.5    | Head of Corporate Finance                      | 31/03/2018             | A Corporate Policy document has been drafted and is being discussed at CMT on 15/5/18.  | Carried Forward to 2018/2019. |
| 2  | Continue to further improve financial systems controls                                       | Budgeting, Accounting & Financial Controls | 4.1 to 4.5    | Head of Corporate Finance                      | 31/03/2018             | Reconciliation Framework in place for 2017/18 year-end. Completion target date of 30/4/18.  | Carried Forward to 2018/2019. |
| 3  | Further develop and enhance the use of the corporate Performance Management system           | Service Planning & Performance Management. | 1.4 to 1.6    | Service Manager Transformation and Performance | 31/03/2018             | In progress. Performance Indicators are being developed (See Table 1, Improvement number 4). From Scrutiny Committee in April 2018 all new Internal Audit report recommendations are being recorded on Pentana. Service level Risk Registers will be developed to follow on from the Corporate Risk Register. New Corporate Risk Management Co-Ordinator will have responsibility for ensuring these are kept up-to-date by Services. | Carried Forward to 2018/2019. |
| 4  | Enhance awareness of Health & Safety Risk controls   | Internal Control Environment               | 2.2 (b & c)   | CMT / Health & Safety Co-ordinator             | 31/12/2017             | In progress. Health & Safety Co-ordinator gathering information on current arrangements within Services.  | Carried Forward to 2018/2019. |
| 5  | Develop programme for consideration of the suitability of key Operational IT systems         | Internal Control Environment               | 2.5           | Head of IT & Customer Services                 | 31/03/2018             | In progress. Five year IT Strategy still to be finalised. Will be implemented in 2018/19.   | Carried Forward to 2018/2019. |
| 6  | Revisit and refresh Employee Performance and Development Review process                      | Internal Control Environment               | 2.9           | Head of HR and Business Support                | 31/12/2017             | Progressing. In People Strategy update. A new flexible EPDR process has been developed and implemented and is currently being rolled out.   | Carried Forward to 2018/2019. |
| 7  | Re-launch Anti-Money Laundering Policy and Guidance  | Fraud Prevention & Detection               | 3.6           | Financial Services & Investment Manager        | 31/12/2017             | Report with revised policy and guidance was presented to P&R Committee on 12 February 2018. Requires to be communicated to employees.   | Carried Forward to 2018/2019. |
| 8  | Ensure key staff are aware of their responsibilities regarding the Risk Management Framework | Risk Management & Business Continuity      | 5.3           | CMT  | 30/09/2017             | Reports to CMT in January, February and March. Linked to Risk Management Implementation Plan (see Table 1, Improvement number 9).   | Carried Forward to 2018/2019. |

\* Carried forward items have been included in Table 4 with new target completion dates.

**CONTINUOUS IMPROVEMENT AGENDA FOR 2018/2019**

The Council's Corporate Governance working group has identified the following areas for improvement, full details are included in the Council's Local Code of Corporate Governance, to be taken forward during 2018/19:

**TABLE 3**

| Improvement  | Principle | Code Reference  | Responsible Officer  | Target Completion Date |
|--|-----------|-----------------|--|------------------------|
| 1 Develop Ethical Values Framework   | 1         | 2.1-2.4         | Head of Democratic and Legal Services                              | 31/07/2018             |
| 2 Communication Strategy 2017-2020 to be launched  | 2         | 2.1, 3.2 to 3.4 | Service Manager Communications                                     | 31/07/2018             |
| 3 Roll Out Integrated Impact Assessment Tool   | 3         | 1.2             | Service Manager Transformation and Performance                     | 31/07/2018             |
| 4 Align quarterly performance reports with services  | 4         | 2.4             | Service Manager Transformation and Performance                     | 31/07/2018             |
| 5 Update Corporate Asset Management Strategy   | 5         | 1.1             | Executive Director of City Development                             | 31/08/2018             |
| 6 Develop Risk Management Framework  | 6         | 1.1-1.2         | Executive Director of Corporate Services                           | 30/06/2018             |
| 7 Continue to develop Business Continuity Strategy   | 6         | 1.3             | Service Manager - Community Safety and Resilience                  | 31/12/2018             |
| 8 Provide Performance Training for Elected Members   | 7         | 2.2             | Transformation and Performance Manager                             | 31/07/2018             |
| 9 Develop Governance Arrangements to support the revised Risk Management arrangements                | 6         | 1.1 – 1.2       | Head of Corporate Finance / Corporate Risk Management Co-ordinator | 30/06/2018             |
| 10 Review and revise the Council's Risk Management Strategy  | 6         | 1.1 – 1.2       | Head of Corporate Finance / Corporate Risk Management Co-ordinator | 30/09/2018             |
| 11 Launch a new Social Media Policy  | 2         | 3.2             | Service Manager Communications                                     | 31/10/2018             |
| 12 Develop & implement a comprehensive contingency plan / strategy for the possible impact of Brexit | 4         | 1.1             | Head of Chief Executive's Services                                 | 31/03/2019             |

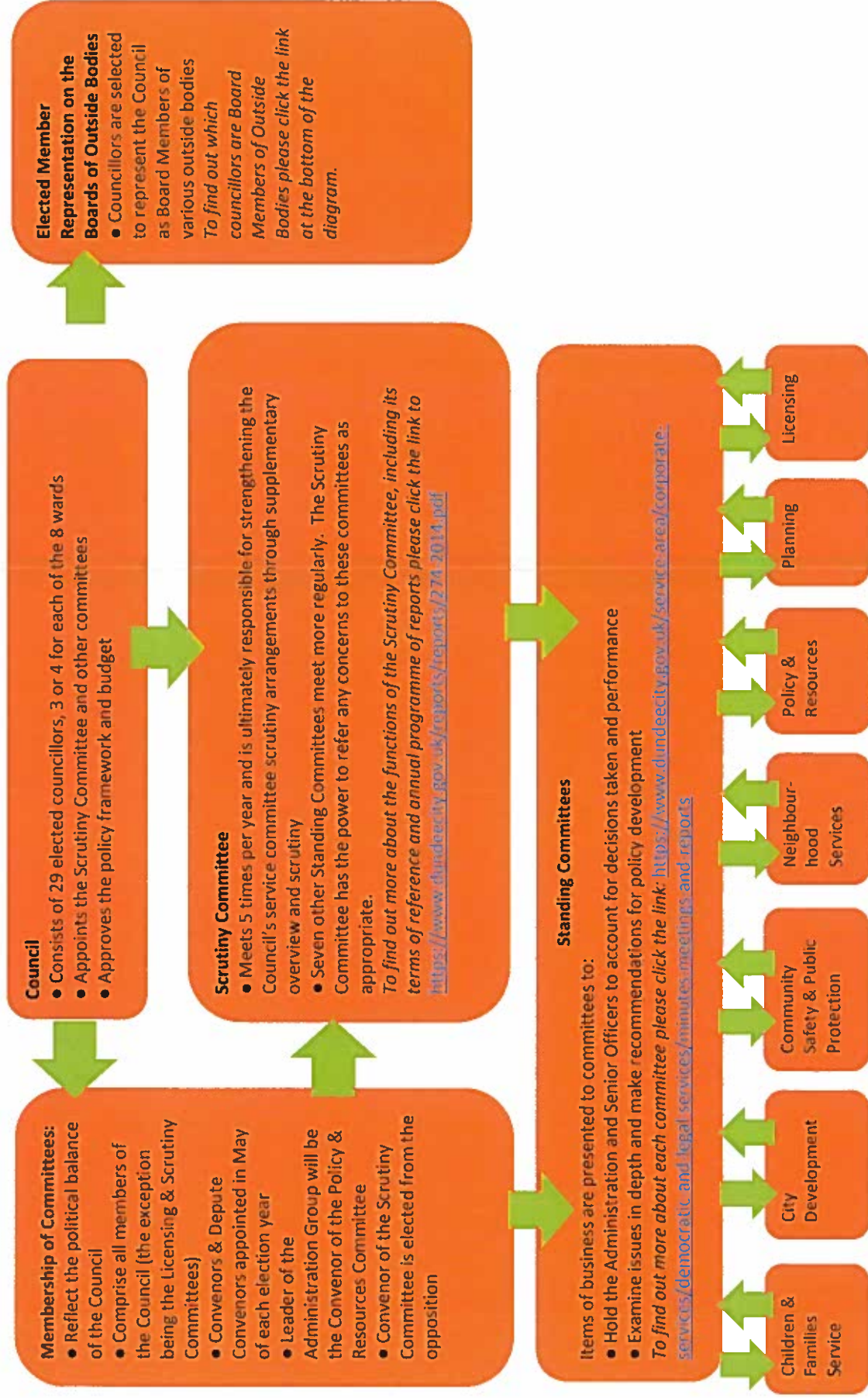
In addition, the following areas were identified by Executive Directors in the self-assessment checklists completed as part of the Council's assurance gathering process where further improvement could be

**TABLE 4**

| Improvement  | Governance Area                            | SAC Reference | Responsible Officer                     | Target Completion Date |
|--|--|---------------|---|------------------------|
| 1 Continue to review approach to grant funding bids and claims                                 | Budgeting, Accounting & Financial Controls | 4.1 to 4.5    | Head of Corporate Finance               | 31/07/2018             |
| 2 Continue to further improve financial systems controls                                       | Budgeting, Accounting & Financial Controls | 4.1 to 4.5    | Head of Corporate Finance               | 30/06/2018             |
| 3 Further develop and enhance the use of the corporate Performance Management system           | Service Planning & Performance Management  | 1.4 to 1.6    | Transformation and Performance Manager  | 31/08/2018             |
| 4 Enhance awareness of Health & Safety Risk controls   | Internal Control Environment               | 2.2 (b & c)   | CMT / Health & Safety Co-ordinator      | 31/08/2018             |
| 5 Develop programme for consideration of the suitability of key Operational IT systems         | Internal Control Environment               | 2.5           | Head of IT & Customer Services          | 31/12/2018             |
| 6 Revisit and refresh Employee Performance and Development Review process                      | Internal Control Environment               | 2.9           | Head of HR and Business Support         | 31/08/2018             |
| 7 Re-launch Anti-Money Laundering Policy and Guidance  | Fraud Prevention & Detection               | 3.6           | Financial Services & Investment Manager | 31/07/2018             |
| 8 Ensure key staff are aware of their responsibilities regarding the Risk Management Framework | Risk Management & Business Continuity      | 5.3           | CMT                                     | 31/08/2018             |
| 9 Develop Service level Risk Registers   | Risk Management & Business Continuity      | 5.1 to 5.3    | CMT                                     | 31/03/2019             |



**Dundee City Council's Governance Structure:**



<https://www.dundeeccity.gov.uk/sites/default/files/publications/outsidebodies7sept.doc>

## ANNUAL REMUNERATION REPORT

### INTRODUCTION

The Council is required to prepare and publish within its Annual Accounts an annual Remuneration Report under the Local Authority Accounts (Scotland) Regulations 2014. The report sets out the remuneration and accrued pension benefits of the Senior Councillors and Senior Employees of the Council and the most senior manager of the Council's one subsidiary body. The report also provides information on the number of Council Employees (including Senior Employees) whose total actual remuneration was £50,000 or more, this information being disclosed in salary bandings of £5,000 above £50,000. The following report has been prepared in accordance with the aforementioned Regulations. The Remuneration Report also provides details of Termination Benefits and Exit Packages for staff. The Council's External Auditor is required to audit certain parts of the Remuneration Report and give a separate opinion in his report on the Annual Accounts as to whether the Remuneration Report has been properly prepared in accordance with the Regulations and other relevant guidance. All the tables in this report are subject to audit except the table on page 28 relating to Councillors Allowances and Expenses.

### REMUNERATION ARRANGEMENTS

#### Senior Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (Scottish Statutory Instrument No. 2007/183) and subsequent amendment regulations, with further guidance being provided in Scottish Government circulars 8-2011 and 7-2014. The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (Lord Provost for Dundee City Council), Senior Councillors or Councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2017/2018 the salary for the Leader of Dundee City Council was £33,857. The Regulations permit the Council to remunerate one Civic Head. The Regulations set out the maximum salary that may be paid to that Civic Head. The agreed policy of Dundee City Council is to pay the Civic Head (Lord Provost) the maximum salary set out in the Regulations (£25,392). The Regulations allow the Civic Head to incur expenditure of up to £3,000 on expenses associated with the position. During 2017/2018, the Council's Lord Provost incurred expenditure of £179 under this heading.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors that the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors (including the Leader and Civic Head) shall not exceed £334,328 and the number of Senior Councillors shall not exceed 15. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. Following the Local Government elections on 4 May 2017 the Council's arrangements in this area were agreed, for 2017/2018 onwards, at the meeting of the City Council on 22 May 2017 and were to be effective from that date.

With effect from 22 May 2017, Dundee City Council has had 15 Senior Councillors (including the Leader and Civic Head) and the remuneration payable to these Councillors in a full financial year totals £334,328. The actual remuneration paid to Senior Councillors in 2017/2018 was £318,714. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become Councillor members of the pension scheme.

In addition to the Senior Councillors of the Council, the Regulations also set out the remuneration payable to Councillors with the responsibility of a Convener or Vice Convener of a Joint Board. The Regulations require the remuneration to be paid by the Council of which the Convener or Vice Convener is a member. The Council is also required to pay pension contributions arising from the Convener or Vice Convener being a member of the Local Government Pension Scheme.

The remuneration details for the Leader of the Council, the Civic Head (Lord Provost for Dundee City Council) and Senior Councillors are set out in Table 1a. The remuneration details for Councillors with the responsibility of a Convener or Vice Convener of a Joint Board are set out in Table 1b. The salaries, allowances and expenses for all Councillors (including Senior Councillors) are set out below.

|                                   | 2017/2018      | 2016/2017      |
|-----------------------------------|----------------|----------------|
|                                   | £              | £              |
| Salaries                          | 571,356        | 577,144        |
| Mileage, Travel & Subsistence etc | 5,603          | 3,147          |
| Training & Conferences            | 614            | 419            |
| Telephone Expenses                | 1,680          | 3,310          |
|                                   | <b>579,253</b> | <b>584,020</b> |
| Provision of Council Cars         | 40,340         | 40,019         |
| <b>Total</b>                      | <b>619,593</b> | <b>624,039</b> |

The full Annual Return of Councillors Salaries & Expenses for 2017/2018 is available on the Council's website ([www.dundee.gov.uk/service-area/councillors/councillors-political-wards-ward-number-0](http://www.dundee.gov.uk/service-area/councillors/councillors-political-wards-ward-number-0)).

### Senior Employees of the Council

The salary of Senior Employees is set by reference to national agreements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/144 sets the amount of salary for the Chief Executive of Dundee City Council for the period 2008 to 2011 and continued to apply in the 2017/2018 financial year. The salaries of the Executive Directors and Heads of Service are determined with reference to the Chief Executive's salary taking into account the duties and responsibilities of their posts. The Council's Policy & Resources Committee is responsible for agreeing the salaries of Executive Directors and Heads of Service. As part of the revised service and management structures agreed in June 2015, the Council adopted a single pay and grading structure for all employees, other than those on SNCT conditions of service.

Senior Employees are entitled to participate in the Council's Contract Car Hire Scheme, subject to meeting certain criteria. The Council's Policy & Resources Committee is also responsible for agreeing the terms of the Contract Car Hire Scheme.

For the purposes of the Remuneration Report, the Regulations set out the following criteria for designation as a Senior Employee of the Council:

- (i) has responsibility for management of the local authority to the extent that the person has power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons;
- (ii) holds a post that is politically restricted by reason of section 2(1)(a), (b) or (c) of the Local Government and Housing Act 1989; or
- (iii) annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.

The Council has determined that 8 employees (6 posts) meet the criteria for designation as a Senior Employee in 2017/2018, with all 8 employees falling into either category (i) and / or (ii) above. The remuneration details for the Senior Employees of the Council are set out in Table 2a.

The Regulations also require information to be published on the total number of Council employees (including Senior Employees) whose total actual remuneration was £50,000 or more. This information is to be disclosed in salary bandings of £5,000 above £50,000 and is shown in the following table:



| Remuneration Bands  | No of Employees<br>2017/2018 | No of Employees<br>2016/2017 |
|---------------------|------------------------------|------------------------------|
| £50,000 - £54,999   | 88                           | 85                           |
| £55,000 - £59,999   | 41                           | 33                           |
| £60,000 - £64,999   | 14                           | 25                           |
| £65,000 - £69,999   | 16                           | 8                            |
| £70,000 - £74,999   | 3                            | 4                            |
| £75,000 - £79,999   | 5                            | 5                            |
| £80,000 - £84,999   | 9                            | 10                           |
| £85,000 - £89,999   | 6                            | 5                            |
| £90,000 - £94,999   | -                            | -                            |
| £95,000 - £99,999   | 2                            | 2                            |
| £100,000 - £104,999 | 1                            | -                            |
| £105,000 - £109,999 | 1                            | 1                            |
| £110,000 - £114,999 | 2                            | 3                            |
| £115,000 - £119,999 | -                            | -                            |
| £120,000 - £124,999 | -                            | -                            |
| £125,000 - £129,999 | -                            | -                            |
| £130,000 - £134,999 | -                            | -                            |
| £135,000 - £139,999 | -                            | 1                            |
| £140,000 - £144,999 | 1                            | -                            |
| <b>Total</b>        | <b>189</b>                   | <b>182</b>                   |

### The Council's Subsidiary Bodies

Dundee City Council increased its shareholding in Dundee Energy Recycling Limited (DERL) from 40% to 100% on 21 October 2013. The company therefore became a Subsidiary of the Council on that date. Dundee City Council sold its shareholding in DERL to MVV Environment Limited on 28 November 2017. The remuneration policy for employees and directors of DERL was determined by the company's board of directors. The Council had no role in determining the remuneration policy of the company. The remuneration details for the most senior manager of DERL are set out in Table 2b.

### ACCRUED PENSION BENEFITS

Pension benefits for Councillors and Local Government Employees are provided through the Local Government Pension Scheme (LGPS). A new Local Government Pension Scheme (Scotland) came into effect on 1 April 2015, based on career average related earnings (CARE Scheme).

Councillors' pension benefits are based on career average pay. The Councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For Local Government Employees the scheme currently provides benefits based on career average revalued salary and length of service on retirement. The scheme's normal retirement age for both Councillors and Local Government Employees is linked to the state pension age.



From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009, contribution rates were set at 6% for all non-manual employees. The members contribution rates for 2017/2018 remain at the 2009/2010 rates, however the pay bandings have been updated from 2016/2017. The tiers and contribution rates are as follows:

| Whole Time Pay                              | Contribution Rate<br>2017/2018 |
|---|--------------------------------|
| On earnings up to and including £20,700     | 5.5%                           |
| On earnings above £20,700 and up to £25,300 | 7.25%                          |
| On earnings above £25,300 and up to £34,700 | 8.5%                           |
| On earnings above £34,700 and up to £46,300 | 9.5%                           |
| On earnings above £46,300                   | 12%                            |

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate under the new CARE Scheme guarantees a pension based on 1/49th of pensionable salary, calculated separately for each year of pensionable service. Prior to 2015 the accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service.

#### Senior Councillors

The accrued pension benefits for Senior Councillors are set out in Table 3, together with the pension contributions made by the Council.

#### Senior Employees of the Council

The accrued pension benefits for Senior Employees are set out in Table 4a, together with the pension contributions made by the Council.

#### Assumptions and Contextual Information

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service and not just their current appointment.

In considering the accrued pension benefits figures the following contextual information should be taken into account:

- (i) the figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.
- (ii) the accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time. In 2017/2018, the scheme member contribution rate for Senior Councillors was in the range of 5.5% to 6.5% (2016/2017 5.5% to 6.5%) of pensionable pay and for Senior Employees was in the range of 9.8% to 10.4% (2016/2017 9.8% to 10.4%) of pensionable pay. In 2017/2018, the employer contribution rate was 17.0% (2016/2017 17.0%) of pensionable pay for both Senior Councillors and Senior Employees.

#### The Council's Subsidiary Bodies

The employees of DERL participated in a pension scheme that is a money purchase scheme. For the purposes of the Remuneration Report, the Regulations specify that the information to be disclosed is limited to the amount of pension contributions made to that scheme by the company. The relevant details for the most senior manager of DERL are set out in Table 4b. Dundee City Council sold its shareholding in DERL to MVV Environment Limited on 28 November 2017.

**TERMINATION BENEFITS & EXIT PACKAGES**

As part of ongoing cost saving measures aimed to implement a reduction in staffing levels the Council have approved a series of Voluntary Early Retirement and Voluntary Redundancy Schemes. Table 5 details the total number and cost of staff departures agreed under these schemes, split over various cost bandings. The total cost of these exit packages includes the strain on fund payable by the Council to the relevant pension scheme, employers contribution to any enhancement of service awarded (i.e. added years benefits) or redundancy payments made. These costs are included on an actuarial basis and have been calculated by the Council's appointed actuary, Barnett Waddingham (where no actuarial valuation was provided by the actuary an estimate of the capitalised cost has been made based on the required future payments to the relevant pension schemes).




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**David Martin**  
**Chief Executive, Dundee City Council**  
**26 September 2018**




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**Councillor John Alexander**  
**Leader of the Council**  
**26 September 2018**

TABLE 1a – REMUNERATION OF SENIOR COUNCILLORS

| Councillor Name   | Responsibility  | Salary, Fees & Allowances<br>£ | Taxable Expenses<br>£ | Non-cash Expenses & Benefits -in-Kind<br>£ | Total Remuneration 2017/2018<br>£ | Total Remuneration 2016/2017<br>£ |
|-------------------|---|--------------------------------|-----------------------|--|-----------------------------------|-----------------------------------|
|                   |   |                                |                       |  |                                   |                                   |
| Ken Guild         | Leader (until 3/5/17)   | 3,088                          | -                     | -  | 3,088                             | 33,789                            |
| Bob Duncan        | Lord Provost (until 3/5/17)   | 2,316                          | -                     | -  | 2,316                             | 25,341                            |
| Willie Sawers     | Depute Convener, Policy & Resources (until 4/5/17 and wef 22/5/17)  | 21,450                         | -                     | -  | 21,450                            | 22,438                            |
| Stewart Hunter    | Convener, Children & Families Services (until 4/5/17)   | 2,111                          | -                     | -  | 2,111                             | 22,438                            |
| Ken Lynn          | Lead Member for Health & Social Care (until 4/5/17 and wef 22/5/17)   | 21,450                         | -                     | -  | 21,450                            | 22,438                            |
| Will Dawson       | Convener, City Development (until 4/5/17) and Convener, Development Management (wef 22/5/17)                          | 21,451                         | -                     | -  | 21,451                            | 22,438                            |
| David Bowes       | Convener, Development Management (until 3/5/17)   | 2,051                          | -                     | -  | 2,051                             | 22,438                            |
| John Alexander    | Convener, Neighbourhood Services (until 4/5/17) and Leader (wef 22/5/17)  | 31,235                         | -                     | -  | 31,235                            | 22,438                            |
| Kevin Keenan      | Convener, Scrutiny and Leader of the Major Opposition Group (until 4/5/17 and wef 22/5/17)                            | 21,450                         | -                     | -  | 21,450                            | 22,438                            |
| Alan Ross         | Convener, Community Safety & Public Protection (until 4/5/17 and wef 22/5/17)   | 21,451                         | -                     | -  | 21,451                            | 22,438                            |
| Christina Roberts | Depute Lord Provost (until 4/5/17) and Depute Convener, Development Management (wef 22/5/17)                          | 3,622                          | -                     | -  | 3,622                             | 19,005                            |
| Gregor Murray     | Depute Convener, Children & Families Services (until 4/5/17) and Convener, Children & Families Services (wef 22/5/17) | 21,128                         | -                     | -  | 21,128                            | 19,005                            |
| Bill Campbell     | Depute Convener, City Development (until 4/5/17) and Depute Lord Provost (wef 22/5/17)                                | 18,169                         | -                     | -  | 18,169                            | 19,005                            |
| Vari McDonald     | Depute Convener, Neighbourhood Services (until 3/5/17)  | 1,737                          | -                     | -  | 1,737                             | 19,005                            |

TABLE 1a – REMUNERATION OF SENIOR COUNCILLORS (continued)

| Councillor Name | Responsibility  | Salary, Fees & Allowances<br>£ | Taxable Expenses<br>£ | Non-cash Expenses & Benefits -in- Kind |          | Total Remuneration 2017/2018<br>£ | Total Remuneration 2016/2017<br>£ |
|-----------------|---|--------------------------------|-----------------------|--|----------|-----------------------------------|-----------------------------------|
|                 |   |                                |                       | £                                      | £        |                                   |                                   |
| Kevin Cordell   | Depute Convener, Community Safety & Public Protection (until 4/5/17) and Convener, Neighbourhood Services (wef 22/5/17) | 21,128                         | -                     | -                                      | -        | 21,128                            | 19,005                            |
| Ian Borthwick   | Lord Provost (wef 22/5/17)  | 21,843                         | -                     | -                                      | -        | 21,843                            | n/a                               |
| Lynne Short     | Convener, City Development (wef 22/5/17)  | 19,340                         | -                     | -                                      | -        | 19,340                            | n/a                               |
| Mark Flynn      | Depute Convener, City Development (wef 22/5/17)   | 16,381                         | -                     | -                                      | -        | 16,381                            | n/a                               |
| Anne Rendell    | Depute Convener, Neighbourhood Services (wef 22/5/17)   | 16,381                         | -                     | -                                      | -        | 16,381                            | n/a                               |
| Roisin Smith    | Depute Convener, Children & Families Services (wef 22/5/17)   | 16,381                         | -                     | -                                      | -        | 16,381                            | n/a                               |
| <b>Total</b>    |   | <b>304,163</b>                 | <b>-</b>              | <b>-</b>                               | <b>-</b> | <b>304,163</b>                    | <b>333,659</b>                    |

**TABLE 1a NOTES**

- 1 Local Government Elections were held on 4 May 2017. All Senior Councillors were deemed to vacate their posts on that date or on the day before.
- 2 Lord Provost Duncan and Councillors Guild, Bowes and McDonald either retired or were not re-elected at the elections on 4 May 2017.
- 3 Appointments to Senior Councillor posts are deemed to be effective from the date of the Statutory Council meeting following the elections (22 May 2017).
- 4 In addition to the figures shown above, Councillor John Alexander received remuneration in 2017/2018 totalling £167 in respect of his role with the Association of Public Service Excellence (APSE). Dundee City Council received re-imbursment from APSE for this payment.
- 5 Councillor Christina Roberts was remunerated as Vice Convener of Tayside Valuation Joint Board with effect from 26 June 2017 (see Table 1b below).



TABLE 1b – REMUNERATION OF COUNCILLORS WHO ARE CONVENERS AND VICE-CONVENERS OF JOINT BOARDS

| Councillor Name   | Responsibility   | Salary, Fees & Allowances<br>£ | Taxable Expenses<br>£ | Non-cash Expenses & Benefits-in-<br>£ | Remuneration 2017/2018<br>£ | Total Remuneration 2016/2017<br>£ |
|-------------------|--|--------------------------------|-----------------------|---------------------------------------|-----------------------------|-----------------------------------|
| Helen Wright      | Convener, Tayside Community Justice Authority (until 31/3/17)  | -                              | -                     | -                                     | -                           | 21,118                            |
| Jimmy Black       | Depute Chairperson, Tay Road Bridge Joint Board (until 3/5/17) | 1,834                          | -                     | -                                     | 1,834                       | 20,063                            |
| Stewart Hunter    | Chairperson, Tay Road Bridge Joint Board (from 19/6/17)        | 16,575                         | -                     | -                                     | 16,575                      | n/a                               |
| Christina Roberts | Vice Convener, Tayside Valuation Joint Board (from 26/6/17)    | 15,356                         | -                     | -                                     | 15,356                      | n/a                               |
| <b>Total</b>      |  | <b>33,765</b>                  | <b>-</b>              | <b>-</b>                              | <b>33,765</b>               | <b>41,181</b>                     |

**Note**

The following recharges were made by the Council to the following bodies in respect of the above responsibilities:

|                                     | 2017/2018<br>£ | 2016/2017<br>£ |
|-------------------------------------|----------------|----------------|
| Tayside Community Justice Authority | -              | 4,225          |
| Tay Road Bridge Joint Board         | 3,606          | 3,170          |
| Tayside Valuation Joint Board       | 810            | -              |
| <b>Total</b>                        | <b>4,416</b>   | <b>7,395</b>   |

**TABLE 1b NOTES**

- The figures for Salary, Fees and Allowances represents total remuneration for the year including payment for being a Basic Councillor, together with the additional payment for being a Convener or Vice Convener of a Joint Board.

TABLE 2a – REMUNERATION OF SENIOR EMPLOYEES OF THE COUNCIL

| Employee Name      | Post Title  | Salary, Fees & Allowances |          | Bonuses  | Taxable Expenses | Compensation for Loss of Employment | Benefits Other Than in Cash | Total Remuneration |                |
|--------------------|---|---------------------------|----------|----------|------------------|-------------------------------------|-----------------------------|--------------------|----------------|
|                    |   | £                         | £        |          |                  |                                     |                             | 2017/2018          | 2016/2017      |
| David Martin       | Chief Executive (see note 1)  | 147,557                   | -        | -        | -                | -                                   | -                           | 147,557            | 151,874        |
| Marjory Stewart    | Executive Director of Corporate Services (retired 30/6/17) (see note 2) | 30,148                    | -        | -        | -                | -                                   | -                           | 30,148             | 113,624        |
| Gregory Colgan     | Executive Director of Corporate Services (wef 19/6/17) (see note 3)     | 83,997                    | -        | -        | -                | -                                   | -                           | 83,997             | n/a            |
| Michael Wood       | Executive Director of Children & Families (retired 8/5/17)              | 11,830                    | -        | -        | -                | -                                   | -                           | 11,830             | 111,474        |
| Paul Clancy        | Executive Director of Children & Families (wef 10/2/17)                 | 108,145                   | -        | -        | -                | -                                   | -                           | 108,145            | 14,444         |
| Michael P Galloway | Executive Director of City Development                                  | 112,593                   | -        | -        | -                | -                                   | -                           | 112,593            | 111,474        |
| Elaine Zwirlein    | Executive Director of Neighbourhood Services                            | 112,593                   | -        | -        | -                | -                                   | -                           | 112,593            | 108,214        |
| Stewart Murdoch    | Director of Leisure & Culture Dundee                                    | 99,956                    | -        | -        | -                | -                                   | -                           | 99,956             | 98,972         |
| <b>Total</b>       |   | <b>706,819</b>            | <b>-</b> | <b>-</b> | <b>-</b>         | <b>-</b>                            | <b>-</b>                    | <b>706,819</b>     | <b>710,076</b> |

TABLE 2a NOTES

- 1 The Total Remuneration 2017/2018 figure for David Martin, Chief Executive, includes £7,355 for election duties (2016/2017: £13,061).
- 2 The Total Remuneration 2017/2018 figure for Marjory Stewart, Executive Director of Corporate Services, includes £2,000 for election duties (2016/2017: £2,150).
- 3 The Total Remuneration 2017/2018 figure for Gregory Colgan, Executive Director of Corporate Services, includes £140 for election duties (2016/2017: £nil).

TABLE 2b – REMUNERATION: THE COUNCIL'S SUBSIDIARY BODIES

| Employee Name   | Post Title  | Salary, Fees & Allowances |               | Bonuses  | Taxable Expenses | Compensation for Loss of Employment | Benefits Other Than in Cash | Total Remuneration 2017/2018 | Total Remuneration 2016/2017 |
|-----------------|---|---------------------------|---------------|----------|------------------|-------------------------------------|-----------------------------|------------------------------|------------------------------|
|                 |   | £                         | £             |          |                  |                                     |                             |                              |                              |
| Rodger McMullan | Managing Director, Dundee Energy Recycling Limited (DERL) (until 22/3/17)   | -                         | -             | -        | -                | -                                   | -                           | -                            | 104,235                      |
| Kenneth Kerr    | Managing Director, Dundee Energy Recycling Limited (DERL) (seconded from Dundee City Council from 1/10/16 until 27/11/17, full year equivalent 2017/2018 £70,698) | 46,061                    | 10,726        | -        | -                | -                                   | -                           | 56,787                       | 35,000                       |
| <b>Total</b>    |   | <b>46,061</b>             | <b>10,726</b> | <b>-</b> | <b>-</b>         | <b>-</b>                            | <b>-</b>                    | <b>56,787</b>                | <b>139,235</b>               |

**TABLE 2b NOTES**

1 Dundee City Council increased its shareholding in Dundee Energy Recycling Limited (DERL) from 40% to 100% on 21 October 2013. The company therefore became a Subsidiary of the Council on that date. Dundee City Council sold its shareholding in DERL to MVV Environment Limited on 28 November 2017.

TABLE 3 – SENIOR COUNCILLORS ACCRUED PENSION BENEFITS

| Councillor Name   | Responsibility  | Pension as at 31 March 2018<br>£000 | Pension                               |                                      | Lump Sum Difference from 31 March 2017<br>£000 | Pension Contribution 2017/2018<br>£ | Pension Contribution 2016/2017<br>£ |
|-------------------|---|-------------------------------------|---------------------------------------|--------------------------------------|--|-------------------------------------|-------------------------------------|
|                   |   |                                     | Difference from 31 March 2017<br>£000 | Lump Sum as at 31 March 2018<br>£000 |  |                                     |                                     |
| Willie Sawers     | Depute Convener, Policy & Resources (until 4/5/17 and wef 22/5/17)  | 4.3                                 | 0.6                                   | 1.7                                  | 0.1  | 3,647                               | 3,814                               |
| Stewart Hunter    | Convener, Children & Families Services (until 4/5/17)   | 4.0                                 | 0.4                                   | 1.6                                  | 0.0  | 3,176                               | 3,814                               |
| Will Dawson       | Convener, City Development (until 4/5/17) and Convener, Development Management (wef 22/5/17)                            | 4.3                                 | 0.6                                   | 1.7                                  | 0.1  | 3,647                               | 3,814                               |
| John Alexander    | Convener, Neighbourhood Services (until 4/5/17) and Leader (wef 22/5/17)  | 2.8                                 | 0.8                                   | 0.0                                  | 0.0  | 5,310                               | 3,814                               |
| Kevin Keenan      | Convener, Scrutiny and Leader of the Major Opposition Group (until 4/5/17 and wef 22/5/17)                              | 4.7                                 | 0.5                                   | 2.0                                  | 0.0  | 3,647                               | 3,814                               |
| Alan Ross         | Convener, Community Safety & Public Protection (until 4/5/17 and wef 22/5/17)   | 3.7                                 | 0.6                                   | 1.0                                  | 0.0  | 3,647                               | 3,814                               |
| Christina Roberts | Depute Lord Provost (until 4/5/17) and Depute Convener, Development Management (wef 22/5/17)                            | 3.7                                 | 0.5                                   | 1.5                                  | 0.1  | 3,227                               | 3,231                               |
| Gregor Murray     | Depute Convener, Children & Families Services (until 4/5/17) and Convener, Children & Families Services (wef 22/5/17)   | 2.2                                 | 0.5                                   | 0.0                                  | 0.0  | 3,592                               | 3,231                               |
| Bill Campbell     | Depute Convener, City Development (until 4/5/17) and Depute Lord Provost (wef 22/5/17)                                  | 2.1                                 | 0.4                                   | 0.0                                  | 0.0  | 3,089                               | 3,231                               |
| Kevin Cordell     | Depute Convener, Community Safety & Public Protection (until 4/5/17) and Convener, Neighbourhood Services (wef 22/5/17) | 2.2                                 | 0.5                                   | 0.0                                  | 0.0  | 3,592                               | 3,231                               |
| Lynne Short       | Convener, City Development (wef 22/5/17)  | 0.7                                 | n/a                                   | 0.0                                  | n/a  | 3,288                               | n/a                                 |



TABLE 3 – SENIOR COUNCILLORS ACCRUED PENSION BENEFITS (continued)

| Councillor Name | Responsibility  | Pension as at 31 March 2018<br>£000 | Pension Difference         |                                      | Lump Sum Difference from March 2017<br>£000 | Pension Contribution 2017/2018<br>£ | Pension Contribution 2016/2017<br>£ |
|-----------------|---|-------------------------------------|----------------------------|--------------------------------------|---|-------------------------------------|-------------------------------------|
|                 |   |                                     | from 31 March 2017<br>£000 | Lump Sum as at 31 March 2018<br>£000 |   |                                     |                                     |
| Mark Flynn      | Depute Convener, City Development (wef 22/5/17)             | 0.3                                 | n/a                        | 0.0                                  | n/a   | 2,785                               | n/a                                 |
| Anne Rendall    | Depute Convener, Neighbourhood Services (wef 22/5/17)       | 0.3                                 | n/a                        | 0.0                                  | n/a   | 2,785                               | n/a                                 |
| Roisin Smith    | Depute Convener, Children & Families Services (wef 22/5/17) | 0.3                                 | n/a                        | 0.0                                  | n/a   | 2,785                               | n/a                                 |
| <b>Total</b>    |   | <b>35.6</b>                         | <b>5.4</b>                 | <b>9.5</b>                           | <b>0.3</b>                                  | <b>48,217</b>                       | <b>35,808</b>                       |

**TABLE 3 NOTES**

1 The Pension Contribution figures relate to the remuneration shown in Tables 1a and 1b.

TABLE 4a – SENIOR EMPLOYEES OF THE COUNCIL ACCRUED PENSION BENEFITS

| Employee Name      | Post Title  | Pension as at 31 March 2018<br>£000 | Pension Difference from 31 March 2017<br>£000 | Lump Sum as at 31 March 2018<br>£000 | Lump Sum Difference from 31 March 2017<br>£000 | Pension Contribution 2017/2018<br>£ | Pension Contribution 2016/2017<br>£ |
|--------------------|---|-------------------------------------|---|--------------------------------------|--|-------------------------------------|-------------------------------------|
| David Martin       | Chief Executive (see note 1)                            | 65                                  | 3   | 130                                  | 1  | 25,085                              | 25,200                              |
| Gregory Colgan     | Executive Director of Corporate Services (wef 19/6/17)  | 13                                  | n/a   | -                                    | n/a  | 14,210                              | n/a                                 |
| Paul Clancy        | Executive Director of Children & Families (wef 10/2/17) | 55                                  | 12  | 115                                  | 23   | 18,385                              | 2,456                               |
| Michael P Galloway | Executive Director of City Development                  | 49                                  | 3   | 93                                   | 1  | 19,141                              | 18,951                              |
| Elaine Zwiirlein   | Executive Director of Neighbourhood Services            | 50                                  | 4   | 95                                   | 3  | 19,141                              | 18,396                              |
| Stewart Murdoch    | Director of Leisure & Culture Dundee                    | 56                                  | 3   | 119                                  | 2  | 16,993                              | 16,825                              |
| <b>Total</b>       |   | <b>288</b>                          | <b>25</b>                                     | <b>552</b>                           | <b>30</b>                                      | <b>112,955</b>                      | <b>81,828</b>                       |

TABLE 4a NOTES

- 1 The Pension Contribution 2017/2018 figure for David Martin, Chief Executive, includes £1,247 contributions payable on fees for election duties (2016/2017: £1,602).
- 2 Part-year pension contributions were made in respect of Senior Employees who retired during the 2017/2018 financial year: Marjory Stewart, Executive Director of Corporate Services (2017/2018: £4,785 , 2016/2017: £18,951) and Michael Wood, Executive Director of Corporate Services (2017/2018: £2,011 , 2016/2017: £18,951).

TABLE 4b – THE COUNCIL'S SUBSIDIARY BODIES: ACCRUED PENSION BENEFITS

| Employee Name      | Post Title  | Pension as at<br>31 March 2018<br>£000 | Pension<br>Difference<br>from 31<br>March 2017<br>£000 | Lump Sum<br>as at 31<br>March 2018<br>£000 | Lump Sum<br>Difference<br>from 31<br>March 2017<br>£000 | Pension<br>Contribution<br>2017/2018<br>£ | Pension<br>Contribution<br>2016/2017<br>£ |
|--------------------|---|--|--|--|---|---|---|
| Rodger<br>McMullan | Managing Director, Dundee Energy Recycling<br>Limited (DERL) (until 22/3/17)  | n/a                                    | n/a  | n/a  | n/a   | -   | 6,405                                     |
| Kenneth Kerr       | Managing Director, Dundee Energy Recycling<br>Limited (DERL) (seconded from Dundee City<br>Council, from 1/10/16 until 27/11/17, full year<br>equivalent 2017/2018 £70,698) | 31                                     | 2  | 61   | 1   | 7,830                                     | 5695                                      |
| <b>Total</b>       |   | <b>31</b>                              | <b>2</b>   | <b>61</b>                                  | <b>1</b>  | <b>7,830</b>                              | <b>12,100</b>                             |

**TABLE 4b NOTES**

- 1 Dundee City Council increased its shareholding in Dundee Energy Recycling Limited (DERL) from 40% to 100% on 21 October 2013. The company therefore became a Subsidiary of the Council on that date. Dundee City Council sold its shareholding in DERL to MVV Environment Limited on 28 November 2017.
- 2 The employees of DERL participated in a pension scheme that is a money purchase scheme. In line with the Remuneration Report regulations, the information disclosed is limited to the amount of pension contributions made to that scheme by the company.

TABLE 5 – TERMINATION BENEFITS & EXIT PACKAGES

| Exit Package Cost Band | Number of Compulsory Redundancies |           | Number of other departures agreed |           | Total number of exit packages by cost band |           | Total cost of exit packages in each band (£000) |              |
|------------------------|-----------------------------------|-----------|-----------------------------------|-----------|--|-----------|---|--------------|
|                        | 2016/2017                         | 2017/2018 | 2016/2017                         | 2017/2018 | 2016/2017                                  | 2017/2018 | 2016/2017                                       | 2017/2018    |
| £0 - £20,000           | -                                 | -         | 66                                | 12        | 66   | 12        | 719   | 128          |
| £20,001 - £40,000      | -                                 | -         | 19                                | 5         | 19   | 5         | 596   | 135          |
| £40,001 - £60,000      | -                                 | -         | 18                                | 2         | 18   | 2         | 884   | 91           |
| £60,001 - £80,000      | -                                 | -         | 12                                | 3         | 12   | 3         | 845   | 215          |
| £80,001 - £100,000     | -                                 | -         | 11                                | 5         | 11   | 5         | 989   | 453          |
| £100,001 - £150,000    | -                                 | -         | 12                                | 1         | 12   | 1         | 1,384   | 125          |
| £150,001 - £250,000    | -                                 | -         | 5                                 | 1         | 5  | 1         | 983   | 234          |
| £250,001 - £350,000    | -                                 | -         | 3                                 | -         | 3  | -         | 835   | -            |
| <b>Total</b>           | -                                 | -         | <b>146</b>                        | <b>29</b> | <b>146</b>                                 | <b>29</b> | <b>7,235</b>                                    | <b>1,381</b> |

**TABLE 5 NOTES**

- 1 The above table includes costs of termination benefits associated with voluntary redundancy payments to employees that left during 2017/18. Under the terms of the Council's severance schemes for non-teaching staff, employees can elect to receive a statutory voluntary redundancy payment. During 2017/2018, a total of 16 employees received voluntary redundancy payments (2016/2017 75 employees) for which the Council incurred one-off redundancy costs of £166,000 (2016/2017 £718,000).
- 2 The costs shown in the above table have been calculated on an actuarial basis by the Council's appointed actuary (Barnett Waddingham), in accordance with IAS 19 Employee Benefits. The actual costs incurred by the Council in 2017/18, in terms of payments to pension schemes and to individuals, were £0.542m (2016/2017 £3.220m). The average pay-back period for exit packages in 2017/18 was 0.48 years (2016/2017 0.65 years). The pay-back period represents the time taken for the costs of the exit package to be recovered by the subsequent saving in salary costs, including oncosts.



**The Council's Responsibilities**

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Executive Director of Corporate Services.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Scrutiny Committee at its meeting on 26 September 2018.

Signed on behalf of Dundee City Council



**Councillor John Alexander**  
**Leader of the Council**  
 26 September 2018



**The Responsibilities of the Executive Director of Corporate Services**

The Executive Director of Corporate Services is responsible for the preparation of the Council's annual accounts in accordance with proper practices as required by legislation and set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').


In preparing the annual accounts, the Executive Director of Corporate Services has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation;
- complied with the Code of Practice (in so far as it is compatible with legislation).

The Executive Director of Corporate Services has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the local authority (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2018.



**Gregory Colgan BAcc (Hons), ACMA, CGMA**  
**Executive Director of Corporate Services**  
**Dundee City Council**  
 26 September 2018



## ALL CORE FINANCIAL STATEMENTS & THEIR NOTES | Expenditure & Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Council (ie government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/2017

2017/2018

|   | Net Expenditure Chargeable to the General Fund and HRA Balances<br>£000 | Adjustments between the Funding and Accounting Basis (see below/MIRS)<br>£000 | Net Expenditure in the Comprehensive Income and Expenditure Statement<br>£000 |
|---|---|---|---|
| Children & Families Services  | 149,828   | 3,157   | 152,985   |
| Budgets Delegated to Dundee Health & Social Care Partnership            | 75,193  | 2,454   | 77,647  |
| City Development  | 18,806  | 45,858  | 64,664  |
| Neighbourhood Services  | 27,306  | 3,000   | 30,306  |
| Chief Executive   | 12,026  | 211   | 12,237  |
| Corporate Services  | 26,337  | 3,962   | 30,299  |
| DCS Construction  | (3,651)   | 966   | (2,685)   |
| Housing Revenue Account   | (608)   | 15,186  | 14,578  |
| Discretionary NDR Relief  | 280   | -   | 280   |
| Tayside Valuation Joint Board   | 938   | -   | 938   |
| Write-off of DERL Debt (DCC Services)                                   | -   | -   | -   |
| Miscellaneous Items   | 62  | 5,816   | 5,878   |
| <b>Cost Of Services</b>   | <b>306,517</b>  | <b>80,610</b>   | <b>387,127</b>  |
| Other Income and Expenditure  | (298,014)   | (46,697)  | (344,711)   |
| <b>(Surplus) or Deficit on Provision of Services</b>                    | <b>8,503</b>  | <b>33,913</b>   | <b>42,416</b>   |
| Opening General Fund and HRA Balance                                    | 15,824  |   |   |
| Less / Add Surplus or (Deficit) on General Fund and HRA Balance in Year | (8,503)   |   |   |
| Transfers to / from Other Reserves                                      | 2,520   |   |   |
| <b>Closing General Fund and HRA Balance at 31 March *</b>               | <b>9,841</b>  |   |   |
|   | 147,383   | 5,833   | 153,216   |
|   | 73,470  | 4,757   | 78,227  |
|   | 16,583  | 48,898  | 65,481  |
|   | 27,028  | 4,374   | 31,402  |
|   | 11,498  | 329   | 11,827  |
|   | 28,043  | 5,860   | 33,903  |
|   | (3,174)   | 1,927   | (1,247)   |
|   | 824   | 19,308  | 20,132  |
|   | 340   | -   | 340   |
|   | 903   | -   | 903   |
|   | 2,719   | -   | 2,719   |
|   | (2,023)   | 1,044   | (979)   |
| <b>Cost Of Services</b>   | <b>303,594</b>  | <b>92,330</b>   | <b>395,924</b>  |
| Other Income and Expenditure  | (307,172)   | (38,441)  | (345,613)   |
| <b>(Surplus) or Deficit on Provision of Services</b>                    | <b>(3,578)</b>  | <b>53,889</b>   | <b>50,311</b>   |
| Opening General Fund and HRA Balance                                    | 9,841   |   |   |
| Less / Add Surplus or (Deficit) on General Fund and HRA Balance in Year | 3,578   |   |   |
| Transfers to / from Other Reserves                                      | 427   |   |   |
| <b>Closing General Fund and HRA Balance at 31 March *</b>               | <b>13,846</b>   |   |   |

\* For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement.

## ALL CORE FINANCIAL STATEMENTS & THEIR NOTES | Expenditure & Funding Analysis

### Expenditure and Funding Analysis (cont)

This analysis provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Reserve to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

#### Adjustments between Funding and Accounting Basis

|   |                                       | 2016/2017                  |                   | 2017/2018  |                                       |                            |                   |
|---|---------------------------------------|----------------------------|-------------------|--|---------------------------------------|----------------------------|-------------------|
|   |                                       | Net change                 |                   | Net change   |                                       |                            |                   |
| Adjustments for Capital Purposes (Note 1) | Adjustments for the Pensions (Note 2) | Other Differences (Note 3) | Total Adjustments | Adjustments for Capital Purposes (Note 1)  | Adjustments for the Pensions (Note 2) | Other Differences (Note 3) | Total Adjustments |
| £000                                      | £000                                  | £000                       | £000              | £000   | £000                                  | £000                       | £000              |
| 19  | 2,853                                 | 285                        | 3,157             | 15   | 5,727                                 | 91                         | 5,833             |
| 14  | 2,402                                 | 38                         | 2,454             | 2  | 4,714                                 | 41                         | 4,757             |
| 44,860                                    | 983                                   | 15                         | 45,858            | 46,952   | 1,930                                 | 16                         | 48,898            |
| 1,509                                     | 1,468                                 | 23                         | 3,000             | 1,292  | 3,056                                 | 26                         | 4,374             |
| 31  | 177                                   | 3                          | 211               | 0  | 320                                   | 9                          | 329               |
| 1,817                                     | 2,113                                 | 32                         | 3,962             | 1,724  | 4,109                                 | 27                         | 5,860             |
| 5   | 953                                   | 8                          | 966               | 5  | 1,913                                 | 9                          | 1,927             |
| 22,256                                    | 814                                   | (7,884)                    | 15,186            | 25,282   | 925                                   | (6,899)                    | 19,308            |
| -   | 5,816                                 | -                          | 5,816             | 0  | 1,044                                 | 0                          | 1,044             |
| <b>70,511</b>                             | <b>17,579</b>                         | <b>(7,480)</b>             | <b>80,610</b>     | <b>75,272</b>  | <b>23,738</b>                         | <b>(6,680)</b>             | <b>92,330</b>     |
| <b>(58,977)</b>                           | <b>4,529</b>                          | <b>7,751</b>               | <b>(46,697)</b>   | <b>(61,642)</b>  | <b>7,650</b>                          | <b>15,551</b>              | <b>(38,441)</b>   |
|   |                                       |                            |                   | <b>Other income and expenditure from the Expenditure and Funding Analysis</b>  |                                       |                            |                   |
|   |                                       |                            |                   | <b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b> |                                       |                            |                   |
| <b>11,534</b>                             | <b>22,108</b>                         | <b>271</b>                 | <b>33,913</b>     | <b>13,630</b>  | <b>31,388</b>                         | <b>8,871</b>               | <b>53,889</b>     |

**Notes**

- 1 Adjustments for capital purposes - this column adds in depreciation and impairment and revaluation gains and losses in the services line and for:
  - Other operating expenditure** - adjustments for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
  - Financing and investment income and expenditure** - the statutory charges for capital financing ie loan repayments and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
  - Taxation and non-specific grant income and expenditure** - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.
- 2 Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:
  - For **services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
  - For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.
- 3 Other differences between amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payable /receivable to be recognised under statute:
  - For **services** this represents the inclusion of a charge for short-term accumulating compensating absences, mainly relating to accrued annual leave entitlement.
  - For **Financing and investment income and expenditure** - the other differences column recognises adjustments to the General Fund for the re-measurement of the revenue costs / income associated with financial instruments.
  - For **Financing and investment income and expenditure** - the other differences column recognises interest payable / receivable on the Housing Revenue Account being reclassified as a corporate cost.



**Subjective Analysis of Surplus or Deficit on the Provision of Services**

| 2016/2017     |  | 2017/2018        |
|---------------|--|------------------|
| £000          |  | £000             |
| 238,777       | Employee benefit expenses                                | 251,679          |
| 280,819       | Other service expenses                                   | 370,279          |
| 2,691         | Support service recharges                                | 2,859            |
| 81,355        | Depreciation, amortisation and impairment                | 86,171           |
| 25,778        | Interest payments  | 35,321           |
| 938           | Precepts and levies                                      | 903              |
| 1,233         | Gain or loss on disposal of non-current assets           | 4,352            |
| 631,591       | <b>Total Expenditure</b>                                 | <b>751,564</b>   |
| (105,566)     | Fees, charges and other service income                   | (214,216)        |
| (1,324)       | Interest and investment income                           | (1,098)          |
| (48,715)      | Income from Council Tax                                  | (49,922)         |
| (433,570)     | Government grants and contributions                      | (436,017)        |
| (589,175)     | <b>Total Income</b>                                      | <b>(701,253)</b> |
| <b>42,416</b> | <b>(Surplus) or Deficit on the Provision of Services</b> | <b>50,311</b>    |

## ALL CORE FINANCIAL STATEMENTS & THEIR NOTES | Comprehensive Income & Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Councils raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

|  | 2016/2017               |                         | 2017/2018                        |                         | Unaudited<br>2017/2018  |                                  |  |
|--|-------------------------|-------------------------|----------------------------------|-------------------------|-------------------------|----------------------------------|--|
|  | Gross<br>Expend<br>£000 | Gross<br>Income<br>£000 | Net Expend /<br>(Income)<br>£000 | Gross<br>Expend<br>£000 | Gross<br>Income<br>£000 | Net Expend<br>/ (Income)<br>£000 | Budgeted Net<br>Expenditure/<br>(Income)<br>£000 |
|  | 166,118                 | (13,133)                | 152,985                          | 171,512                 | (18,296)                | 153,216                          | 149,919  |
|  | 186,387                 | (108,740)               | 77,647                           | 196,996                 | (118,769)               | 78,227                           | 78,227   |
|  | 80,813                  | (16,149)                | 64,664                           | 84,216                  | (18,735)                | 65,481                           | 62,331   |
|  | 37,615                  | (7,309)                 | 30,306                           | 39,907                  | (8,505)                 | 31,402                           | 30,863   |
|  | 14,617                  | (2,380)                 | 12,237                           | 13,363                  | (1,536)                 | 11,827                           | 11,909   |
|  | 107,587                 | (77,288)                | 30,299                           | 108,443                 | (74,540)                | 33,903                           | 34,852   |
|  | 10,859                  | (13,544)                | (2,685)                          | 9,980                   | (11,227)                | (1,247)                          | (1,242)  |
|  | 65,759                  | (51,181)                | 14,578                           | 71,881                  | (51,749)                | 20,132                           | 17,965   |
|  | 280                     | -                       | 280                              | 340                     | -                       | 340                              | 382  |
|  | 938                     | -                       | 938                              | 903                     | -                       | 903                              | 903  |
|  | -                       | -                       | -                                | 2,719                   | -                       | 2,719                            | 0  |
|  | 6,622                   | (744)                   | 5,878                            | 1,089                   | (2,068)                 | (979)                            | 740  |
|  | <b>677,595</b>          | <b>(290,468)</b>        | <b>387,127</b>                   | <b>701,349</b>          | <b>(305,425)</b>        | <b>395,924</b>                   | <b>386,849</b>                                   |
|  | 1,421                   |                         | 1,421                            | 4,401                   |                         | 4,401                            | 4,401  |
|  | 33,247                  |                         | 33,247                           | 30,209                  |                         | 30,209                           | 44,880   |
|  | (379,379)               |                         | (379,379)                        | (380,223)               |                         | (380,223)                        | (379,587)  |
|  | <b>42,416</b>           |                         | <b>42,416</b>                    | <b>50,311</b>           |                         | <b>50,311</b>                    | <b>56,543</b>                                    |
|  | (6,934)                 |                         | (6,934)                          | (57,924)                |                         | (57,924)                         | (57,924)   |
|  | 2,469                   |                         | 2,469                            | 2,398                   |                         | 2,398                            | 2,398  |
|  | (343)                   |                         | (343)                            | (27)                    |                         | (27)                             | (27)   |
|  | 110,054                 |                         | 110,054                          | (274,700)               |                         | (274,700)                        | (274,700)  |
|  | <b>105,246</b>          |                         | <b>105,246</b>                   | <b>(330,253)</b>        |                         | <b>(330,253)</b>                 | <b>(330,253)</b>                                 |
|  | <b>147,662</b>          |                         | <b>147,662</b>                   | <b>(279,942)</b>        |                         | <b>(279,942)</b>                 | <b>(273,710)</b>                                 |

## ALL CORE FINANCIAL STATEMENTS & THEIR NOTES | Movement In Reserves Statement

### Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

|   | Revenue Reserves             |                                 |                               | Capital Reserves       |  |                      | Total Council Reserves<br>£000 |
|---|------------------------------|---------------------------------|-------------------------------|------------------------|--|----------------------|--------------------------------|
|   | General Fund Balance<br>£000 | Housing Revenue Account<br>£000 | Renewal & Repair Fund<br>£000 | Insurance Fund<br>£000 | Capital Grants Unapplied Account<br>£000 | Capital Fund<br>£000 |                                |
| <b>Balance at 31 March 2016</b>   | <b>(15,824)</b>              | <b>-</b>                        | <b>(9,482)</b>                | <b>(897)</b>           | <b>-</b>                                 | <b>(2,008)</b>       | <b>(559,970)</b>               |
| <b>Movement in Reserves During 2016/2017</b>  |                              |                                 |                               |                        |  |                      |                                |
| <b>Total Comprehensive Income &amp; Expenditure</b>                                 | <b>20,255</b>                | <b>22,161</b>                   | <b>-</b>                      | <b>-</b>               | <b>-</b>                                 | <b>-</b>             | <b>105,246</b>                 |
| Adjustments Between Accounting Basis & Funding Basis Under Regulations (note 9/EFA) | (11,144)                     | (22,769)                        | -                             | -                      | -  | (83)                 | 33,996                         |
| <b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>              | <b>9,111</b>                 | <b>(608)</b>                    | <b>-</b>                      | <b>-</b>               | <b>-</b>                                 | <b>(83)</b>          | <b>139,242</b>                 |
| Transfers to/(from) Earmarked Reserves  | (3,128)                      | 608                             | 2,750                         | (221)                  | -  | (9)                  | -                              |
| <b>(Increase)/ Decrease in 2016/2017</b>  | <b>5,983</b>                 | <b>-</b>                        | <b>2,750</b>                  | <b>(221)</b>           | <b>-</b>                                 | <b>(92)</b>          | <b>147,662</b>                 |
| <b>Balance at 31 March 2017 carried forward</b>                                     | <b>(9,841)</b>               | <b>-</b>                        | <b>(6,732)</b>                | <b>(1,118)</b>         | <b>-</b>                                 | <b>(2,100)</b>       | <b>(440,519)</b>               |



ALL CORE FINANCIAL STATEMENTS & THEIR NOTES | Movement In Reserves Statement

| 2017/2018   | Revenue Reserves          |                              |                            | Capital Reserves    |                                       |                   | Total Usable Reserves £000 | Unusable Reserves £000 | Total Council Reserves £000 |
|---|---------------------------|------------------------------|----------------------------|---------------------|---------------------------------------|-------------------|----------------------------|------------------------|-----------------------------|
|   | General Fund Balance £000 | Housing Revenue Account £000 | Renewal & Repair Fund £000 | Insurance Fund £000 | Capital Grants Unapplied Account £000 | Capital Fund £000 |                            |                        |                             |
| <b>Balance at 31 March 2017 brought forward</b>                                     | <b>(9,841)</b>            | -                            | <b>(6,732)</b>             | <b>(1,118)</b>      | -                                     | <b>(2,100)</b>    | <b>(19,791)</b>            | <b>(420,728)</b>       | <b>(440,519)</b>            |
| <b>Movement in Reserves during 2017/2018</b>  |                           |                              |                            |                     |                                       |                   |                            |                        |                             |
| <b>Total Comprehensive Income &amp; Expenditure</b>                                 | 23,347                    | 26,964                       | -                          | -                   | -                                     | -                 | <b>50,311</b>              | <b>(330,253)</b>       | <b>(279,942)</b>            |
| Adjustments Between Accounting Basis & Funding Basis Under Regulations (note 9/EFA) | (27,749)                  | (26,140)                     | -                          | -                   | (3,393)                               | -                 | <b>(57,282)</b>            | 57,282                 | -                           |
| <b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>              | <b>(4,402)</b>            | 824                          | -                          | -                   | <b>(3,393)</b>                        | -                 | <b>(6,971)</b>             | <b>(272,971)</b>       | <b>(279,942)</b>            |
| Transfers to/(from) Earmarked Reserves  | 397                       | (824)                        | 882                        | (445)               | -                                     | (10)              | -                          | -                      | -                           |
| <b>(Increase)/ Decrease in 2017/2018</b>  | <b>(4,005)</b>            | -                            | 882                        | (445)               | <b>(3,393)</b>                        | <b>(10)</b>       | <b>(6,971)</b>             | <b>(272,971)</b>       | <b>(279,942)</b>            |
| <b>Balance at 31 March 2018 carried forward</b>                                     | <b>(13,846)</b>           | -                            | <b>(5,850)</b>             | <b>(1,563)</b>      | <b>(3,393)</b>                        | <b>(2,110)</b>    | <b>(26,762)</b>            | <b>(693,699)</b>       | <b>(720,461)</b>            |



The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category is usable reserves, i.e. those that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category is those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

| 31 March<br>2017<br>£000 |                              | Note  | 31 March<br>2018<br>£000 |
|--------------------------|------------------------------|-------|--------------------------|
| 1,358,177                | Property, Plant & Equipment  | 27    | 1,474,059                |
| 8,382                    | Heritage Assets              | 43/44 | 8,382                    |
| 22,200                   | Investment Property          | 24    | 21,034                   |
| 1,161                    | Intangible Assets            | 25    | 1,114                    |
| 29                       | Long Term Investments        | 39    | 29                       |
| 13,414                   | Long Term Debtors            | 39/46 | 12,334                   |
| <b>1,403,363</b>         | <b>Long Term Assets</b>      |       | <b>1,516,952</b>         |
| 5,993                    | Short Term Investments       | 39    | 4,770                    |
| 1,145                    | Inventories                  | 31    | 1,100                    |
| 60,098                   | Short Term Debtors           | 33    | 58,734                   |
| 4,019                    | Assets held for sale         | 30    | 3,649                    |
| <b>71,255</b>            | <b>Current Assets</b>        |       | <b>68,253</b>            |
| (87,040)                 | Short Term Borrowing         | 39    | (104,992)                |
| (66,829)                 | Short Term Creditors         | 34/39 | (75,210)                 |
| (2,576)                  | Cash and Cash Equivalents    | 16    | (3,085)                  |
| <b>(156,445)</b>         | <b>Current Liabilities</b>   |       | <b>(183,287)</b>         |
| (3,745)                  | Provisions                   | 35    | (3,675)                  |
| (418,921)                | Long Term Borrowing          | 39    | (440,578)                |
| (454,620)                | Other Long Term Liabilities  | 45    | (235,941)                |
| (368)                    | Grants Receipts in Advance   | 38    | (1,263)                  |
| <b>(877,654)</b>         | <b>Long Term Liabilities</b> |       | <b>(681,457)</b>         |
| <b>440,519</b>           | <b>Net Assets</b>            |       | <b>720,461</b>           |
| 19,791                   | Usable reserves              | 11    | 26,762                   |
| 420,728                  | Unusable Reserves            | 12    | 693,699                  |
| <b>440,519</b>           | <b>Total Reserves</b>        |       | <b>720,461</b>           |



**Gregory Colgan BAcc (Hons), ACMA, CGMA**  
Executive Director of Corporate Services  
Dundee City Council

The unaudited accounts were issued on 27 June 2018 and the audited accounts were authorised for issue on 26 September 2018.

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

| 2016/2017      |  | 2017/2018      |
|----------------|--|----------------|
| £000           |  | £000           |
| 42,416         | Net deficit on the provision of services   | 50,311         |
| (106,167)      | Adjust net (surplus) on the provision of services for non cash movements   | (134,470)      |
| 9,802          | Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities | 6,811          |
| (53,949)       | Net cash flows from Operating Activities   | (77,348)       |
| 87,945         | Investing Activities (note 14)   | 114,734        |
| (33,891)       | Financing Activities (note 15)   | (36,877)       |
| 105            | Net decrease in cash and cash equivalents  | 509            |
| (2,471)        | Cash and cash equivalents at the beginning of the reporting period   | (2,576)        |
| <b>(2,576)</b> | <b>Cash and cash equivalents at the end of the reporting period (note 16)</b>  | <b>(3,085)</b> |

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## 1 Accounting Policies

### A General Principles

The Annual Accounts summarise the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare Annual Accounts by The Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires that they be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act. The accounts have been prepared on a going concern basis. The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### B Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the Council is acting as an agent for another party (e.g. in the collection of Non Domestic Rates, Scottish Water Charges etc), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

### C Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents comprise short term lending that is repayable on demand or within 3 months of the Balance Sheet date and that is readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### D Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or when the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made and it is material to the financial statements, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.



**E Charges to Revenue for Non-Current Assets**

Services are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement, equal to loans fund principal charges. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by loans fund principal charges in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**F Construction Contracts**

Work in progress under construction contracts is accounted for using the percentage of completion method. Contract revenue is matched with contract costs incurred in reaching the state of completion at the balance sheet date.

**G Employee Benefits****Benefits Payable During Employment**

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

**Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

**Post Employment Benefits**

Employees of the Council are members of two separate pension schemes:

- the Local Government Pension Scheme (Tayside Pension Fund), a defined benefits scheme which is administered by the Council.
- the Teachers' Scheme, an unfunded scheme administered nationally by the Scottish Public Pensions Agency.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children & Families Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

#### *The Local Government Pension Scheme*

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Tayside Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond, iBoxx AA rated over 15 year corporate bond index.

The assets of the Tayside Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- o quoted securities - current bid price
- o unquoted securities - professional estimate
- o unitised securities - current bid price
- o property - market value
- The change in the net pensions liability is analysed into the following components:
  - Service Cost* comprising:
    - o current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - o past service cost – the increase in liabilities arising as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Miscellaneous Items.
    - o net interest on the net defined benefit liability/asset, ie net interest expense for the Council – the change during the period in the net defined benefit liability/asset that arises from the passage of time, charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period, taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.

*Remeasurements* comprising:

- o the return on plan assets – excluding amounts included in net interest on the net defined benefit liability/asset – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- o actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- o contributions paid to the Tayside Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

*Discretionary Benefits*

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

**H Events After the Reporting Period**

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Annual Accounts are not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

**I Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited accordingly to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

**J Financial Assets**

Financial assets are mainly classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.



### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the de-recognition of an asset are credited or debited accordingly to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach)

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available-for-Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.



Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation). Any gains and losses that arise on the de-recognition of the asset are credited or debited accordingly to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment loss).

## **K Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **L Heritage Assets**

The Council's Heritage Assets, which are primarily held in the McManus Art Gallery & Museum and the Central Library, are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the history of Dundee and the surrounding area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets are also presented below.

The Council's collections of heritage assets are accounted for as follows:

### Museum and Art Gallery Collections

The collections of the McManus Art Gallery & Museum form the major part of the heritage assets held by the Council. These collections have been built up over a period of 150 years and are used for reference, research and education. Items recognised in the Balance Sheet, mainly relating to the Fine Art Collection, are reported at insurance valuation which is based on market values. The assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

### Other Heritage Assets

The McKenzie Photographic Collection and the Desperate Dan statue, previously recognised in the Council's balance sheet as Community assets, have been reclassified as Heritage assets. These assets are held in the Balance Sheet at cost as the cost of obtaining valuations would be disproportionate in relation to the benefits to the users of the Council's financial statements. These assets are deemed to have indeterminate lives, hence the Council does not consider it appropriate to charge depreciation.

### **Heritage Assets Not Recognised in the Balance Sheet**

In addition to the above, the Council holds heritage assets which, in light of the relaxation of measurement rules, are not recognised in the Balance Sheet. These include some collections in the Council's museums, galleries and libraries as well as civic regalia, statues, monuments, memorials, fountains and outdoor artworks at various locations throughout Dundee. The Council considers that, due to the diverse nature of the assets held and the lack of comparable values, the cost of obtaining valuations would be disproportionate in relation to the benefits to the users of the Council's financial statements. As a result, fair value information is unavailable and cost information is also unknown. These assets are therefore not recognised in the Balance Sheet, however, detailed information regarding them is held on relevant databases.

### **Heritage Assets - Impairment**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

### **M Interests in Companies and Other Entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

### **N Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is generally assigned using the weighted average costing formula. Where inventories are acquired through a non-exchange transaction, they are included in the Balance Sheet at their fair value at the date of acquisition. Where inventories are held for distribution at no charge or for a nominal charge, or for consumption in the production process of such goods, then their value is measured at the lower of cost or current replacement cost.

### **O Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

### **P Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Council currently has no assets acquired under finance leases or leased to third parties on finance lease. Accounting policies for operating leases are set out below.

### The Council as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease).

### The Council as Lessor

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet as a non-current asset and continues to be subject to depreciation, revaluation and impairment review, in accordance with the relevant accounting policies. Rental income is credited to the appropriate service line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a premium paid at the commencement of the lease). Any initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **Q Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

## **R Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial measurement of costs for dismantling and removing the item and restoring the site on which it is located to its original condition

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement bases:

- community assets and assets under construction – historical cost
- infrastructure and vehicles, plant & equipment – depreciated historical cost
- council dwellings – current value, determined using the basis of existing use value for social housing (EUV - SH)
- surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- other land & buildings – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.



Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains would be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation or impairment loss previously charged to a service. Where decreases in value are identified, the revaluation loss is accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

#### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

#### Assets Held for Sale / Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been reclassified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for disposals are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.



### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (ie, assets under construction).

Depreciation is calculated on the following bases:

- council dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant and equipment – straight line allocation over between 3 and 10 years.
- infrastructure – straight-line allocation over between 10 and 30 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### S Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – posted to the Balance Sheet as additions to Property, Plant and Equipment but determined as non-value adding.

### T Provisions, Contingent Liabilities and Contingent Assets

#### Provisions - General

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

**Provisions - Carbon Reduction Commitment**

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the third year of its second phase, which ends on 31 March 2019. The Council is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

**Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

**Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

**U Reserves**

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to count against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and these reserves do not represent usable resources for the Council. Further information on the Council's reserves is contained in notes 11 and 12.

**V VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

**W Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible assets held by the Council meet this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for sale proceeds, to the Capital Receipts Reserve.

## X Fair Value Measurement

The Council measures some of its non-financial assets and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value on an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability.

## 2 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The following accounting changes are introduced in the 2018/19 Code of Practice:

*IFRS 9 Financial Instruments*

*IFRS 15 Revenue from Contracts with Customers* including amendments to *IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers*

amendments to *IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

amendments to *IAS 7 Statement of Cash Flows: Disclosure Initiative*

The transitional reporting requirements for IFRS 9 and IFRS 15 have been adopted such that the preceding year will not be restated.



The Council will be required to reflect these changes, as necessary, in its 2018/2019 Annual Accounts. It is anticipated that IFRS 9 *Financial Instruments*, in particular, will have an impact on the Council. A key change in IFRS 9 is the removal of the "Available-for-Sale" classification of asset, which currently allows gains and losses to be held in reserve until realised. Assets held in this category will now be reclassified to the "Fair Value Through Profit or Loss" category. This means that gains and losses (both realised and unrealised) from changes in the fair value of assets will now be reflected in annual surpluses or deficits and ultimately in General Fund balances. At 31 March 2018, the Council held Available-for-Sale financial assets with a value of £4.770m. The balance on the Available-for-Sale Financial Instruments Reserve in respect of these assets was a credit of £0.315m. The change to the impairment model under IFRS 9 could also have an impact on the carrying value of loans to third parties and some trade debtors / receivables.

### 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Annual Accounts are:

- There is a continuing high degree of uncertainty about future levels of funding for local government, particularly in light of continuing single year grant settlements from the Scottish Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council is deemed to control the services provided under the PPP contract with Discovery Education PLC to construct, maintain and facilities-manage six new primary schools and two new secondary schools in the city. The Council is also deemed to control the residual value of the schools at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the schools (valued at £104.6m 2017/2018 and £93.4m 2016/2017) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- The Council is deemed to control the services provided under the DBFM contract with Hub East Central (Baldragon) Limited to construct, maintain and facilities-manage a new secondary schools in the city. The Council is also deemed to control the residual value of the school at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the school (valued at £26.1m) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- The Council is deemed to control the services provided under the long term waste disposal contract with MVV Environment Baldovie Limited (MEB). The existing DERL plant is being utilised by MEB to deliver the contractual requirements during a 3 year interim service period, whilst a new plant is constructed on an adjacent site. The new plant will be constructed and maintained by MEB. The Council is also deemed to control the residual value of the new plant at the end of the contract. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement, however no assets have yet been recognised as Property, Plant and Equipment on the Council's Balance Sheet.

### 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Annual Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:



| Item                                | Uncertainties   | Effect if Actual Results Differ from Assumptions  |
|-------------------------------------|---|---|
| Property, Plant and Equipment       | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.  | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £1.4m for every year that useful lives had to be reduced.  |
| Provisions                          | The Council has made provisions for certain liabilities where there is a degree of uncertainty as to the amount and / or timing of settlement. Detailed information on provisions is provided in note 35.   | The total value of provisions in the Council's balance sheet at 31 March 2018 is £3.675m. If eventual settlement of the related liabilities is higher than the amounts currently provided for, then an additional charge would require to be made.  |
| Pensions Liability                  | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.   | The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £26.5m. However, the assumptions interact in complex ways. During 2017/2018, the Council's actuaries advised that the net pensions liability had decreased by £243.3m due to a decrease in the present value of the funded obligation of the scheme, together with an increase in the fair value of fund assets. |
| Debtors / Non-collection Provisions | At 31 March 2018, the Council has a gross balance for short-term sundry debtors of £91.173m, including local taxation and housing rent debtors. A review of the different categories of debt has concluded that an overall allowance for doubtful debts of £32.439m is appropriate. However, while representing our best estimate, in the current economic climate it is not certain that these allowances would be sufficient. Detailed information on bad debt provisions is provided in note 35. | If collection rates were to deteriorate, an increase in the amount provided for doubtful debts would require to be charged.   |

**5 Comprehensive Income and Expenditure Statement – Other Operating Expenditure**

| 2016/2017<br>£000 |  | 2017/2018<br>£000 |
|-------------------|--|-------------------|
| 1,233             | (Gains) / losses on the disposal of non current assets | 4,352             |
| 188               | Impairment of Assets Held for Sale                     | 49                |
| <b>1,421</b>      | <b>Total</b>   | <b>4,401</b>      |

**6 Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure**

| 2016/2017<br>£000 |   | 2017/2018<br>£000 |
|-------------------|---|-------------------|
| 25,778            | Interest payable and similar charges                      | 26,445            |
| -                 | Debt Rescheduling Premium                                 | 8,876             |
| 9,080             | Net interest on the net defined benefit liability (asset) | 10,406            |
| (1,069)           | Interest receivable and similar income                    | (786)             |
| 151               | Changes in the fair value of investment properties        | 87                |
| (255)             | Net income from investment properties                     | (312)             |
| (438)             | Share of Tayside Contracts surplus                        | (589)             |
| -                 | Receipt from sale of DERL and associated write-offs       | (13,327)          |
| -                 | Scottish Government contribution to DBFM interest costs   | (591)             |
| <b>33,247</b>     | <b>Total</b>  | <b>30,209</b>     |

**7 Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Income**

| 2016/2017<br>£000 |  | 2017/2018<br>£000 |
|-------------------|--|-------------------|
| (48,715)          | Council Tax Income                                 | (49,922)          |
| (71,011)          | Contribution from national non domestic rates pool | (66,700)          |
| (213,862)         | Non-ring-fenced government grants                  | (214,961)         |
| (45,791)          | Capital grants and contributions                   | (48,640)          |
| <b>(379,379)</b>  | <b>Total</b>                                       | <b>(380,223)</b>  |

**8 Comprehensive Income and Expenditure Statement – Material Items of Income and Expense**

See Management Commentary (page 8).

## ALL CORE FINANCIAL STATEMENTS & THEIR NOTES | Notes to the Core Financial Statements

### 9 Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

|  | Usable Reserves                    |                                       |  |  |                                     | Total<br>2016/<br>2017<br>£000 |
|--|------------------------------------|---------------------------------------|--|--|-------------------------------------|--------------------------------|
|  | General<br>Fund<br>Balance<br>£000 | Housing<br>Revenue<br>Account<br>£000 | Capital<br>Receipts<br>Reserve<br>£000 | Capital Grants<br>Unapplied<br>Account<br>£000 | Capital<br>Fund<br>Reserves<br>£000 |                                |
| <b>Adjustments involving the Capital Adjustment Account:</b>   |                                    |                                       |  |  |                                     |                                |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>  |                                    |                                       |  |  |                                     |                                |
| Charges for depreciation and impairment of non current assets  | (48,150)                           | (33,100)                              | -                                      | -  | -                                   | 81,250                         |
| Movements in the market value of Investment Properties & Assets Held for Sale  | (332)                              | (7)                                   | -                                      | -  | -                                   | 339                            |
| Capital grants and contributions that have been applied to capital financing   | 43,785                             | 2,006                                 | -                                      | -  | -                                   | (45,791)                       |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement | (2,283)                            | (8,752)                               | -                                      | -  | -                                   | 11,035                         |
| Provision against long-term debtor where advance from Consolidated Loans Fund has already been repaid to the value of the provision.                   | (105)                              | -                                     | -                                      | -  | -                                   | 105                            |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>   |                                    |                                       |  |  |                                     |                                |
| Statutory provision for the financing of capital investment  | 14,007                             | 10,844                                | -                                      | -  | -                                   | (24,851)                       |
| Capital expenditure charged against the General Fund and HRA balances  | 751                                | -                                     | -                                      | -  | -                                   | (751)                          |
| <b>Adjustments involving the Capital Receipts Reserve and Capital Fund:</b>  |                                    |                                       |  |  |                                     |                                |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement                          | 2,288                              | 7,514                                 | (9,802)                                | -  | -                                   | -                              |
| Use of the Capital Receipts Reserve to finance new capital expenditure   | -                                  | -                                     | 9,802                                  | -  | (83)                                | (9,719)                        |



**9 Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations - continued**

|   | Usable Reserves                    |                                       |  |  |                         | Total<br>2016/<br>2017<br>£000 |
|---|------------------------------------|---------------------------------------|--|--|-------------------------|--------------------------------|
|   | General<br>Fund<br>Balance<br>£000 | Housing<br>Revenue<br>Account<br>£000 | Capital<br>Receipts<br>Reserve<br>£000 | Capital Grants<br>Unapplied<br>Account<br>£000 | Capital<br>Fund<br>£000 |                                |
| 2016/2017 (continued)   |                                    |                                       |  |  |                         |                                |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>  |                                    |                                       |  |  |                         |                                |
| Capital grants applied for capital funding purposes   | -                                  | -                                     | -                                      | -  | -                       | -                              |
| <b>Adjustments involving the Financial Instruments Adjustment Account:</b>  |                                    |                                       |  |  |                         |                                |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements         | 92                                 | 52                                    | -                                      | -  | -                       | (144)                          |
| <b>Adjustments involving the Pensions Reserve:</b>  |                                    |                                       |  |  |                         |                                |
| Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 20) | (43,719)                           | (2,780)                               | -                                      | -  | -                       | 46,499                         |
| Employer's pensions contributions & direct payments to pensioners payable in the year   | 22,925                             | 1,466                                 | -                                      | -  | -                       | (24,391)                       |
| <b>Adjustments involving the Accumulating Compensated Absences Adjustment Account:</b>  |                                    |                                       |  |  |                         |                                |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements                         | (403)                              | (12)                                  | -                                      | -  | -                       | 415                            |
| <b>Total Adjustments 2016/2017</b>  | <b>(11,144)</b>                    | <b>(22,769)</b>                       | <b>-</b>                               | <b>-</b>                                       | <b>(63)</b>             | <b>33,996</b>                  |



## ALL CORE FINANCIAL STATEMENTS & THEIR NOTES | Notes to the Core Financial Statements

### 9 Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

|  | Usable Reserves                    |                                       |  |  |                         | Total<br>2017/<br>2018<br>£000 |
|--|------------------------------------|---------------------------------------|--|--|-------------------------|--------------------------------|
|  | General<br>Fund<br>Balance<br>£000 | Housing<br>Revenue<br>Account<br>£000 | Capital<br>Receipts<br>Reserve<br>£000 | Capital Grants<br>Unapplied<br>Account<br>£000 | Capital<br>Fund<br>£000 |                                |
| 2017/2018  |                                    |                                       |  |  |                         |                                |
| <b>Adjustments involving the Capital Adjustment Account:</b>   |                                    |                                       |  |  |                         |                                |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>  |                                    |                                       |  |  |                         |                                |
| Charges for depreciation and impairment of non current assets  | (49,727)                           | (36,308)                              | -                                      | -  | -                       | 86,035                         |
| Movements in the market value of Investment Properties & Assets Held for Sale  | (129)                              | (7)                                   | -                                      | -  | -                       | 136                            |
| Capital grants and contributions that have been applied to capital financing   | 43,180                             | 2,067                                 | -                                      | -  | -                       | (45,247)                       |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement | (5,497)                            | (5,666)                               | -                                      | -  | -                       | 11,163                         |
| Provision against long-term debtor where advance from Consolidated Loans Fund has already been repaid to the value of the write-off                    | (450)                              | -                                     | -                                      | -  | -                       | 450                            |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>   |                                    |                                       |  |  |                         |                                |
| Statutory provision for the financing of capital investment  | 16,904                             | 10,763                                | -                                      | -  | -                       | (27,667)                       |
| Capital expenditure charged against the General Fund and HRA balances  | 1,036                              | -                                     | -                                      | -  | -                       | (1,036)                        |
| <b>Adjustments involving the Capital Receipts Reserve and Capital Fund:</b>  |                                    |                                       |  |  |                         |                                |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement                          | 2,161                              | 4,650                                 | (6,811)                                | -  | -                       | -                              |
| Use of the Capital Receipts Reserve to finance new capital expenditure   | -                                  | -                                     | 6,811                                  | -  | -                       | (6,811)                        |

**9 Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations - continued**

|   | Usable Reserves           |                              |                               |                                       | Movement in Unusable Reserves £000 | Total 2017/2018 £000 |
|---|---------------------------|------------------------------|-------------------------------|---------------------------------------|------------------------------------|----------------------|
|   | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied Account £000 |                                    |                      |
| 2017/2018 (continued)   |                           |                              |                               |                                       |                                    |                      |
| Adjustments primarily involving the Capital Grants Unapplied Account:   |                           |                              |                               |                                       |                                    |                      |
| Capital grants applied for capital funding purposes   | 3,393                     | -                            | -                             | (3,393)                               | -                                  | -                    |
| Adjustments involving the Financial Instruments Adjustment Account:   |                           |                              |                               |                                       |                                    |                      |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements         | (8,720)                   | 78                           | -                             | -                                     | 8,642                              | -                    |
| Adjustments involving the Pensions Reserve:   |                           |                              |                               |                                       |                                    |                      |
| Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 20) | (51,400)                  | (2,844)                      | -                             | -                                     | 54,244                             | -                    |
| Employer's pensions contributions & direct payments to pensioners payable in the year   | 21,717                    | 1,139                        | -                             | -                                     | (22,856)                           | -                    |
| Adjustments involving the Accumulating Compensated Absences Adjustment Account:   |                           |                              |                               |                                       |                                    |                      |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements                         | (217)                     | (12)                         | -                             | -                                     | 229                                | -                    |
| <b>Total Adjustments 2017/2018</b>  | <b>(27,749)</b>           | <b>(26,140)</b>              | <b>-</b>                      | <b>(3,393)</b>                        | <b>57,282</b>                      | <b>-</b>             |

## ALL CORE FINANCIAL STATEMENTS & THEIR NOTES | Expenditure & Funding Analysis

### 10 Movement in Reserves Statement – Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

| 2017/2018<br>General Fund               | Balance at           |                   | Transfers Out     |                   | Transfers In      |                       | Balance at        |                       | Purpose of the Earmarked Reserve                       |
|---|----------------------|-------------------|-------------------|-------------------|-------------------|-----------------------|-------------------|-----------------------|--|
|   | 1 April 2017<br>£000 | 2017/2018<br>£000 | 2017/2018<br>£000 | 2017/2018<br>£000 | 2017/2018<br>£000 | 31 March 2018<br>£000 | 2017/2018<br>£000 | 31 March 2018<br>£000 |  |
| Schools' DSM Balances                   | -                    | -                 | -                 | -                 | -                 | -                     | -                 | -                     | Balance of funds devolved to schools                   |
| Car Parking Balances                    | (459)                | 91                | 91                | -                 | -                 | (368)                 | (368)             | (368)                 | To fund future car parking projects                    |
| Empty Properties etc Discount Reduction | (1,182)              | 681               | 681               | -                 | -                 | (501)                 | (501)             | (501)                 | To fund new social housing                             |
| Organisational Change Fund              | (2,930)              | 1,248             | 1,248             | -                 | -                 | (1,682)               | (1,682)           | (1,682)               | To fund service transformation initiatives             |
| 2016/17 Carry Forwards                  | (258)                | 258               | 258               | (2,536)           | (2,536)           | (2,536)               | (2,536)           | (2,536)               | To fund underspends carried forward from previous year |
| Sale of DERL - Warranties               | -                    | -                 | -                 | (1,750)           | (1,750)           | (1,750)               | (1,750)           | (1,750)               | To fund any future liabilities arising                 |
| <b>Total - Earmarked Balances</b>       | <b>(4,829)</b>       | <b>2,278</b>      | <b>2,278</b>      | <b>(4,286)</b>    | <b>(4,286)</b>    | <b>(6,837)</b>        | <b>(6,837)</b>    | <b>(6,837)</b>        |  |
| Uncommitted General Fund Balances       | (5,012)              | -                 | -                 | (1,997)           | (1,997)           | (7,009)               | (7,009)           | (7,009)               | To fund unforeseen / emergency expenditure             |
| <b>Total - General Fund Balances</b>    | <b>(9,841)</b>       | <b>2,278</b>      | <b>2,278</b>      | <b>(6,283)</b>    | <b>(6,283)</b>    | <b>(13,846)</b>       | <b>(13,846)</b>   | <b>(13,846)</b>       |  |

| 2016/2017<br>General Fund               | Balance at           |                   | Transfers Out     |                   | Transfers In      |                       | Balance at        |                       | Purpose of the Earmarked Reserve                       |
|---|----------------------|-------------------|-------------------|-------------------|-------------------|-----------------------|-------------------|-----------------------|--|
|   | 1 April 2016<br>£000 | 2016/2017<br>£000 | 2016/2017<br>£000 | 2016/2017<br>£000 | 2016/2017<br>£000 | 31 March 2017<br>£000 | 2016/2017<br>£000 | 31 March 2017<br>£000 |  |
| Schools' DSM Balances                   | (1,257)              | 1,257             | 1,257             | -                 | -                 | -                     | -                 | -                     | Balance of funds devolved to schools                   |
| Car Parking Balances                    | (177)                | -                 | -                 | (282)             | (282)             | (459)                 | (459)             | (459)                 | To fund future car parking projects                    |
| Empty Properties etc Discount Reduction | (744)                | -                 | -                 | (438)             | (438)             | (1,182)               | (1,182)           | (1,182)               | To fund new social housing                             |
| Organisational Change Fund              | (5,450)              | 2,520             | 2,520             | -                 | -                 | (2,930)               | (2,930)           | (2,930)               | To fund service transformation initiatives             |
| 2015/16 Carry Forwards                  | (1,207)              | 1,207             | 1,207             | (258)             | (258)             | (258)                 | (258)             | (258)                 | To fund underspends carried forward from previous year |
| <b>Total - Earmarked Balances</b>       | <b>(8,835)</b>       | <b>4,984</b>      | <b>4,984</b>      | <b>(978)</b>      | <b>(978)</b>      | <b>(4,829)</b>        | <b>(4,829)</b>    | <b>(4,829)</b>        |  |
| Uncommitted General Fund Balances       | (6,989)              | 1,977             | 1,977             | -                 | -                 | (5,012)               | (5,012)           | (5,012)               | To fund unforeseen / emergency expenditure             |
| <b>Total - General Fund Balances</b>    | <b>(15,824)</b>      | <b>6,961</b>      | <b>6,961</b>      | <b>(978)</b>      | <b>(978)</b>      | <b>(9,841)</b>        | <b>(9,841)</b>    | <b>(9,841)</b>        |  |



**11 Balance Sheet – Usable Reserves**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 9 and 10 above

**12 Balance Sheet – Unusable Reserves**

| 31 March 2017    |  | 31 March 2018    |
|------------------|--|------------------|
| £000             |  | £000             |
| (506,028)        | Revaluation Reserve                                  | (538,738)        |
| (288)            | Available for Sale Financial Instruments Reserve     | (315)            |
| (312,200)        | Capital Adjustment Account                           | (317,993)        |
| 5,199            | Financial Instruments Adjustment Account             | 13,841           |
| 381,859          | Pensions Reserve                                     | 138,547          |
| 10,730           | Accumulating Compensated Absences Adjustment Account | 10,959           |
| <b>(420,728)</b> | <b>Total Unusable Reserves</b>                       | <b>(693,699)</b> |

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| 2016/2017        |  | 2017/2018        |
|------------------|--|------------------|
| £000             |  | £000             |
| (528,014)        | <b>Balance at 1 April</b>  | (506,028)        |
| (10,449)         | Upward revaluation of assets   | (83,167)         |
| 5,984            | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services   | 27,641           |
| (4,465)          | Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services | (55,526)         |
| 18,944           | Difference between fair value depreciation and historical cost depreciation  | 17,580           |
| 7,507            | Accumulated gains on assets sold or scrapped   | 5,227            |
| -                | Depreciation adjustment on previously impaired assets  | 9                |
| 26,451           | Amount written off to the Capital Adjustment Account   | 22,816           |
| <b>(506,028)</b> | <b>Balance at 31 March</b>   | <b>(538,738)</b> |

**Available for Sale Financial Instruments Reserve**

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- re-valued downwards or impaired and the gains are lost
- disposed of and the gains are realised

| 2016/2017    |   | 2017/2018    |
|--------------|---|--------------|
| £000         |   | £000         |
| 55           | <b>Balance at 1 April</b>   | (288)        |
| (343)        | Upward revaluation of investments   | (42)         |
| -            | Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services | 15           |
| (343)        |   | (27)         |
| <b>(288)</b> | <b>Balance at 31 March</b>  | <b>(315)</b> |



**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2016/2017<br>£000 |   | 2017/2018<br>£000 |
|-------------------|---|-------------------|
| (297,366)         | <b>Balance at 1 April</b>   | <b>(312,200)</b>  |
|                   | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:                              |                   |
| 81,250            | Charges for depreciation and impairment of non current assets   | 86,035            |
| 11,035            | Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement  | 11,163            |
| 92,285            |   | 97,198            |
| (26,451)          | Adjusting amounts written out of the Revaluation Reserve  | (22,816)          |
| 65,834            | Net written out amount of the cost of non current assets consumed in the year   | 74,382            |
|                   | Capital financing applied in the year:  |                   |
| (9,719)           | Use of the Capital Receipts Reserve to finance new capital expenditure  | (6,811)           |
| (45,791)          | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing               | (45,247)          |
| (24,851)          | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances   | (27,667)          |
| (751)             | Capital expenditure charged against the General Fund and HRA balances   | (1,036)           |
| (81,112)          |   | (80,761)          |
| 339               | Movements in the market value of Investment Properties and Assets Held for Sale debited or credited to the Comprehensive Income and Expenditure Statement | 136               |
| 105               | Provision against long-term debtor where advance from Consolidated Loans Fund has already been repaid to the value of the provision                       | 450               |
| <b>(312,200)</b>  | <b>Balance at 31 March</b>  | <b>(317,993)</b>  |

**Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

| 2016/2017<br>£000 |   | 2017/2018<br>£000 |
|-------------------|---|-------------------|
| 5,343             | <b>Balance at 1 April</b>   | 5,199             |
| (128)             | Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements  | 8,659             |
| (11)              | Difference in interest on stepped rate loans (existing 31 March 2007)   | (12)              |
| (5)               | Difference in interest on soft loans (existing at 31 March 2007)  | (5)               |
| (144)             | Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 8,642             |
| 5,199             | <b>Balance at 31 March</b>  | 13,841            |

**Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pensions funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| 2016/2017<br>£000 |  | 2017/2018<br>£000 |
|-------------------|--|-------------------|
| 249,697           | <b>Balance at 1 April</b>  | 381,859           |
| 109,898           | Actuarial (gains) or losses on pensions assets and liabilities   | (274,803)         |
| 156               | Difference between actuarial pensions contribution figure and actual pensions contribution figure  | 103               |
| 46,499            | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 54,244            |
| (24,391)          | Employer's pensions contributions and direct payments to pensioners payable in the year  | (22,856)          |
| 381,859           | <b>Balance at 31 March</b>   | 138,547           |

**Accumulating Compensated Absences Adjustment Account**

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| 2016/2017<br>£000 |   | 2017/2018<br>£000 |
|-------------------|---|-------------------|
| 10,315            | <b>Balance at 1 April</b>   | <b>10,730</b>     |
| (10,315)          | Settlement or cancellation of accrual made at the end of the preceding year   | (10,730)          |
| 10,730            | Amounts accrued at the end of the current year  | 10,959            |
| 415               | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 229               |
| <b>10,730</b>     | <b>Balance at 31 March</b>  | <b>10,959</b>     |

**13 Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

| 2016/2017<br>£000 |                    | 2017/2018<br>£000 |
|-------------------|--------------------|-------------------|
| (1,058)           | Interest received  | (788)             |
| 25,820            | Interest paid      | 25,015            |
| (167)             | Dividends received | (150)             |

**14 Cash Flow Statement – Investing Activities**

| 2016/2017<br>£000 |  | 2017/2018<br>£000 |
|-------------------|--|-------------------|
| 95,822            | Purchase of property, plant and equipment, investment property and intangible assets               | 121,388           |
| 2,044             | Other payments for investing activities  | 1,483             |
| (8,420)           | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (6,811)           |
| (1,501)           | Other receipts from investing activities   | (1,326)           |
| <b>87,945</b>     | <b>Net cash flows from investing activities</b>  | <b>114,734</b>    |

**15 Cash Flow Statement – Financing Activities**

| 2016/2017<br>£000 |  | 2017/2018<br>£000 |
|-------------------|--|-------------------|
| (46,392)          | Cash receipts of short and long-term borrowing   | (64,267)          |
| 2,006             | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 1,980             |
| 10,495            | Repayments of short- and long-term borrowing   | 25,410            |
| <b>(33,891)</b>   | <b>Net cash flows from financing activities</b>  | <b>(36,877)</b>   |

**16 Cash Flow Statement – Cash and Cash Equivalents**

The balance of Cash and Cash Equivalents is made up of the following elements:-

| 31 March 2017<br>£000 |   | 31 March 2018<br>£000 |
|-----------------------|---|-----------------------|
| 110                   | Cash held by the Council                              | 109                   |
| (5,403)               | Bank current accounts                                 | (7,397)               |
| 2,717                 | Short-term deposits with banks and building societies | 4,203                 |
| <b>(2,576)</b>        | <b>Total cash and cash equivalents</b>                | <b>(3,085)</b>        |



**17 Agency Services**

Within certain of the Council's services work is undertaken on behalf of other local authorities and other government bodies. The main items of income and related expenditure, which are included in the Comprehensive Income and Expenditure Account, are:

|   | 2016/2017<br>(Income)<br>£000 | 2016/2017<br>Expenditure<br>£000 | 2017/2018<br>(Income)<br>£000 | 2017/2018<br>Expenditure<br>£000 |
|---|-------------------------------|----------------------------------|-------------------------------|----------------------------------|
| Special Education services to Various Local Authorities           | (932)                         | 932                              | (1,015)                       | 1,015                            |
| Provision of Social Work Services to NHS Tayside                  | (15,957)                      | 15,957                           | (14,274)                      | 14,274                           |
| Various Social Work Services to Perth & Kinross Council           | (16)                          | 16                               | (105)                         | 105                              |
| Various Social Work Services to Angus Council                     | (680)                         | 680                              | (1,002)                       | 1,002                            |
| Scottish Water Income   | (574)                         | -                                | (574)                         | -                                |
| Improvement Service - Implementation of National Entitlement Card | (2,210)                       | 2,210                            | (1,281)                       | 1,281                            |
|   | <b>(20,369)</b>               | <b>19,795</b>                    | <b>(18,251)</b>               | <b>17,677</b>                    |

**18 External Audit Costs**

The Council has incurred the following costs in relation to the audit of the Annual Accounts, certification of grant claims and statutory inspections and to other non-audit services provided by the Council's external auditors:

|   | 2016/2017<br>£000 | 2017/2018<br>£000 |
|---|-------------------|-------------------|
| Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year | 341               | 343               |
| <b>Total</b>  | <b>341</b>        | <b>343</b>        |

**19 Pensions Schemes Accounted for as Defined Contribution Schemes**

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by The Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and The Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by Councils. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2017/18, the Council paid £14.2m to Teachers' Pensions in respect of teachers' retirement benefits, representing 25.7% of pensionable pay. The figures for 2016/17 were £14.2m and 25.6%. There were no contributions remaining payable at the year-end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and included in note 20.



## 20 Defined Benefit Pension Schemes

### Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (Tayside Pension Fund) - this is a funded defined benefit statutory scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. The scheme currently provides benefits based on career average revalued salary and length of service on retirement.

The Council also has liabilities for any discretionary pension payments outside the main scheme. These benefits are an unfunded defined benefit arrangement and liabilities are recognised when awards are made. There is no investment assets built up to meet the pensions liabilities for discretionary awards, and cash has to be generated to meet actual pensions payments as they eventually fall due.

The principal risks to the authority of the scheme are the life expectancy assumptions, statutory changes to the scheme, structural changes (i.e. large-scale withdrawals of members from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies section (please refer to Note 1 item G for further details).

### Transactions relating to post employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

|   | <b>Local Government Pension Scheme and Discretionary Benefits Arrangements</b> |                  |
|---|--|------------------|
|   | <b>2016/2017</b>   | <b>2017/2018</b> |
|   | <b>£000</b>  | <b>£000</b>      |
| <b>Comprehensive Income and Expenditure Statement</b>   |  |                  |
| <i>Cost of Services:</i>  |  |                  |
| <i>Service cost comprising:</i>   |  |                  |
| • current service cost  | 31,152   | 42,797           |
| • past service costs  | 2,168  | 423              |
| • (Gains)/Losses on settlements and curtailments  | 4,099  | 618              |
| <i>Financing and Investment Income and Expenditure</i>  |  |                  |
| • net interest on the defined liability   | 8,683  | 10,021           |
| • administration expenses   | 397  | 385              |
| <b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>   | <b>46,499</b>  | <b>54,244</b>    |
| <i>Other Post Employment Benefit Charged to the CIES</i>  |  |                  |
| <i>Remeasurement gains or (losses) against net defined benefit liability comprising</i>   |  |                  |
| • Return on plan assets (excluding the amount included in the net interest expense)   | 187,972  | 33,187           |
| • Changes in demographic assumptions  | -  | 86,124           |
| • Changes in financial assumptions  | (297,884)  | 67,825           |
| • Other actuarial gains or (losses)   | -  | 14,360           |
| • Other experienced gains or (losses) on defined benefit obligation   | 14   | 73,307           |
| • Difference between actuarial pensions contribution figure and actual pensions contribution figure   | (156)  | (103)            |
| <b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>  | <b>156,553</b>   | <b>(220,456)</b> |
| <i>Movement in Reserves Statement</i>   |  |                  |
| • reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | 46,499   | 54,244           |
| <i>Actual amount charged against the General Fund Balance for pensions in the year:</i>   |  |                  |
| • employers' contributions payable to scheme  | 24,391   | 22,856           |
| <b>Reconciliation of opening and closing balances of the present value of the defined benefit obligation (scheme liabilities):</b>              |  |                  |
|   | <b>Year to</b>   | <b>Year to</b>   |
|   | <b>31 March</b>  | <b>31 March</b>  |
|   | <b>2017</b>  | <b>2018</b>      |
|   | <b>£000</b>  | <b>£000</b>      |
| Opening defined benefit obligation  | 1,229,087  | 1,572,588        |
| Current service cost  | 31,152   | 42,797           |
| Interest cost   | 43,740   | 42,050           |
| Contributions by scheme participants  | 7,350  | 7,665            |
| Remeasurement (gains) and losses:   |  |                  |
| • Changes in financial assumptions  | 297,884  | (67,825)         |
| • Changes in demographic assumptions  | -  | (86,124)         |
| • Experience loss / (gain) on defined benefit obligation  | (14)   | (73,307)         |
| Curtailments  | 4,099  | 618              |
| Benefits paid   | (40,116)   | (36,879)         |
| Past service costs  | 2,168  | 423              |
| Unfunded pension payments   | (2,762)  | (2,534)          |
| <b>Closing defined benefit obligation</b>   | <b>1,572,588</b>   | <b>1,399,472</b> |

**Reconciliation of the opening and closing balances of the fair value of the scheme (plan) assets**

|  | Year to<br>31 March<br>2017<br>£000 | Year to<br>31 March<br>2018<br>£000 |
|--|-------------------------------------|-------------------------------------|
| Opening fair value of fund assets  | 979,390                             | 1,190,729                           |
| Interest   | 35,057                              | 32,029                              |
| Remeasurement gains and (losses):  |                                     |                                     |
| • Return on plan assets, excluding the amount included in the net interest expense | 187,972                             | 33,187                              |
| • Other actuarial gains / (losses)   | -                                   | 14,360                              |
| Employer contributions   | 24,235                              | 22,753                              |
| Administration Expenses  | (397)                               | (385)                               |
| Contributions by scheme participants   | 7,350                               | 7,665                               |
| Benefits paid  | (42,878)                            | (39,413)                            |
| <b>Closing fair value of fund assets</b>   | <b>1,190,729</b>                    | <b>1,260,925</b>                    |

**Local Government Pension Scheme Assets**

The scheme assets disclosed above consist of the following categories, by proportion of the total assets held:

|                                | 31 March 2017    |            | 31 March 2018    |            |
|--------------------------------|------------------|------------|------------------|------------|
|                                | £000             | %          | £000             | %          |
| <b>Equities</b>                |                  |            |                  |            |
| Consumer                       | 119,915          | 10         | 152,322          | 12         |
| Financials                     | 122,290          | 10         | 166,055          | 13         |
| Industrials                    | 98,544           | 8          | 137,339          | 11         |
| Energy and Utilities           | 40,367           | 3          | 38,705           | 3          |
| Materials                      | 41,555           | 4          | 47,444           | 4          |
| Healthcare                     | 52,240           | 4          | 53,687           | 4          |
| Information Technology         | 68,862           | 6          | 102,380          | 8          |
| Telecommunications             | 16,622           | 2          | 13,734           | 1          |
| Pooled Investments             | 296,819          | 25         | 159,813          | 13         |
|                                | <b>857,214</b>   | <b>72</b>  | <b>871,479</b>   | <b>69</b>  |
| <b>Gilts</b>                   |                  |            |                  |            |
| Government Bonds               | 78,934           | 6          | 66,853           | 5          |
|                                | <b>78,934</b>    | <b>6</b>   | <b>66,853</b>    | <b>5</b>   |
| <b>Other Bonds</b>             |                  |            |                  |            |
| Corporate Bonds                | 115,601          | 10         | 145,982          | 12         |
| Venture Capital / Partnerships | 1,850            | -          | -                | -          |
|                                | <b>117,451</b>   | <b>10</b>  | <b>145,982</b>   | <b>12</b>  |
| <b>Property</b>                |                  |            |                  |            |
| Retail                         | 31,720           | 3          | 40,450           | 3          |
| Commercial                     | 61,090           | 5          | 76,985           | 6          |
| Alternatives and Cash          | 24,671           | 2          | 31,316           | 3          |
|                                | <b>117,481</b>   | <b>10</b>  | <b>148,751</b>   | <b>12</b>  |
| <b>Cash</b>                    |                  |            |                  |            |
| Cash and Cash Equivalents      | 19,649           | 2          | 27,860           | 2          |
|                                | <b>19,649</b>    | <b>2</b>   | <b>27,860</b>    | <b>2</b>   |
| <b>Totals</b>                  | <b>1,190,729</b> | <b>100</b> | <b>1,260,925</b> | <b>100</b> |



The following table provides analysis of each category of the above assets that have a quoted market price in an active market and those that do not.

|              | 31 March 2017 |               |            | 31 March 2018 |               |            |
|--------------|---------------|---------------|------------|---------------|---------------|------------|
|              | Quoted<br>%   | Unquoted<br>% | Total<br>% | Quoted<br>%   | Unquoted<br>% | Total<br>% |
| Equities     | 47            | 24            | 71         | 58            | 12            | 70         |
| Gilts        | 7             | -             | 7          | 5             | -             | 5          |
| Other Bonds  | 7             | 3             | 10         | 9             | 2             | 11         |
| Property     | 10            | -             | 10         | 11            | -             | 11         |
| Cash         | 2             | -             | 2          | 3             | -             | 3          |
| <b>Total</b> | <b>73</b>     | <b>27</b>     | <b>100</b> | <b>86</b>     | <b>14</b>     | <b>100</b> |

#### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about life expectancy rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Tayside Pension Fund being based on the latest full valuation of the scheme as at 31 March 2017, rolled forward for various financial assumptions that comply with IAS 19. The significant assumptions used by the actuary for the purposes of IAS 19 calculations are as follows:

|   | 31 March<br>2017 | 31 March<br>2018 |
|---|------------------|------------------|
| Life expectancy (years) from age 65 for current pensioners i.e. those retiring today:           |                  |                  |
| Men   | 21.4             | 20.3             |
| Women   | 23.5             | 22.2             |
| Life expectancy (years) from age 65 for future pensioners i.e. those retiring in 20 years time: |                  |                  |
| Men   | 23.7             | 22.1             |
| Women   | 25.8             | 24.1             |
| Rate of inflation (RPI)   | 3.6%             | 3.3%             |
| Rate of inflation (CPI)   | 2.7%             | 2.3%             |
| Rate of increase in salaries  | 3.7%             | 3.3%             |
| Rate of increase in pensions  | 2.7%             | 2.3%             |
| Rate for discounting scheme liabilities   | 2.7%             | 2.6%             |
| Take-up of option to convert annual pension into retirement lump sum                            | 50%              | 50%              |

#### Sensitivity Analysis

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out above. The following sensitivity analyses have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The following changes to these assumptions would result in movements in the defined benefit obligation as follows:

|  | Increase in<br>Assumption<br>£000 | Decrease in<br>Assumption<br>£000 |
|--|-----------------------------------|-----------------------------------|
| Life expectancy (increase or decrease by 1 year)                       | 52,773                            | (50,795)                          |
| Rate of increase in salaries (increase or decrease by 0.1%)            | 4,521                             | (4,487)                           |
| Rate of increase in pensions (increase or decrease by 0.1%)            | 22,519                            | (22,067)                          |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | (26,465)                          | 27,001                            |

### **Impact on Future Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2020 and will set contributions for the period from 1 April 2021 and 31 March 2024. There are no minimum funding requirements in the Local Government Pension Scheme but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2019 is £19.907m.

Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2019 are £2.627m.

### **21 Events After the Reporting Period**

On 11th September 2018, a fire occurred at Braeview Academy which has resulted in part of the school being out of commission. The Council are currently liaising with relative experts to assess the value of the damage.

There were no events that occurred between 1 April 2018 and 26 September 2018 that would require adjustment to the 2017/2018 financial statements. The latter date is the date on which the audited accounts were authorised for issue by the Executive Director of Corporate Services.

**22 Related Parties**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

**Central Government**

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in the EFA on amounts reported to decision makers. Details of central government grants transactions are shown in note 38.

**Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid and further details of senior members' remuneration are included in the Remuneration Report (page 27). Under the Councilors' Code of Conduct, members are required to declare an interest in matters that directly or indirectly may influence, or be thought to influence, their actions as a Councilor. Membership of statutory Joint Boards or Committees, which are composed exclusively of elected members, does not raise any issue of declaration of interest in regard to Council business. In terms of any other relevant parties, those members with declarations of interest did not take part in any discussion or decisions relating to transactions with these parties. A copy of the Register of Members Interest can be obtained from the Council's website [www.dundeeccity.gov.uk](http://www.dundeeccity.gov.uk).

**Officers**

Senior Officers have control over the Council's financial and operating policies. The total remuneration paid to senior officers is shown in the Remuneration Report (page 27). Officers have the responsibility to adhere to a Code of Conduct, which requires them to declare an interest in matters that directly or indirectly may influence, or be thought to influence their judgement or decisions taken during the course of their work. In terms of any relevant parties, officers with declarations of interest did not take part in any discussion or decisions relating to transactions with these parties.

**Pension Fund**

The Council is the administering authority for the Tayside Pension Fund. As administrator for the fund the Council is considered to have direct control over the fund, and the fund is therefore deemed to be a related party. The relevant transactions and balances with the fund to be disclosed are as follows:

|            | During       |            | As at         |                      |
|------------|--------------|------------|---------------|----------------------|
|            | 2016/2017    | 2017/2018  | 31 March 2017 | 31 March 2018        |
| Charges To | Charges From | Charges To | Charges From  | Amounts Due To       |
| £000       | £000         | £000       | £000          | £000                 |
| 991        | -            | 1,016      | -             | 3,103                |
|            |              |            |               | Tayside Pension Fund |
|            |              |            |               | 3,410                |



## ALL CORE FINANCIAL STATEMENTS & THEIR NOTES | Notes to the Core Financial Statements

### Other Entities Controlled or Significantly Influenced by the Council

The following entities are deemed to be related parties of the Council, mainly through the Council's ability to exert influence over these entities through its representation on their respective boards, the relevant transactions and balances with these bodies are as follows:

|  | During 2016/2017 |                   | As at 31 March 2017   |                     | During 2017/2018 |                   | As at 31 March 2018   |                     |
|--|------------------|-------------------|-----------------------|---------------------|------------------|-------------------|-----------------------|---------------------|
|  | Charges To £000  | Charges From £000 | Amounts Due From £000 | Amounts Due To £000 | Charges To £000  | Charges From £000 | Amounts Due From £000 | Amounts Due To £000 |
|  | 58               | -                 | 1,457                 | -                   | 58               | -                 | 1,457                 | -                   |
|  | -                | -                 | -                     | -                   | -                | 88                | -                     | -                   |
|  | -                | 10,868            | -                     | 923                 | -                | 11,251            | -                     | 954                 |
|  | 25               | 702               | 4                     | 11                  | 18               | 798               | 203                   | 13                  |
|  | 44               | 145               | 25                    | -                   | 31               | 112               | -                     | -                   |
|  | 76               | 284               | 106                   | 1                   | 16               | 275               | 151                   | 3                   |
|  | 3,914            | 5,079             | 2,736                 | 313                 | 1,966            | 4,011             | -                     | -                   |
|  | 83,035           | 84,067            | -                     | 4,955               | 85,314           | 85,284            | -                     | 4,629               |
|  | 30               | -                 | 300                   | -                   | 30               | 829               | 300                   | -                   |
|  | 1,017            | 8,157             | 719                   | 587                 | 497              | 8,994             | 489                   | 308                 |
|  | 221              | 15                | 4                     | 17                  | 120              | 17                | 8                     | 49                  |
|  | 8                | 1                 | -                     | 208                 | 17               | 1                 | -                     | 196                 |
|  | 4,852            | -                 | 121                   | 395                 | -                | -                 | -                     | -                   |
|  | 8,836            | 23,880            | 8,310                 | 1,562               | 4,425            | 26,100            | 8,488                 | 3,201               |
|  | 63               | 949               | 90                    | 3                   | 67               | 905               | 85                    | 2                   |

**23 Leases**Council as Lessee*Finance Leases*

The Council has no assets that have been acquired under finance leases.

*Operating Leases*

The Council has entered into agreements to lease various property, plant and equipment that are accounted for as operating leases. In addition, the Council operates a contract car hire scheme for its employees. The Council makes payments to the lessor for the contract car hire scheme, under an operating lease agreement, that are partly offset by contributions from employees participating in the scheme. The future minimum lease payments due under these leases in future years are:

|   | 31 March 2017 | 31 March 2018 |
|---|---------------|---------------|
|   | £000          | £000          |
| Not later than one year                           | 548           | 354           |
| Later than one year and not later than five years | 980           | 439           |
| Later than five years                             | 47            | -             |
|   | <b>1,575</b>  | <b>793</b>    |

The total expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to operating leases for various property, plant and equipment (including the council's contract car hire scheme) was as follows:

|                              | 2016/2017  | 2017/2018  |
|------------------------------|------------|------------|
|                              | £000       | £000       |
| Minimum lease payments       | 791        | 597        |
| Less Employers Contributions | (190)      | (161)      |
|                              | <b>601</b> | <b>436</b> |

Council as Lessor*Finance Leases*

During 2017/2018 the Council entered into a twenty-eight year agreement for equipment assets with the company operating the existing waste-to-energy plant. This is in the form of a finance lease. There will be no consideration received by the Council over the period of the agreement and there is a nil balance in the Council's Balance Sheet. (2016/2017 No finance leases).

*Operating Leases*

The Council has entered into a number of agreements that are managed corporately by the City Development service. These agreements relate to leases of property, plant & equipment under operating leases for the following purposes:

- commercial and industrial properties that are leased out for the policy objectives e.g. economic development purposes to provide suitable affordable accommodation for local businesses
- ground leases for various sites including shopping centres, other commercial developments, telecommunications and advertising sites

The future minimum lease payments receivable under non-cancellable leases in future years are:

|   | 2016/2017     | 2017/2018     |
|---|---------------|---------------|
|   | £000          | £000          |
| Not later than one year                           | 6,463         | 4,732         |
| Later than one year and not later than five years | 18,620        | 12,433        |
| Later than five years                             | 65,613        | 65,689        |
|   | <b>90,696</b> | <b>82,854</b> |

## 24 Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

|  | 2016/2017  | 2017/2018  |
|--|------------|------------|
|  | £000       | £000       |
| Rental income from investment property                     | 287        | 338        |
| Direct operating expenses arising from investment property | (32)       | (26)       |
| <b>Net gain/(loss)</b>                                     | <b>255</b> | <b>312</b> |

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

|  | 2016/2017     | 2017/2018     |
|--|---------------|---------------|
|  | £000          | £000          |
| Balance at start of the year                   | 22,350        | 22,200        |
| Disposals                                      | -             | (1,064)       |
| Net gains/(losses) from fair value adjustments | (150)         | (87)          |
| Transfers:                                     |               |               |
| - (to)/from Property, Plant and Equipment      | -             | (15)          |
| <b>Balance at end of the year</b>              | <b>22,200</b> | <b>21,034</b> |

Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services - Financing and Investment Income and Expenditure line.

## Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2018 are as follows:

|  | Quoted prices<br>in active<br>markets for<br>identical assets<br>Level 1<br>£000 | Other<br>significant<br>observable<br>inputs<br>Level 2<br>£000 | Significant<br>unobservable<br>inputs<br>Level 3<br>£000 | Fair Value as<br>at 31 March<br>2018<br>£000 |
|--|--|---|--|--|
| Recurring Fair Value measurements using: |  |   |  |  |
| Assets held for Capital Appreciation     | -  | 12,461  | -  | 12,461                                       |
| Office Units                             | -  | 135   | -  | 135  |
| Commercial Units                         | -  | 8,438   | -  | 8,438  |
| <b>Total</b>                             | <b>-</b>   | <b>21,034</b>   | <b>-</b>   | <b>21,034</b>                                |

## 2017 Comparative Figures:

|  | Quoted prices<br>in active<br>markets for<br>identical assets<br>Level 1<br>£000 | Other<br>significant<br>observable<br>inputs<br>Level 2<br>£000 | Significant<br>unobservable<br>inputs<br>Level 3<br>£000 | Fair Value as<br>at 31 March<br>2017<br>£000 |
|--|--|---|--|--|
| Recurring Fair Value measurements using: |  |   |  |  |
| Assets held for Capital Appreciation     | -  | 13,697  | -  | 13,697                                       |
| Office Units                             | -  | 135   | -  | 135  |
| Commercial Units                         | -  | 8,368   | -  | 8,368  |
| <b>Total</b>                             | <b>-</b>   | <b>22,200</b>   | <b>-</b>   | <b>22,200</b>                                |

## Fair Value Hierarchy

### Level 1 - Quoted prices in active markets for identical assets

There are no active markets with quoted prices applicable to the Council's Investment Property portfolio.

### Level 2 - Significant Observable Inputs

The fair value for the assets held for capital appreciation has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Council area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at level 2 in the fair value hierarchy.

Capitalisation of rental values, using comparable market evidence and yields is the method applied to determine if fair value of Commercial / Office properties. Where possible, income streams are capitalised. Where evidence of comparable sales transactions is available the evidence is analysed and applied.

### Level 3 - Significant Unobservable Inputs

Fair value can be measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. This approach uses assumptions such as the duration and timing rent growth, occupancy levels, bad debts, maintenance costs etc.

None of the Council's Investment Properties are categorised as Level 3.

### Transfers between levels of the Fair Value Hierarchy

There were no transfers between hierarchy levels in the year.

### Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

### Valuation Techniques and Process

There has been no change in the valuation techniques used during the year for investment properties. The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

## 25 Intangible Assets

The Council accounts for purchased software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The useful life assigned to software is 5 years and the carrying amount of intangible assets is amortised on a straight-line basis.

|   | 2016/2017    | 2017/2018    |
|---|--------------|--------------|
|   | £000         | £000         |
| <b>Opening Gross Book Value</b>         | 1,080        | 1,377        |
| Additions                               | 297          | 169          |
| Disposals                               | -            | -            |
| Other Movements                         | -            | -            |
| <b>Closing Gross Book Value</b>         | <b>1,377</b> | <b>1,546</b> |
| <b>Opening Accumulated Amortisation</b> | -            | 216          |
| Amortisation Charge for the Year        | 216          | 216          |
| <b>Closing Accumulated Amortisation</b> | <b>216</b>   | <b>432</b>   |
| <b>Closing Net Book Value</b>           | <b>1,161</b> | <b>1,114</b> |



## 26 Impairment Losses

Impairment losses charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement during 2017/2018 totalled £33.118m (2016/2017 £22.933m).

Of this total, £24.311m (2016/2017 £22.219m) relates to expenditure in the year which did not add value to assets. £18.995m (2016/2017 £16.007m) relates to expenditure on Council Houses, £2.678m (2016/2017 £2.675m) relates to expenditure on schools and the remaining £2.638m (2016/2017 £3.537m) relates to expenditure on other Council land & buildings.

The remaining £8.807m (2016/2017 £0.714m) relates to impairment charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as a result of revaluation losses relating to land and buildings.

**27 Property, Plant and Equipment**

Movements in 2017/2018:

|  | Council Dwellings £000 | Land and Buildings £000 | Other Land and Buildings £000 | Vehicles, Plant & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Under Construction £000 | Total Property, Plant & Equipment £000 | PFI Assets Included in Property, Plant & Equipment £000 | DBFM Assets Included in Property, Plant & Equipment £000 |
|--|------------------------|-------------------------|-------------------------------|----------------------------------|----------------------------|-----------------------|---------------------|-------------------------|--|---|--|
| <b>Cost or Valuation</b>   |                        |                         |                               |                                  |                            |                       |                     |                         |  |   |  |
| At 1 April 2017  | 541,162                | 675,937                 | 107,381                       | 107,381                          | 237,680                    | 6,493                 | 226                 | 95,868                  | 1,664,747                              | 104,553   | -  |
| Additions  | 18,995                 | 39,594                  | 4,515                         | 4,515                            | 18,510                     | -                     | 93                  | 74,229                  | 155,936                                | -   | 28,684   |
| Revaluation inc/(dec) recognised in the Revaluation Reserve                            | -                      | 17,554                  | -                             | -                                | -                          | -                     | 322                 | -                       | 17,876                                 | -   | (92)   |
| Revaluation inc/(dec) recognised in the Surplus / Deficit on the Provision of Services | (18,995)               | (38,557)                | -                             | -                                | (270)                      | -                     | (65)                | -                       | (57,887)                               | -   | (3,572)  |
| Disposals  | (5,397)                | (1,570)                 | (11,000)                      | (11,000)                         | -                          | -                     | -                   | -                       | (17,967)                               | -   | -  |
| Reclassification within PPE  | 2,890                  | 13,206                  | -                             | -                                | -                          | -                     | (16,096)            | -                       | -                                      | -   | -  |
| (To)/from Assets Held for Sale   | -                      | (3,149)                 | -                             | -                                | -                          | -                     | 2,193               | -                       | (956)                                  | -   | -  |
| To)/from Investment Properties   | -                      | -                       | -                             | -                                | -                          | -                     | 15                  | -                       | 15                                     | -   | 1,060  |
| <b>At 31 March 2018</b>  | <b>538,655</b>         | <b>703,015</b>          | <b>100,896</b>                | <b>100,896</b>                   | <b>255,920</b>             | <b>6,493</b>          | <b>2,784</b>        | <b>154,001</b>          | <b>1,761,764</b>                       | <b>104,553</b>  | <b>26,080</b>  |
| <b>Accumulated Depreciation and Impairment</b>   |                        |                         |                               |                                  |                            |                       |                     |                         |  |   |  |
| At 1 April 2017  | (50,332)               | (80,656)                | (86,406)                      | (86,406)                         | (89,176)                   | -                     | -                   | -                       | (306,570)                              | (11,128)  | -  |
| Depreciation charge  | (16,512)               | (22,297)                | (5,679)                       | (5,679)                          | (8,198)                    | -                     | (4)                 | -                       | (52,690)                               | (2,782)   | -  |
| Depreciation written out to the Revaluation Reserve                                    | -                      | 37,636                  | -                             | -                                | -                          | -                     | 4                   | -                       | 37,640                                 | -   | -  |
| Depreciation written out to the Surplus/Deficit on the Provision of Services           | -                      | 24,769                  | -                             | -                                | -                          | -                     | -                   | -                       | 24,769                                 | 13,910  | -  |
| Disposals  | 651                    | 72                      | 8,423                         | 8,423                            | -                          | -                     | -                   | -                       | 9,146                                  | -   | -  |
| <b>At 31 March 2018</b>  | <b>(66,193)</b>        | <b>(40,476)</b>         | <b>(83,662)</b>               | <b>(83,662)</b>                  | <b>(97,374)</b>            | <b>-</b>              | <b>-</b>            | <b>-</b>                | <b>(287,705)</b>                       | <b>-</b>  | <b>-</b>   |
| <b>Net Book Value:</b>   |                        |                         |                               |                                  |                            |                       |                     |                         |  |   |  |
| At 31 March 2018   | 472,462                | 662,539                 | 17,234                        | 17,234                           | 158,546                    | 6,493                 | 2,784               | 154,001                 | 1,474,059                              | 104,553   | 26,080   |
| At 31 March 2017   | 490,830                | 595,281                 | 20,975                        | 20,975                           | 148,504                    | 6,493                 | 226                 | 95,868                  | 1,358,177                              | 93,425  | -  |

## ALL CORE FINANCIAL STATEMENTS & THEIR NOTES | Notes to the Core Financial Statements

### Comparative Movements in 2016/2017:

|   | Council Land and Dwellings |                 | Other Buildings |                 | Vehicles, Plant & Infrastructure Assets |            | Community Assets |                  | Surplus Assets  |          | Construction Assets |          | PFI Assets |          | DBFM Assets |          |          |
|---|----------------------------|-----------------|-----------------|-----------------|---|------------|------------------|------------------|-----------------|----------|---------------------|----------|------------|----------|-------------|----------|----------|
|   | £000                       | £000            | £000            | £000            | £000                                    | £000       | £000             | £000             | £000            | £000     | £000                | £000     | £000       | £000     | £000        | £000     |          |
| <b>Cost or Valuation</b>  |                            |                 |                 |                 |   |            |                  |                  |                 |          |                     |          |            |          |             |          |          |
| At 1 April 2016   | 546,835                    | 641,635         | 105,446         | 225,236         | 6,281                                   | 728        | 76,894           | 1,603,055        | 104,553         | -        | -                   | -        | -          | -        | -           | -        | -        |
| Additions   | 16,007                     | 9,143           | 3,327           | 12,187          | -                                       | 36         | 59,063           | 99,763           | 17              | -        | -                   | -        | -          | -        | -           | -        | -        |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve                          | -                          | 2,405           | -               | -               | -                                       | (269)      | -                | 2,136            | (17)            | -        | -                   | -        | -          | -        | -           | -        | -        |
| Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | (16,007)                   | (11,948)        | -               | (452)           | -                                       | (155)      | -                | (28,562)         | -               | -        | -                   | -        | -          | -        | -           | -        | -        |
| Disposals   | (5,673)                    | (4,094)         | (1,392)         | -               | -                                       | (79)       | -                | (11,238)         | -               | -        | -                   | -        | -          | -        | -           | -        | -        |
| Reclassification of assets (To)/from Assets Held for Sale   | -                          | 39,203          | -               | 709             | 212                                     | (35)       | (40,089)         | -                | -               | -        | -                   | -        | -          | -        | -           | -        | -        |
| <b>At 31 March 2017</b>   | <b>541,162</b>             | <b>675,937</b>  | <b>107,381</b>  | <b>237,680</b>  | <b>6,493</b>                            | <b>226</b> | <b>95,868</b>    | <b>1,664,747</b> | <b>104,553</b>  | <b>-</b> | <b>-</b>            | <b>-</b> | <b>-</b>   | <b>-</b> | <b>-</b>    | <b>-</b> | <b>-</b> |
| <b>Accumulated Depreciation and Impairment</b>  |                            |                 |                 |                 |   |            |                  |                  |                 |          |                     |          |            |          |             |          |          |
| At 1 April 2016   | (33,940)                   | (61,666)        | (81,706)        | (80,979)        | -                                       | -          | -                | (258,291)        | (8,346)         | -        | -                   | -        | -          | -        | -           | -        | -        |
| Depreciation charge   | (16,922)                   | (27,029)        | (5,952)         | (8,197)         | -                                       | -          | -                | (58,100)         | (2,782)         | -        | -                   | -        | -          | -        | -           | -        | -        |
| Depreciation written out to the Revaluation Reserve   | -                          | 2,330           | -               | -               | -                                       | -          | -                | 2,330            | -               | -        | -                   | -        | -          | -        | -           | -        | -        |
| Depreciation written out to the Surplus/ Deficit on the Provision of Services                     | -                          | 5,629           | -               | -               | -                                       | -          | -                | 5,629            | -               | -        | -                   | -        | -          | -        | -           | -        | -        |
| Disposals   | 530                        | 80              | 1,252           | -               | -                                       | -          | -                | 1,862            | -               | -        | -                   | -        | -          | -        | -           | -        | -        |
| <b>At 31 March 2017</b>   | <b>(50,332)</b>            | <b>(80,656)</b> | <b>(86,406)</b> | <b>(89,176)</b> | <b>-</b>                                | <b>-</b>   | <b>-</b>         | <b>(306,570)</b> | <b>(11,128)</b> | <b>-</b> | <b>-</b>            | <b>-</b> | <b>-</b>   | <b>-</b> | <b>-</b>    | <b>-</b> | <b>-</b> |
| <b>Net Book Value</b>   |                            |                 |                 |                 |   |            |                  |                  |                 |          |                     |          |            |          |             |          |          |
| At 31 March 2017  | 490,830                    | 595,281         | 20,975          | 148,504         | 6,493                                   | 226        | 95,868           | 1,358,177        | 93,425          | -        | -                   | -        | -          | -        | -           | -        | -        |

### Depreciation

The following useful lives have been used in the calculation of depreciation:

- Council Houses - 20 - 50 years
- Other Land and Buildings - 10 - 60 years
- Vehicles, Plant, Furniture & Equipment - 3 - 10 years
- Infrastructure - 10 - 30 years

### Capital Commitments

At 31 March 2018, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/2019 and future years budgeted to cost £91m. Similar commitments at 31 March 2017 were £110m. The major commitments are:

- Regional Performance Centre - £29.0m
- Central Waterfront – Plot 6 – Offices - £13.4m
- Menzieshill Community Provision - £10.6m
- Capitalisation of PPP Charges - £10.0m
- Dundee Railway Station - £5.8m

This gross expenditure of £91m will be funded from a combination of Council Borrowing (including Growth Accelerator Model) and Grants and Contribution (such as Sports Scotland and Heritage Lottery Fund).

### Effects of Changes in Estimates

In 2017/2018, the Council did not make any material changes to its accounting estimates for Property, Plant and Equipment.

### Revaluations

The Council carries out a rolling programme to ensure that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Financial year 2017/2018 is the first year of the current revaluation programme. The effective date for the 2017/2018 revaluations is 31<sup>st</sup> March 2018.

All valuations were carried out internally by valuers in City Development service. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The table below shows the changes in asset values for each category revalued over the last financial year:

|                                | Council Dwellings<br>£000 | Other Land & Buildings<br>£000 | Vehicles,<br>Plant & Equipment<br>£000 | Surplus Assets<br>£000 | Total<br>£000 |
|--------------------------------|---------------------------|--------------------------------|--|------------------------|---------------|
| Carried at historical cost     | -                         | -                              | 4,516                                  | -                      | 4,516         |
| Valued at fair value as at:    |                           |                                |  |                        |               |
| 31 March 2018                  | -                         | 53,419                         | -                                      | 353                    | 53,772        |
| <b>Total Cost or Valuation</b> | <b>-</b>                  | <b>53,419</b>                  | <b>4,516</b>                           | <b>353</b>             | <b>58,288</b> |



## 28 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP and DBFM contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

|   | 2016/2017<br>£000 | 2017/2018<br>£000 |
|---|-------------------|-------------------|
| <b>Opening Capital Financing Requirement</b>  | 557,888           | 578,143           |
| <b>Capital investment</b>   |                   |                   |
| Property, Plant and Equipment   | 99,763            | 127,254           |
| Intangible Assets   | 297               | 169               |
| DBFM Project (Baldragon Academy)  | -                 | 28,684            |
| Other Capital Expenditure   | 8                 | -                 |
| <b>Sources of finance:</b>  |                   |                   |
| Capital receipts  | (8,420)           | (6,811)           |
| Government grants and other contributions   | (45,791)          | (45,247)          |
| <b>Sums set aside from revenue:</b>   |                   |                   |
| • Direct revenue contributions  | (751)             | (1,036)           |
| • Loans fund principal  | (24,851)          | (27,667)          |
| <b>Closing Capital Financing Requirement</b>  | <b>578,143</b>    | <b>653,489</b>    |
| <b>Explanation of movements in year</b>   |                   |                   |
| Increase in underlying need to borrowing (unsupported by government financial assistance) | 22,261            | 48,642            |
| Assets acquired under PFI/PPP contracts   | (2,006)           | (1,980)           |
| Assets acquired under DBFM contract   | -                 | 28,684            |
| <b>Increase/(decrease) in Capital Financing Requirement</b>                               | <b>20,255</b>     | <b>75,346</b>     |

## 29 Private Finance Initiatives and Similar Contracts

### i) Education Services PFI Scheme

2017/18 was the tenth year of a 30 year PFI contract with Discovery Education PLC to construct, maintain and facilities-manage six new primary schools and two new secondary schools in the city. The Council has rights under the contract to specify the services provided with the priority being the provision of an Education Service during the school day, followed by Community use. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and provide a facilities management service. At the end of the contract the schools will be transferred back to the Council for nil consideration.

#### Property Plant and Equipment

The schools have been recognised on the Councils' Balance Sheet as tangible fixed assets. Movements in their value over the year are detailed in the analysis of the movement on the property, plant and equipment balance in note 27.

#### Payments

The Council makes an agreed payment each year which is increased each year by inflation and will be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2018 (excluding any estimation of inflation and availability/performance deductions are as follows :-

|                              | Payment<br>for<br>Services<br>£000 | Repayment of<br>Liability<br>£000 | Interest<br>£000 | Lifecycle<br>Maintenance<br>£000 | Total<br>£000  |
|------------------------------|------------------------------------|-----------------------------------|------------------|----------------------------------|----------------|
| Payable in 2018-19           | 3,164                              | 2,144                             | 5,022            | 1,368                            | 11,698         |
| Payable within 2-5 years     | 13,468                             | 8,730                             | 20,623           | 6,969                            | 49,790         |
| Payable within 6 - 10 years  | 18,818                             | 15,889                            | 28,658           | 6,203                            | 69,568         |
| Payable within 11 - 15 years | 21,291                             | 18,012                            | 29,098           | 10,308                           | 78,709         |
| Payable within 16 - 20 years | 24,089                             | 25,107                            | 32,973           | 6,883                            | 89,052         |
| Payable within 21 - 25 Years | 190                                | 231                               | 286              | -                                | 707            |
| <b>TOTAL</b>                 | <b>81,020</b>                      | <b>70,113</b>                     | <b>116,660</b>   | <b>31,731</b>                    | <b>299,524</b> |

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows :-

|                                  | 2016/2017<br>£000 | 2017/2018<br>£000 |
|----------------------------------|-------------------|-------------------|
| Balance at the start of the year | 74,098            | 72,092            |
| Payments during the year         | (2,006)           | (1,980)           |
| Balance at year-end              | 72,092            | 70,112            |

#### ii) *Baldragon DBFM Project*

2017/18 was the first year of a 25 year DBFM contract with Hub East Central (Baldragon) Ltd to design, construct, maintain and facilities-manage a new secondary schools in the city. Dundee City Council took occupation of the new school on 11<sup>th</sup> December 2018. The Authority has rights under the contract to specify the services provided with the priority being the provision of an Education Service during the school day, followed by Community use. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and provide a facilities management service. At the end of the contract the schools will be transferred back to the Council for nil consideration.

#### *Property, Plant and Equipment*

The school has been recognised on the Authority's Balance Sheet as tangible fixed assets. Movements in their value over the year are detailed in the analysis of the movement on the property, plant and equipment balance in note 27.

#### *Payments*

The Council makes an agreed payment each year which is increased each year by inflation and will be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the DBFM contract at 31 March 2018 (excluding any estimation of inflation and availability/performance deductions are as follows :-

|                              | Payment<br>for<br>Services<br>£000 | Repayment of<br>Liability<br>£000 | Interest<br>£000 | Lifecycle<br>Maintenance<br>£000 | Total<br>£000 |
|------------------------------|------------------------------------|-----------------------------------|------------------|----------------------------------|---------------|
| Payable in 2018-19           | 270                                | 889                               | 1,369            | 88                               | 2,616         |
| Payable within 2-5 years     | 1,149                              | 3,725                             | 5,078            | 656                              | 10,608        |
| Payable within 6 - 10 years  | 1,605                              | 4,989                             | 5,433            | 1,580                            | 13,607        |
| Payable within 11 - 15 years | 1,816                              | 5,866                             | 4,358            | 2,000                            | 14,040        |
| Payable within 16 - 20 years | 2,056                              | 6,764                             | 3,102            | 2,608                            | 14,530        |
| Payable within 21 - 25 Years | 1,836                              | 6,451                             | 1,380            | 2,353                            | 12,020        |
| <b>TOTAL</b>                 | <b>8,732</b>                       | <b>28,684</b>                     | <b>20,720</b>    | <b>9,285</b>                     | <b>67,421</b> |

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows :-

|  | 2016/2017<br>£000 | 2017/2018<br>£000 |
|--|-------------------|-------------------|
| <b>Balance at the start of the year</b>  | -                 | -                 |
| Payments during the year                 | -                 | 28,684            |
| Capital expenditure incurred in the year | -                 | -                 |
| Other movements                          | -                 | -                 |
| <b>Balance at year-end</b>               | -                 | <b>28,684</b>     |

### iii) Waste Disposal Project

In November 2017, the Council entered into a 28 year contract with MVV Environment Baldovie Limited (MEB) for the disposal of residual waste. As part of the new contract arrangements, the Council sold its shareholding in DERL to MVV Environment Limited (MVV). The existing DERL plant is now being utilised by MEB to deliver the contractual requirements during a 3 year interim service period, whilst a new plant is constructed on an adjacent site. The new plant will be constructed and maintained by MEB. Preparation for the new plant is already well underway and, upon completion, the full service period of the contract will commence and run for 25 years. At the end of the contract the plant will be transferred to the Council for nil consideration. The contract sets out the services that the Council require the contractor to deliver and specifies minimum standards for these services, with deductions from the fee payable being made if services are unavailable or performance is below minimum standards.

### Property Plant and Equipment

The new plant is deemed to be a service concession asset and will be recognised on the Council's Balance Sheet as a tangible fixed asset upon completion. The Council's assets at the DERL site (including land for the new plant) are being made available to MEB via a new 28 year lease. Plant and equipment assets at the existing DERL site, with a net book value of £2.469m, have been de-recognised in the Balance Sheet.

### Payments

The Contractor is paid a unitary charge comprising a contractually agreed gate fee for each tonne of waste treated (subject to a guaranteed minimum tonnage) and some ancillary pass through costs. The gate fee is subsidised by a guaranteed level of commercial income. This net gate fee is fixed for the contract life, subject to annual inflationary increases at 50% of RPIX and any service availability / performance deductions. There is also an excess revenue sharing mechanism in place, with the Council benefitting if the Contractor outperforms the assumptions in its business case for third party revenues. Payments remaining to be made under the contract at 31 March 2018 (excluding any estimation of service availability deductions, performance deductions and excess revenue sharing) are as follows:

|                              | Payment<br>for<br>Services<br>£000 | Repayment of<br>Liability<br>£000 | Interest<br>£000 | Lifecycle<br>Maintenance<br>£000 | Total<br>£000  |
|------------------------------|------------------------------------|-----------------------------------|------------------|----------------------------------|----------------|
| Payable in 2018-19           | 6,074                              | 2,665                             | -                | -                                | <b>8,739</b>   |
| Payable within 2-5 years     | 18,087                             | 9,277                             | 9,943            | -                                | <b>37,307</b>  |
| Payable within 6 - 10 years  | 20,928                             | 6,226                             | 23,541           | 323                              | <b>51,018</b>  |
| Payable within 11 - 15 years | 24,789                             | 8,189                             | 20,605           | 1,578                            | <b>55,161</b>  |
| Payable within 16 - 20 years | 27,726                             | 13,029                            | 17,840           | 391                              | <b>58,986</b>  |
| Payable within 21 - 25 Years | 32,293                             | 17,451                            | 11,683           | 2,432                            | <b>63,859</b>  |
| Payable within 26 - 30 years | 18,921                             | 13,374                            | 3,457            | -                                | <b>35,752</b>  |
| <b>TOTAL</b>                 | <b>148,818</b>                     | <b>70,211</b>                     | <b>87,069</b>    | <b>4,724</b>                     | <b>310,822</b> |



Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. As at 31 March 2018, there was no liability outstanding to the contractor for capital expenditure incurred.

### 30 Assets Held for Sale

|   | Current Assets |              |
|---|----------------|--------------|
|   | 2016/2017      | 2017/2018    |
|   | £000           | £000         |
| Balance at start of year                  | 4,159          | 4,019        |
| Assets newly classified as held for sale: |                |              |
| • Property, Plant and Equipment           | 407            | 956          |
| Revaluation losses                        | (188)          | (48)         |
| Assets sold                               | (359)          | (1,278)      |
| <b>Balance at year-end</b>                | <b>4,019</b>   | <b>3,649</b> |

### 31 Inventories

|  | Consumable Stores |              | Maintenance Materials |          | Total        |              |
|--|-------------------|--------------|-----------------------|----------|--------------|--------------|
|  | 2016/17           | 2017/18      | 2016/17               | 2017/18  | 2016/17      | 2017/18      |
|  | £000              | £000         | £000                  | £000     | £000         | £000         |
| Balance outstanding at start of year   | 621               | 1,145        | 2                     | -        | 623          | 1,145        |
| Purchases                              | 2,516             | 2,896        | -                     | -        | 2,516        | 2,896        |
| Recognised as an expense in the year   | (2,199)           | (2,973)      | -                     | -        | (2,199)      | (2,973)      |
| Written Off Balances                   | (176)             | -            | -                     | -        | (176)        | -            |
| Other Adjustments                      | 383               | 32           | (2)                   | -        | 381          | 32           |
| <b>Balance outstanding at year-end</b> | <b>1,145</b>      | <b>1,100</b> | <b>-</b>              | <b>-</b> | <b>1,145</b> | <b>1,100</b> |

### 32 Construction Contracts

At 31 March 2018 the Council had no construction contracts in progress (2016/2017: £nil). The value of work completed at 31 March 2018 has been established using a stage of completion methodology based on the internal billing system's valuation of work carried out but not yet charged to the client at the year-end.

### 33 Short Term Debtors

|                                | 31 March 2017 | 31 March 2018 |
|--------------------------------|---------------|---------------|
|                                | £000          | £000          |
| Central government bodies      | 17,343        | 16,136        |
| Other local authorities        | 4,092         | 3,770         |
| NHS bodies                     | 3,807         | 3,337         |
| Other entities and individuals | 34,856        | 35,491        |
| <b>Total</b>                   | <b>60,098</b> | <b>58,734</b> |

### 34 Short Term Creditors

|                                       | 31 March 2017 | 31 March 2018 |
|---------------------------------------|---------------|---------------|
|                                       | £000          | £000          |
| Central government bodies             | 10,819        | 10,142        |
| Other local authorities               | 7,991         | 7,864         |
| NHS bodies                            | 701           | 811           |
| Public corporations and trading funds | 860           | 631           |
| Other entities and individuals        | 46,458        | 55,762        |
| <b>Total</b>                          | <b>66,829</b> | <b>75,210</b> |



**35 Provisions**

|  | Self-Insured / Uninsured Losses |                       |                                  |               |
|--|---------------------------------|-----------------------|----------------------------------|---------------|
|  | Dundee City Council<br>£000     | TRC/DCC Funds<br>£000 | ex-Construction Services<br>£000 | Total<br>£000 |
| Balance at 1 April 2017                                  | 2,928                           | 777                   | 40                               | 3,745         |
| Reversal of opening Sundry Creditor                      | -                               | 210                   | -                                | 210           |
| Re-allocation of additional provisions made in 2016/2017 | 133                             | (133)                 | -                                | -             |
| Additional provisions made in 2017/2018                  | 1,231                           | -                     | -                                | 1,231         |
| Amounts used in 2017/2018                                | (1,397)                         | (74)                  | (40)                             | (1,511)       |
| <b>Balance at 31 March 2018</b>                          | <b>2,895</b>                    | <b>780</b>            | <b>-</b>                         | <b>3,675</b>  |

Self-Insured/Uninsured Losses

As part of the Council's Risk Management policy, certain categories of risk are not covered through a conventional insurance policy with an insurance company. In these circumstances the Council has a self-insurance arrangement which makes provision against potentially material risks. The provision disclosed above has been made taking into account all known liabilities likely to be incurred by the Council in respect of self-insured and uninsured losses. There is no set pattern for settlement of outstanding claims or provisions made for future claims. Settlement profiles are established by the happening of the event, the inclination of the potential claimant and the availability of Court time. The Council has no control over these factors. As well as operating its own Insurance Fund, the Council is also responsible for running off the ex-Tayside Regional Council Fund and the balance of the ex-Dundee District Council Fund.

Construction Services

A provision was previously made for future losses on existing long-term contracts.

Bad Debt Provisions

The above items are shown as Provisions in the Council's Long Term Liabilities section of the Council's Balance Sheet. In addition, there are a number of Bad Debt Provisions that are netted-off against Short Term Debtors in the Current Assets section of the Council's Balance Sheet. These are as follows:

- Council Tax - the provision of £20.197m has been calculated using the non-collection rate anticipated when each financial year's Council Tax was set, or a lower figure where the anticipated collection rate has been exceeded.
- Statutory Additions - the provision of £4.096m has been calculated by applying the overall percentage relating to the charge elements (i.e. Non Domestic Rates and Council Tax) to which the Statutory Addition was applied.
- Miscellaneous Invoiced and Other Debt - the provision of £3.259m has been calculated by applying non-collection rates to an aged debt analysis. The percentage increases according to the age of the debt. Higher percentages are also applied to types of debt which have proven difficult to collect.
- Housing Rents - the provision of £2.697m has been calculated by applying various percentages to a value-banded debt analysis. The percentage increases according to the value of the debt.
- Housing Benefit Overpayments - the provision of £2.190m has been calculated by applying an anticipated non-collection rate to the total debt.

### **36 Contingent Liabilities**

There were no Contingent Liabilities at 31 March 2018 (31 March 2017: a contingent liability for Holiday Pay was disclosed).

### **37 Contingent Assets**

There were no Contingent Assets at 31 March 2018 (31 March 2017: nil).

**38 Grant Income**

The Council credited grants and contributions to the Comprehensive Income and Expenditure Statement in 2017/2018. These included the following grants and contributions:

|   | 2016/2017<br>£000 | 2017/2018<br>£000 |
|---|-------------------|-------------------|
| <b>Credited to Taxation and Non Specific Grant Income</b> |                   |                   |
| RSG & Non-Specific Grants                                 | (213,862)         | (214,961)         |
| Contribution from NNDR Pool                               | (71,011)          | (66,700)          |
| Capital Grants  | (45,791)          | (48,640)          |
| Council Tax   | (48,715)          | (49,922)          |
| <b>Total</b>  | <b>(379,379)</b>  | <b>(380,223)</b>  |

|   | 2016/2017<br>£000 | 2017/2018<br>£000 |
|---|-------------------|-------------------|
| <b>Credited to Services:</b>  |                   |                   |
| General Capital Grant: Central Waterfront Development               | (93)              | (1,033)           |
| General Capital Grant: Whitetop Centre                              | (445)             | (429)             |
| ERDF Grants   | (108)             | (275)             |
| Scottish Government: Air Quality Grant                              | (117)             | (158)             |
| Scottish Government: Smarter Choices Smarter Places                 | (161)             | (171)             |
| Scottish Government: Employability                                  | (88)              | (259)             |
| Scottish Government: Youth Employment Grant                         | (256)             | -                 |
| Scottish Government: PSO Air Service                                | (248)             | (818)             |
| NHS Tayside: The Crescent   | (220)             | (214)             |
| Scottish Government: OLEV City bid                                  | (26)              | (179)             |
| Scottish Government: Winter Maintenance & Pothole Repair            | -                 | (155)             |
| Other Local Authorities: Contributions for Tay Cities Deal          | -                 | (174)             |
| Private Sector Housing Grant  | (948)             | (1,249)           |
| NHS Tayside Resource Transfer                                       | (8,572)           | -                 |
| Supporting People Grant   | (250)             | -                 |
| Scottish Government: Technical Enabled Care Grant                   | (72)              | -                 |
| Criminal Justice Grant  | (5,182)           | (4,680)           |
| Scottish Government: Self Directed Support Grant                    | (61)              | (238)             |
| NHS Tayside: Community Equipment                                    | (371)             | (351)             |
| NHS Tayside: Alcohol & Drugs Project Team                           | (434)             | (414)             |
| Angus Council: Contribution to Joint Equipment Service              | (316)             | (599)             |
| Macmillan Cancer Care: Welfare Rights Grant                         | (83)              | (36)              |
| NHS Tayside: Delayed Discharge Fund                                 | (640)             | (734)             |
| NHS Tayside: Integrated Care Fund                                   | (938)             | (2,056)           |
| NHS Tayside: Social Care Integration Fund                           | (4,381)           | (10,004)          |
| NHS Tayside: Shared Care Homes                                      | (304)             | (348)             |
| NHS Tayside: Drug & Alcohol Grant                                   | (118)             | (130)             |
| Macmillan Cancer Care: Local Authority Partnership                  | (53)              | (120)             |
| UK Government, Home Office - Syrian Refugees                        | (238)             | (606)             |
| Scottish Government: Community Link Work Programme                  | -                 | (224)             |
| Scottish Government: Opportunities for All Grant                    | (198)             | (162)             |
| Scottish Government: Tayside GIRFEC                                 | (7)               | -                 |
| ESF: Activity Agreement   | -                 | (55)              |
| Big Lottery Fund: Dundee Money Action                               | -                 | (302)             |
| Scottish Government: Autism Grant                                   | (29)              | -                 |
| Sports Council Contribution to Sports Co-ordinators                 | (354)             | (316)             |
| Arts Council: Youth Music   | (126)             | (148)             |
| Scottish Government: Attainment Challenge - Primary                 | (2,784)           | (3,869)           |
| Scottish Government: Attainment Challenge - Secondary               | (360)             | (1,128)           |
| Scottish Government: Pupil Equity Fund                              | -                 | (3,094)           |
| Scottish Government: ELC Delivery Model Grant                       | -                 | (489)             |
| Scottish Futures Trust: Share of Service Cost element for Baldrigon | -                 | (113)             |
| Angus Council: Contribution to Out of Hours Service                 | -                 | (162)             |
| Scottish Government: WRAP Major Service Change Support Grant        | (25)              | (116)             |



|  |                  |                  |
|--|------------------|------------------|
| Department for Transport: Go Ultra Low                                   | (187)            | (147)            |
| Improvement Service: National Entitlement Card                           | (2,208)          | (1,278)          |
| University of Dundee: Contribution to VRC                                | -                | (82)             |
| Scottish Government: Skills Development Grant                            | (9)              | (153)            |
| DWP: Rent Allowances/Rebate Subsidies (previously Housing Benefit)       | (70,314)         | (67,043)         |
| DWP: HB/CTB Administration   | (1,124)          | (1,054)          |
| DWP: Fraud & Error Reduction Incentive Scheme (FERIS)                    | -                | (59)             |
| UK Government, Cabinet Office: Individual Electoral Registration Funding | (78)             | (137)            |
| Big Lottery Funding / Wish Project                                       | (53)             | -                |
| Anti-Social Behaviour Contribution                                       | (327)            | (83)             |
| Scottish Government: Community Choices Grant                             | -                | (72)             |
| <b>Total</b>   | <b>(102,906)</b> | <b>(105,716)</b> |

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver.

The main balances at the year-end are as follows:

|  | 31 March 2017  | 31 March 2018  |
|--|----------------|----------------|
|  | £000           | £000           |
| <b>Capital Grants Receipts in Advance:</b>         |                |                |
| Section 75 Contributions                           | (396)          | (1,263)        |
| Scottish Government: VDLF                          | (342)          | -              |
| Department for Transport: Go Ultra Low City Scheme | (1,698)        | -              |
| Grantscape: Robertson Street                       | (50)           | -              |
| Scottish Government: Regeneration Fund             | (210)          | -              |
| Smart Cities Alliance: Cities Investment Fund      | (96)           | -              |
| Scottish Government: Alexander Street              | (126)          | -              |
| <b>Total</b>                                       | <b>(2,918)</b> | <b>(1,263)</b> |

|  | 31 March 2017  | 31 March 2018  |
|--|----------------|----------------|
|  | £000           | £000           |
| <b>Revenue Grants Receipts in Advance:</b>                               |                |                |
| Improvement Service: National Entitlement Card                           | (915)          | (416)          |
| Scottish Government: Fairness Commission                                 | (56)           | -              |
| Various: Film Liaison Project  | (85)           | -              |
| Various: Public Art  | (18)           | -              |
| Other Local Authorities: Regional Destination Development Fund           | -              | (125)          |
| Scottish Government: Elevator Fund                                       | -              | (65)           |
| Scottish Government: Pupil Equity Fund                                   | -              | (1,880)        |
| Scottish Government: ELC Delivery Model Grant                            | -              | (77)           |
| Scottish Government: Attainment Challenge                                | -              | (74)           |
| Scottish Government: English Speakers of Other Languages Funding         | (50)           | (40)           |
| Scottish Government: Self Directed Support                               | (269)          | (31)           |
| Scottish Government: Link Worker Grant                                   | -              | (259)          |
| UK Government, Home Office: Refugees                                     | (252)          | (352)          |
| DWP: Welfare Reform  | (73)           | -              |
| UK Government, Cabinet Office: Individual Electoral Registration Funding | (66)           | -              |
| Big Lottery Fund: Delivering Intensive Support Services                  | -              | (109)          |
| <b>Total</b>   | <b>(1,784)</b> | <b>(3,428)</b> |

### 39 Financial Instruments

The Council is required to disclose details in respect of financial instruments, which in the main include borrowing, lending, investments, creditors and debtors. The purpose of this disclosure is to provide information regarding:

- the significance of financial instruments for the Council's financial position and performance; and
- the nature and extent of risks arising from financial instruments to which the Council is exposed and how the Council manage those risks.

#### Categories of financial assets and financial liabilities

The following categories of financial instrument are carried in the Balance Sheet:

|                                     | Long-term                |                          | Current                  |                          |
|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                     | 31 March<br>2017<br>£000 | 31 March<br>2018<br>£000 | 31 March<br>2017<br>£000 | 31 March<br>2018<br>£000 |
| <b>Investments</b>                  |                          |                          |                          |                          |
| Available-for-sale financial assets | -                        | -                        | 5,993                    | 4,770                    |
| Unquoted equity investment at cost  | 29                       | 29                       | -                        | -                        |
| <b>Total investments</b>            | <b>29</b>                | <b>29</b>                | <b>5,993</b>             | <b>4,770</b>             |

**Debtors**

|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| <b>Loans and receivables:</b>                        |               |               |               |               |
| Cash and Bank  | -             | -             | 110           | 109           |
| Other Short Term Deposits                            | -             | -             | 2,717         | 4,203         |
| Soft Loans   | -             | -             | 89            | 94            |
| Other Loans at Market Rates                          | 13,325        | 12,334        | -             | -             |
| <b>Financial assets carried at contract amounts:</b> |               |               |               |               |
| Sundry Debtors including trade receivables           | -             | -             | 60,098        | 67,610        |
| <b>Total Debtors</b>                                 | <b>13,325</b> | <b>12,334</b> | <b>63,014</b> | <b>72,016</b> |

**Borrowings**

|   |                  |                  |                 |                  |
|---|------------------|------------------|-----------------|------------------|
| <b>Financial liabilities at amortised cost:</b> |                  |                  |                 |                  |
| <b>Borrowing Repayable:</b>                     |                  |                  |                 |                  |
| Public Works Loan Board                         | (377,456)        | (399,045)        | (16,103)        | (14,782)         |
| Lender Option/Borrower Option                   | (41,543)         | (41,533)         | (415)           | (416)            |
| Other   | -                | -                | (68,830)        | (88,214)         |
| Temporary Advances from Other Accounts          | -                | -                | (1,614)         | (1,580)          |
| Bank Overdraft                                  | -                | -                | (5,403)         | (7,397)          |
| <b>Total borrowings</b>                         | <b>(418,999)</b> | <b>(440,578)</b> | <b>(92,365)</b> | <b>(112,389)</b> |

**Creditors**

|  |          |          |                 |                 |
|--|----------|----------|-----------------|-----------------|
| <b>Financial liabilities carried at contract amount:</b> |          |          |                 |                 |
| Sundry creditors including trade payables                | -        | -        | (66,829)        | (75,210)        |
| <b>Total Creditors</b>                                   | <b>-</b> | <b>-</b> | <b>(66,829)</b> | <b>(75,210)</b> |

**Income, Expense, Gains and Losses**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement and movements in reserves in relation to financial instruments are disclosed below:

| 2016/2017<br>Total<br>£000 | Financial   | 2017/2018<br>Financial        | Financial           | 2017/2018<br>Total<br>£000 |
|----------------------------|---|-------------------------------|---------------------|----------------------------|
|                            | Liabilities   | Assets                        | Assets              |                            |
|                            | <b>Liabilities measured at amortised cost</b>                             |                               |                     |                            |
|                            | £000  | Loans and receivables<br>£000 | Investments<br>£000 |                            |
| 25,778                     | Interest Expense  | 26,445                        | -                   | 26,445                     |
| 25,778                     | <b>Total expense in Surplus or Deficit on the Provision of Services</b>   | <b>26,445</b>                 | <b>-</b>            | <b>26,445</b>              |
| (1,069)                    | Interest Income   | -                             | (636)               | (786)                      |
| (1,069)                    | <b>Total income in Surplus or Deficit on the Provision of Services</b>    | <b>-</b>                      | <b>(636)</b>        | <b>(786)</b>               |
| (343)                      | Gains on revaluation  | -                             | (27)                | (27)                       |
| (343)                      | <b>Surplus/deficit in Surplus or Deficit on the Provision of Services</b> | <b>-</b>                      | <b>(27)</b>         | <b>(27)</b>                |
| 24,366                     | <b>Net gain/(loss) for the year</b>                                       | <b>26,445</b>                 | <b>(177)</b>        | <b>25,632</b>              |

*Fair Values of Assets and Liabilities*

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2018 of 2.28% to 14.00% for loans from the PWLB and 0.37% to 4.95% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are as follows:

|                                   | Note | 31 March 2017           |                    | 31 March 2018                        |                                    |                              | Carrying Amount<br>£000 | Fair Value<br>£000 |
|-----------------------------------|------|-------------------------|--------------------|--------------------------------------|------------------------------------|------------------------------|-------------------------|--------------------|
|                                   |      | Carrying Amount<br>£000 | Fair Value<br>£000 | Principal Amount Outstanding<br>£000 | LOBO Accounting Adjustment<br>£000 | Add Accrued Interest<br>£000 |                         |                    |
| Financial liabilities:            |      |                         |                    |                                      |                                    |                              |                         |                    |
| Borrowing Repayable:              |      |                         |                    |                                      |                                    |                              |                         |                    |
| Public Works Loan Board           | i    | (393,558)               | (561,066)          | (408,535)                            | -                                  | (5,292)                      | (413,827)               | (568,052)          |
| Lender Option/<br>Borrower Option | i    | (41,958)                | (62,245)           | (40,000)                             | (1,544)                            | (416)                        | (41,960)                | (60,908)           |
| Other                             | i    | (68,830)                | (68,795)           | (88,051)                             | -                                  | (163)                        | (88,214)                | (88,248)           |
| Temporary Advances from           | ii   | (1,614)                 | (1,614)            | (1,580)                              | -                                  | -                            | (1,580)                 | (1,580)            |
| Bank Overdraft                    | iii  | (5,403)                 | (5,403)            | (7,398)                              | -                                  | -                            | (7,398)                 | (7,398)            |

i Borrowing Repayable

The fair value for borrowing repayable is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

*Valuation Method* - The fair value of these financial instruments have been determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation is equal to the current rate in relation to the same instruments from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of comparable instruments should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market.

*Evaluation of Public Works Loan Board debt* - The Council has applied the new borrowing rate, as opposed to the premature repayment rate as the discount factor for all PWLB borrowing. This is because the premature repayment rate includes a margin that represents the lender's profit as a result of rescheduling the loan that is not included in the fair value calculation since any motivation other than securing fair price should be ignored.

*Inclusion of accrued interest* - The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the Balance Sheet date, this has also been accrued in the fair value calculation. This figure is calculated up to and including the valuation date.

*Discount rates used in NPV calculation* - The rates quoted in this valuation were obtained for the market on 31 March 2018, using bid prices where applicable.



**LOBOS** - Valuations use the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms. This is a widely accepted valuation technique commonly used by the private sector. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, we have used the prevailing rate of a similar instrument with a published market rate, as the discount factor.

#### ii Temporary Advances from Other Accounts

These amounts relate to the balances from Charities and Common Good Funds. These include cash balances that are effectively loaned to the Council on a short-term basis and other short-term loans to the Council's Consolidated Loans Fund. Interest is payable by the Council on all balances outstanding. The current value and fair value of these balances are deemed to be the same amount.

#### iii Bank Overdraft

The fair value is the same as the carrying amounts as these balances relate to short term borrowing with the Council's bank.

|                               | Note | 31 March 2017           |                    | 31 March 2018           |                    |
|-------------------------------|------|-------------------------|--------------------|-------------------------|--------------------|
|                               |      | Carrying Amount<br>£000 | Fair Value<br>£000 | Carrying Amount<br>£000 | Fair Value<br>£000 |
| <b>Loans and receivables:</b> |      |                         |                    |                         |                    |
| Cash and Bank                 | i    | 110                     | 110                | 109                     | 109                |
| Other Short term Deposits     | i    | 2,717                   | 2,717              | 4,203                   | 4,203              |
| <b>Short-term debtors:</b>    |      |                         |                    |                         |                    |
| Soft Loans                    | ii   | 89                      | 89                 | 94                      | 94                 |
| <b>Long-term debtors:</b>     |      |                         |                    |                         |                    |
| Other Loans at Market rates   | iii  | 13,325                  | 13,325             | 12,334                  | 12,334             |

#### i Cash and Bank / Other Short term Deposits

The fair value is the same as the carrying amounts as these balances relate to short term lending or deposits held with the Council's bank.

#### ii Soft Loans

The fair value of these loans is the same as the carrying amount. These loans comprise of a small number of loans that the Council has made to external parties at less than market rates. Soft loans have been restated from historical cost to fair value basis by discounting future cash receipts using the prevailing market rate of interest.

#### iii Other Loans at Market Rates

These balances are made up of loans to various bodies at market rates and are included on the Council's Balance Sheet as long-term debtors. As these loans are held at market rates the carrying value and fair value will not be materially different.

Available for sale assets are carried in the Balance Sheet at their fair value. These fair values are based on their current market price which is also the value they are included at in the Council's Balance Sheet.

Short term debtors and creditors including trade receivables and payables are carried at cost as this is a fair approximation of their value.



#### 40 Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- interest rate risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Financial Services and Investment Manager, under policies approved by Dundee City Council in the annual treasury management strategy. Dundee City Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

##### ***Credit risk***

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch, Moody's and Standard and Poors. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit limits in respect of financial assets held by the council are as detailed below:

- F1+ £12m
- F1 £10m.
- AAAMf - Money Markey Funds £10m
- UK Local Authorities £10m
- Debt Management Agency £10m
- Part Nationalised UK Banks £5m (with a minimum holding of 20% as per Capita Asset Services approach)
- OEICs - Government Liquidity, Gilt, Bond and Equiry Funds\* - 70% of asset class with any one institution

\* Common Good and Insurance Funds only or at discretion of Executive Director of Corporate Services – see section 7 "Treasury Risk Register"

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by Dundee City Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £12m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities in UK to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

|                             | Amount at<br>31 March<br>2018<br>£000 | Historical<br>experience of<br>default<br>% | Historical<br>experience<br>adjusted for<br>market<br>conditions at 31<br>March 2018<br>% | Estimated<br>maximum<br>exposure to<br>default and<br>uncollectability<br>at 31 March<br>2018<br>£000 | Estimated<br>maximum<br>exposure at 31<br>March 2017<br>£000 |
|-----------------------------|---------------------------------------|---|---|---|--|
|                             | A                                     | B   | C   | (A x C)   |  |
| Financial Institutions (F1) | 4,203                                 | -   | -   | -   | -  |
|                             |                                       |   |   | -   | -  |

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

### **Liquidity risk**

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The maturity analysis of financial liabilities is as follows:

|                            | 31 March 2017<br>£000 | 31 March 2018<br>£000 |
|----------------------------|-----------------------|-----------------------|
| Less than one year         | 80,241                | 97,541                |
| Between one and two years  | 9,490                 | 11,081                |
| Between two and five years | 33,690                | 29,617                |
| Between five and ten years | 40,060                | 32,551                |
| More than ten years        | 334,216               | 365,797               |
|                            | <b>497,697</b>        | <b>536,587</b>        |

All trade and other payables are due to be paid in less than one year.

### **Interest rate risk**

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management section has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to monitor the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

|  | <b>£000</b>   |
|--|---------------|
| Increase in interest payable on variable rate borrowings   | 870           |
| Increase in interest receivable on variable rate investments   | Nil           |
| Impact on Surplus or Deficit on the Provision of Services  | 870           |
| Share of overall impact debited to the HRA   | 296           |
| Decrease in fair value of fixed rate investment assets   | Nil           |
| Impact on Other Comprehensive Income and Expenditure   | Nil           |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) | <b>99,806</b> |

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

#### **Price risk**

The Council does not generally invest in equity shares but does have shareholdings to the value of £7,500 Ordinary B shares in Discovery Education Companies. These 'B' shares have no right to participate in the profits of the Company and no distributions of any kind, nor do they carry any voting rights at any general meeting of the company. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for 'open book' arrangements with the company concerned so that the council can monitor factors that might cause a fall in the value of specific shareholdings.

#### **Foreign exchange risk**

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.



**41 Charitable Trust Funds Account (Registered Charities)**

During 2017/2018, the Council acted as Trustees for 22 Registered Charitable Trusts and Endowments. The Income & Expenditure Account below details the transactions in the year and the Balance Sheet summarises the assets and liabilities at the year end. An analysis of the assets and liabilities included within the Balance Sheet over the various trusts is also shown within the notes to the Charitable Trust Funds Account. These have been prepared in accordance with the Charities SORP (FRS102). Dundee City Council has undertaken a reorganisation of its Charitable Trusts and Endowments. This reorganisation was completed during 2017/2018 and has resulted in the number of Charitable Trusts and Endowments reducing to 5 as at 31 March 2018.

| Income & Expenditure Account |   | 2017/2018                          |                         |                         |                     |                               |
|------------------------------|---|------------------------------------|-------------------------|-------------------------|---------------------|-------------------------------|
| 2016/2017 Actual<br>£000     |   | Interest on<br>Investments<br>£000 | Other<br>Income<br>£000 | Total<br>Income<br>£000 | Expenditure<br>£000 | (Surplus)/<br>Deficit<br>£000 |
| (4)                          | Hospital Fund                                 | (3)                                | (32)                    | (35)                    | 34                  | (1)                           |
| -                            | - Belmont Estate                              | (1)                                | (8)                     | (9)                     | 9                   | -                             |
| -                            | - Other Costs                                 | -                                  | (5)                     | (5)                     | 5                   | -                             |
| (1)                          | Other Various Smaller Trusts<br>(20 in total) | -                                  | -                       | -                       | -                   | -                             |
| <b>(5)</b>                   | <b>Total</b>                                  | <b>(4)</b>                         | <b>(45)</b>             | <b>(49)</b>             | <b>48</b>           | <b>(1)</b>                    |

| 2017<br>£000 | Balance Sheet as at 31 March                  | 2018<br>£000 |
|--------------|---|--------------|
| 4,891        | Tangible Fixed Assets                         | 4,891        |
| 4,891        |   | 4,891        |
|              | <b>Current Assets</b>                         |              |
| 1,002        | Short Term Investments                        | 976          |
| 10           | Bank  | -            |
| 1,012        |   | 976          |
|              | <b>Less Current Liabilities</b>               |              |
| 10           | Sundry Creditors                              | -            |
| 10           |   | -            |
| 1,002        | Net Current Assets                            | 976          |
| 5,893        | Total Assets Plus Net Current Assets          | 5,867        |
| 5,893        | Net Assets                                    | 5,867        |
|              | <b>Financed By Fund Balances and Reserves</b> |              |
|              | Not Available for Use:                        |              |
| 4,891        | Revaluation Reserve                           | 4,891        |
| 4,891        |   | 4,891        |
|              | Available for Use:                            |              |
| 1,002        | Fund Balances                                 | 976          |
| 5,893        |   | 5,867        |

**NATURE AND PURPOSE OF VARIOUS FUNDS**

The nature and purpose of the Funds' detailed above is as follows:

**Hospital Fund**

This Fund was established under the Dundee Churches and Hospital Act 1964, on behalf of the poor of the town. An annual payment of £80 is made from the Fund to local pensioners who require financial assistance. The balance on the Fund at 31 March 2018 was £1.175m (31 March 2017 £1.174m).

**Belmont Trust Estate**

Estate gifted in 1918 by the late Mrs Emma Caird or Marryat of Roseangle, Dundee, in memory of her husband and her brothers, to be utilised for the benefit of the citizens of Dundee. The balance on the Fund at 31 March 2018 was £2.193m (31 March 2017 £2.193m)

**CHARITABLE TRUSTS REGISTERED WITH OFFICE OF THE SCOTTISH CHARITY AND REGULATOR**

During 2017/2018, the following Charitable Trusts and Endowments were registered with the Office of the Scottish Charity and Regulator (OSCR):

Alexander Torrance Cathro Bequest (SC018898)

John Hoggan Trust for the Poor of Alyth (SC018892)

Johnston Charity (SC018893)

Mortification for Scots Episcopal Clergymen (SC018919)

Halyburton Mortification (SC018903)

Admiral Duff Bequest (SC018304)

Saunders, Robert Bequest (SC018915)

Meritorious Service (Police) Fund (SC018916)

Belmont Estate Trust (SC018900)

McLean Bequest (SC018902)

Baxter Park Endowment Fund (SC018910)

Lochee Park Endowment Fund (SC018897)

Day Nurseries Fund (SC018911)

Law Hill Memorial Fund (SC018912)

Mills Observatory Endowment Fund (SC018913)

Gilroy Mausoleum (SC018921)

Lochee Day Nurseries (SC018918)

Camperdown Estate (SC018899)

William Dawson Trust (SC018920)

Mrs Gibson Mortification (SC018904)

Hospital Fund (SC018896)

The Dundee Trust (SC046260)

## ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET

|                       | Balance Sheet<br>at 31 March<br>2017<br>£000 | Gross<br>Income<br>£000 | Gross<br>Expenditure<br>£000 | Capital<br>Expenditure/<br>Receipts &<br>Transfers<br>£000 | Balance Sheet<br>at 31 March<br>2018<br>£000 |
|-----------------------|--|-------------------------|------------------------------|--|--|
| <b>Hospital Fund</b>  |  |                         |                              |  |  |
| Fixed Assets          | 464  | -                       | -                            | -  | 464  |
| Current Assets        | 710  | 35                      | (34)                         | -  | 711  |
| Net Assets            | <b>1,174</b>                                 | <b>35</b>               | <b>(34)</b>                  | -  | <b>1,175</b>                                 |
| Revaluation Reserve   | 464  | -                       | -                            | -  | 464  |
| Fund Balance          | 710  | 35                      | (34)                         | -  | 711  |
|                       | <b>1,174</b>                                 | <b>35</b>               | <b>(34)</b>                  | -  | <b>1,175</b>                                 |
| <b>Belmont Estate</b> |  |                         |                              |  |  |
| Fixed Asset           | 2,007  | -                       | -                            | -  | 2,007  |
| Current Assets        | 186  | 9                       | (9)                          | -  | 186  |
| Net Assets            | <b>2,193</b>                                 | <b>9</b>                | <b>(9)</b>                   | -  | <b>2,193</b>                                 |
| Revaluation Reserve   | 2,007  | -                       | -                            | -  | 2,007  |
| Fund Balance          | 186  | 9                       | (9)                          | -  | 186  |
|                       | <b>2,193</b>                                 | <b>9</b>                | <b>(9)</b>                   | -  | <b>2,193</b>                                 |
| <b>Others</b>         |  |                         |                              |  |  |
| Fixed Assets          | 2,420  | -                       | -                            | -  | 2,420  |
| Current Assets        | 107  | 5                       | (5)                          | (28)   | 79   |
| Net Assets            | <b>2,527</b>                                 | <b>5</b>                | <b>(5)</b>                   | <b>(28)</b>  | <b>2,499</b>                                 |
| Revaluation Reserve   | 2,420  | -                       | -                            | -  | 2,420  |
| Fund Balance          | 107  | 5                       | (5)                          | (28)   | 79   |
|                       | <b>2,527</b>                                 | <b>5</b>                | <b>(5)</b>                   | <b>(28)</b>  | <b>2,499</b>                                 |
| <b>Total</b>          |  |                         |                              |  |  |
| Fixed Assets          | 4,891  | -                       | -                            | -  | 4,891  |
| Current Assets        | 1,003  | 49                      | (48)                         | (28)   | 976  |
| Net Assets            | <b>5,894</b>                                 | <b>49</b>               | <b>(48)</b>                  | <b>(28)</b>  | <b>5,867</b>                                 |
| Revaluation Reserve   | 4,891  | -                       | -                            | -  | 4,891  |
| Fund Balance          | 1,003  | 49                      | (48)                         | (28)   | 976  |
|                       | <b>5,894</b>                                 | <b>49</b>               | <b>(48)</b>                  | <b>(28)</b>  | <b>5,867</b>                                 |

**42 Charitable Trust Funds Account (Unregistered Charities)**

The Council acts as Trustees for 5 Charitable Trusts and Endowments. The Income & Expenditure Account below details the transactions in the year and the Balance Sheet summarises the assets and liabilities at the year end. An analysis of the assets and liabilities included within the Balance Sheet over the various trusts is also shown within the notes to the Charitable Trust Funds Account.

| 2016/2017<br>Actual<br>£000 | Income & Expenditure Account                    |                         | 2017/2018               |                     | (Surplus)/<br>Deficit<br>£000 |
|-----------------------------|---|-------------------------|-------------------------|---------------------|-------------------------------|
|                             | Interest on<br>Investments<br>£000              | Other<br>Income<br>£000 | Total<br>Income<br>£000 | Expenditure<br>£000 |                               |
| (243)                       | Fleming Trust (4)                               | (331)                   | (335)                   | 299                 | (36)                          |
| (2)                         | Other Various<br>Smaller Trusts (4<br>in total) | (2)                     | (3)                     | 1                   | (4)                           |
| <b>(245)</b>                | <b>Total</b>                                    | <b>(6)</b>              | <b>(334)</b>            | <b>300</b>          | <b>(40)</b>                   |

| 2017<br>£000 | Balance Sheet as at 31 March                  | 2018<br>£000 |
|--------------|---|--------------|
| 7,360        | <b>Tangible Fixed Assets</b>                  | 7,360        |
| 7,360        |   | 7,360        |
|              | <b>Current Assets</b>                         |              |
| 60           | Sundry Debtors                                | 52           |
| 1,048        | Short Term                                    | 1,352        |
| 573          | Bank  | 552          |
| 1,681        |   | 1,956        |
|              | <b>Less Current Liabilities</b>               |              |
| (63)         | Sundry Creditors                              | (298)        |
| (63)         |   | (298)        |
| 1,618        | <b>Net Current Assets</b>                     | 1,658        |
| 8,978        | <b>Total Assets Plus Net Current Assets</b>   | 9,018        |
| <b>8,978</b> | <b>Net Assets</b>                             | <b>9,018</b> |
|              | <b>Financed By Fund Balances and Reserves</b> |              |
|              | Not Available for Use:                        |              |
| 7,360        | Revaluation                                   | 7,360        |
| 7,360        |   | 7,360        |
|              | Available for Use:                            |              |
| 1,618        | Fund Balances                                 | 1,658        |
| <b>8,978</b> |   | <b>9,018</b> |

**FLEMING TRUST**

Included in the expenditure shown above, the Fleming Trust incurred capital expenditure of £201,233.54 financed from revenue in 2017/2018 (2016/2017 £Nil). No capital receipts were received in 2017/2018 (2016/2017 £Nil).

**NATURE AND PURPOSE OF VARIOUS FUNDS**

The nature and purpose of the Funds' detailed above is as follows:

**Fleming Trust**

This Trust was established with sums gifted in 1929 by Robert Fleming for the purchase of land and buildings and the provision of suitable accommodation for re-housing the displaced occupants of slum property in Dundee. The balance on the Trust at 31 March 2018 was £8.524m (31 March 2017 £8.489m).



## ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET

|                      | Balance Sheet at 31 March 2017 | Gross Income | Gross Expenditure | Capital Expenditure/ Receipts & Transfers | Balance Sheet at 31 March 2018 |
|----------------------|--------------------------------|--------------|-------------------|---|--------------------------------|
|                      | £000                           | £000         | £000              | £000                                      | £000                           |
| <b>Fleming Trust</b> |                                |              |                   |   |                                |
| Fixed Assets         | 7,360                          | -            | -                 | -   | 7,360                          |
| Current Assets       | 1,192                          | 336          | (66)              | -   | 1,462                          |
| Current Liabilities  | (63)                           | (1)          | (33)              | (201)                                     | (298)                          |
| <b>Net Assets</b>    | <b>8,489</b>                   | <b>335</b>   | <b>(99)</b>       | <b>(201)</b>                              | <b>8,524</b>                   |
| Revaluation Reserve  | 7,360                          | -            | -                 | -   | 7,360                          |
| Fund Balance         | 1,129                          | 335          | (99)              | (201)                                     | 1,164                          |
|                      | <b>8,489</b>                   | <b>335</b>   | <b>(99)</b>       | <b>(201)</b>                              | <b>8,524</b>                   |
| <b>Others</b>        |                                |              |                   |   |                                |
| Current Assets       | 489                            | 5            | -                 | -   | 494                            |
| <b>Net Assets</b>    | <b>489</b>                     | <b>5</b>     | <b>-</b>          | <b>-</b>                                  | <b>494</b>                     |
| Fund Balance         | 489                            | 5            | -                 | -   | 494                            |
|                      | <b>489</b>                     | <b>5</b>     | <b>-</b>          | <b>-</b>                                  | <b>494</b>                     |
| <b>Total</b>         |                                |              |                   |   |                                |
| Fixed Assets         | 7,360                          | -            | -                 | -   | 7,360                          |
| Current Assets       | 1,682                          | 341          | (66)              | -   | 1,957                          |
| Current Liabilities  | (64)                           | (1)          | (33)              | (201)                                     | (299)                          |
| <b>Net Assets</b>    | <b>8,978</b>                   | <b>340</b>   | <b>(99)</b>       | <b>(201)</b>                              | <b>9,018</b>                   |
| Revaluation Reserve  | 7,360                          | -            | -                 | -   | 7,360                          |
| Fund Balance         | 1,618                          | 340          | (99)              | (201)                                     | 1,658                          |
|                      | <b>8,978</b>                   | <b>340</b>   | <b>(99)</b>       | <b>(201)</b>                              | <b>9,018</b>                   |

**43 Heritage Assets**

*Reconciliation of the Carrying Value of Heritage Assets held by the Council*

|                      | Museum & Art Gallery Collections | Other Heritage Assets | Total Assets |
|----------------------|----------------------------------|-----------------------|--------------|
|                      | £000                             | £000                  | £000         |
| 1 April 2017         | 7,248                            | 1,134                 | 8,382        |
| Additions            | -                                | -                     | -            |
| <b>31 March 2018</b> | <b>7,248</b>                     | <b>1,134</b>          | <b>8,382</b> |

**Museum and Art Gallery Collections**

The valuation disclosed in the balance sheet is based on the assessment by the Council's insurers of the replacement value of the collection. Items valued in excess of £100,000 are detailed individually in the Museums Insurance schedule and these make up the total of assets included in this category.

**Other Heritage Assets**

This includes the Desperate Dan statue, Balgay Bridge and Linlathen Bridge.

**Additions & Disposals of Heritage Assets**

Additions in 2017/2018 - £Nil (2016/2017 - £8,000)

There were no disposals in 2017/2018 (2016/2017 - none)

## 44 Heritage Assets: Further Information

### Museum and Art Gallery Collections

The Dundee Art Galleries and Museums Collection which is largely housed at the McManus Art Gallery & Museum in the City Centre, forms the major part of the heritage assets held by the Council.

The Art Gallery & Museum's major collection groups include Community History, Decorative Arts/Crafts, Early History, Fine Art, Natural History, Social History and World Cultures.

### New Collection - 'Charting New Waters'

A new exhibition in 2015/2016 entitled 'Charting New Waters' introduces two major acquisitions to Dundee's collection. Paintings by Frances Walker, inspired by wild and remote places are the most significant gift by an artist to Dundee's nationally significant fine art collection for over 25 years. In addition eight ship models and related material, previously owned by the pioneering Dundee, Perth & London Shipping Company Ltd (DP&L) are a significant addition to the collection.

### Community History

Collections of objects relating to the community and domestic life of Dundee, including civic history and recreation, along with costume.

### Decorative Arts / Crafts

The collection of Scottish Provincial Silver consists of about 400 items, with excellent coverage of all known Dundee makers. Ceramics range from ornamental Japanese Satsuma ware and English 18<sup>th</sup> century porcelain to an expanding collection of contemporary Studio ceramics by mainly Scottish makers.

### Early History

These collections comprise regional archaeology dating from prehistoric times to the Middle Ages drawn from the Dundee area, foreign artefacts representing ancient Egypt and more recent world culture, and an extensive collection of coins and medals.

### Fine Art

This collection of over 4,000 works consists of oil paintings, watercolours, drawings, artists' prints and sculptures. Excellent coverage of 19<sup>th</sup> and 20<sup>th</sup> century Scottish Art with notable Dundee artists, John Duncan and McIntosh Patrick, and fine art photography by Joseph McKenzie are included in this collection.

### Natural History

This section includes geological and botanical collections along with vertebrate and invertebrate zoology material.

### Social History

This collection includes areas of interest ranging from Dundee's industrial and working history, to shipbuilding and transport.

### World Cultures

This collection includes fascinating material from different cultures around the world, including artefacts brought back to Dundee by whalers, and important 'early contact' material from the 1874 Moresby expedition to Papua New Guinea.

Further information about these and other collections can be found at:

[www.mcmanus.co.uk](http://www.mcmanus.co.uk)

**Library Collections of Rare Books, Manuscripts and Archives**

The Rare Book Collections, Manuscripts and Archives are mainly held in the Central Library.

Among the collections and features are:

- Maps & plans – a wide range of maps and plans from early times to date,
- Lamb Collection, a unique resource of 450 archive boxes of ephemera, dating mainly from the latter part of the nineteenth century,
- Taybridge Disaster – a wealth of maps, plans, books, documents, drawings and photographs on the two Tay rail bridge disasters,
- A wide-ranging collection of works by and about William McGonagall
- Rare books and manuscripts – Dundee possessed one of Europe's earliest municipal libraries.

Further information about these and other collections can be found at:

<http://www.leisureandculturaldundee.com/localhistory>

**Preservation and Management**

The Director, Leisure & Communities, is responsible for making arrangements for the proper administration of the Galleries and Museums Collections. Assets are collated, preserved and managed in accordance with The Council's policy on management, acquisitions and disposals, as detailed in the Collections Development Policy 2013 – 2018. The full policy document can be found at:

<http://www.dundee.gov.uk/reports/reports/462-2013.pdf>

**45 Other Long Term Liabilities**

|                                   | 31 March 2017  | 31 March 2018  |
|-----------------------------------|----------------|----------------|
|                                   | £000           | £000           |
| Pension Liability                 | 381,859        | 138,547        |
| PPP Schools Liability             | 70,112         | 67,969         |
| DBFM School Liability (Baldragon) | -              | 27,795         |
| Burial Grounds Perpetuity Fund    | 2,258          | 1,239          |
| Public Open Spaces                | 391            | 391            |
| <b>Total</b>                      | <b>454,620</b> | <b>235,941</b> |

**46 Long Term Debtors**

|   | 31 March 2017 | 31 March 2018 |
|---|---------------|---------------|
|   | £000          | £000          |
| Advances to Tayside Contracts for Capital Expenditure | 6,985         | 6,843         |
| Loans to Other Organisations                          | 5,746         | 1,891         |
| Less Bad Debt Provision                               | (2,850)       | -             |
| Housing Loans / Mortgages                             | 3,533         | 3,600         |
| <b>Total</b>  | <b>13,414</b> | <b>12,334</b> |

**47 Service Income and Expenditure Including Internal Recharges**

The service lines in the Comprehensive Income and Expenditure Statement exclude internal recharges (controllable budgets). The income and expenditure for each service, inclusive of internal recharges, are shown below:

|  | 2016/2017         |                  | 2017/2018         |                  |                            |
|--|-------------------|------------------|-------------------|------------------|----------------------------|
|  | Gross Expenditure | Gross Income     | Gross Expenditure | Gross Income     | Net Expenditure / (Income) |
|  | £000              | £000             | £000              | £000             | £000                       |
|  | 170,663           | (17,678)         | 176,105           | (22,889)         | 153,216                    |
| Children & Families Services                     |                   | 152,985          |                   |                  |                            |
| Budgets Delegated to Dundee Health & Social Care |                   |                  |                   |                  |                            |
| Partnership                                      | 186,387           | (108,740)        | 196,996           | (118,769)        | 78,227                     |
| City Development                                 | 94,545            | (29,881)         | 99,359            | (33,878)         | 65,481                     |
| Neighbourhood Services                           | 43,274            | (12,968)         | 46,422            | (15,020)         | 31,402                     |
| Chief Executive                                  | 14,617            | (2,380)          | 13,363            | (1,536)          | 11,827                     |
| Corporate Services                               | 108,691           | (78,392)         | 109,782           | (75,879)         | 33,903                     |
| DCS Construction                                 | 26,880            | (29,565)         | 26,314            | (27,561)         | (1,247)                    |
| Housing Revenue Account                          | 68,429            | (53,851)         | 73,432            | (53,300)         | 20,132                     |
| Discretionary NDR Relief                         | 280               | -                | 340               | -                | 340                        |
| Tayside Valuation Joint Board                    | 938               | -                | 903               | -                | 903                        |
| Write-off of DERL Debt (DCC Services)            | -                 | -                | 2,719             | -                | 2,719                      |
| Miscellaneous Items                              | 9,767             | (3,889)          | 4,109             | (5,088)          | (979)                      |
| <b>Cost Of Services</b>                          | <b>724,471</b>    | <b>(337,344)</b> | <b>749,844</b>    | <b>(353,920)</b> | <b>395,924</b>             |
| <b>Net</b>                                       |                   | <b>387,127</b>   |                   |                  |                            |



The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the authority.

| 2016/2017<br>£000 |  | 2017/2018<br>£000 |
|-------------------|--|-------------------|
| 76,577            | Gross Council Tax levied and contributions in lieu                                 | 80,593            |
| (102)             | Adjustments for prior years Council Tax  | (67)              |
| 76,475            |  | 80,526            |
|                   | Adjusted for:  |                   |
| (15,026)          | Other discounts and reductions   | (16,958)          |
| (11,483)          | Council Tax Reduction Scheme   | (11,947)          |
| (1,251)           | Provision for Non-collection   | (1,699)           |
| <b>48,715</b>     | <b>Net Council Tax Income per the Comprehensive Income and Expenditure Account</b> | <b>49,922</b>     |

The calculation of the Council Tax Base 2017/2018:

|        | No of Dwellings | No of Exemptions | Disabled Relief | Discounts 25% | Discounts 50% | Total Dwellings | Ratio to Band D | Band D Equivalents                         |               |
|--------|-----------------|------------------|-----------------|---------------|---------------|-----------------|-----------------|--|---------------|
| Band A | 28,237          | 3,043            | 28              | 16,587        | 552           | 21,083          | 240/360         | 14,053                                     |               |
| Band B | 17,091          | 1,496            | 60              | 7,602         | 337           | 13,629          | 280/360         | 10,600                                     |               |
| Band C | 9,248           | 925              | 65              | 3,469         | 184           | 7,425           | 320/360         | 6,600                                      |               |
| Band D | 8,906           | 815              | 68              | 2,566         | 115           | 7,424           | 360/360         | 7,424                                      |               |
| Band E | 7,219           | 797              | 74              | 1,617         | 73            | 5,933           | 473/360         | 7,795                                      |               |
| Band F | 2,343           | 83               | 12              | 456           | 27            | 2,132           | 585/360         | 3,465                                      |               |
| Band G | 1,055           | 24               | 7               | 177           | 14            | 976             | 705/360         | 1,911                                      |               |
| Band H | 37              | 5                | -               | 5             | 2             | 30              | 882/360         | 74   |               |
|        |                 |                  |                 |               |               |                 |                 | <b>TOTAL</b>                               | 51,922        |
|        |                 |                  |                 |               |               |                 |                 | <b>Provision for non-collection (3.2%)</b> | (1,661)       |
|        |                 |                  |                 |               |               |                 |                 | <b>Council Tax Base</b>                    | <b>50,261</b> |

Dwellings fall within a valuation band between A to H which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to Dundee City Council, the band D charge for 2017/2018 was £1,241.

Dundee City Council £ per year for 2017/2018:

|        |           |
|--------|-----------|
| Band A | £827.33   |
| Band B | £965.22   |
| Band C | £1,103.11 |
| Band D | £1,241.00 |
| Band E | £1,630.54 |
| Band F | £2,016.63 |
| Band G | £2,430.29 |
| Band H | £3,040.45 |

National Non Domestic Rates (NNDR) income is collected by local authorities, but all income is then remitted to the Scottish Government, where it is pooled nationally, and re-distributed back to local authorities along with the Revenue Support Grant.

| 2016/2017<br>£000 |   | 2017/2018<br>£000 |
|-------------------|---|-------------------|
| 95,602            | Gross rates levied and contributions in lieu                              | 92,978            |
|                   | Less:   |                   |
| (22,649)          | Reliefs and other deductions  | (24,346)          |
| (1,715)           | Write Off of uncollectable debt and allowance for impairment              | (7,779)           |
| <b>71,238</b>     | <b>Net Non Domestic Rate Income</b>                                       | <b>60,853</b>     |
| (1,501)           | Adjustment to Previous Years' Non-Domestic Rates                          | (222)             |
| <b>69,737</b>     | <b>Total Non Domestic Rate Income (before local authority retentions)</b> | <b>60,631</b>     |
| <b>69,737</b>     | <b>Contribution to Non-Domestic Rate Pool</b>                             | <b>60,631</b>     |

### Net Rateable Value Calculation

The amount paid for NNDR is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £, which is determined each year by the Scottish Government. The NNDR poundage rate set by the Scottish Government for 2017/2018 was £0.466, with a large business supplement of 2.6p payable when rateable value exceeds £51,000.

|  | 2017/2018<br>£     |
|--|--------------------|
| <b>Analyses of Rateable Values:</b>                          |                    |
| Rateable Value at 1/4/2017                                   | 186,862,000        |
| Running Roll (Full Year Rateable Value)                      | 3,219,000          |
| Rateable Value at 31/3/2018                                  | 190,081,000        |
| Less: Wholly Exempt  | (3,418,000)        |
| <b>Net Rateable Value at 31/03/2018</b>                      | <b>186,663,000</b> |
| <b>Dundee City Council's Rateable Values at 1 April 2017</b> | <b>£000</b>        |
| Commercial   | 95,100             |
| Industrial and Freight Transport                             | 33,612             |
| Public Undertakings  | 7,096              |
| Others   | 51,054             |
| <b>Total</b>   | <b>186,862</b>     |

## Housing Revenue Account - Income &amp; Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

| 2016/2017<br>£000   | Notes | 2017/2018<br>£000 |
|---|-------|-------------------|
| <b>Income</b>   |       |                   |
| 46,306  |       | 46,284            |
| 825   |       | 809               |
| 4,050   |       | 3,950             |
| <b>51,181</b>   |       | <b>51,043</b>     |
| <b>Expenditure</b>  |       |                   |
| (18,934)  |       | (20,768)          |
| (12,568)  |       | (12,896)          |
| (344)   |       | (394)             |
| (33,100)  |       | (36,045)          |
| (813)   | 5     | (1,072)           |
| <b>(65,759)</b>   |       | <b>(71,175)</b>   |
| <b>(14,578)</b>   |       | <b>(20,132)</b>   |
| <b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>                 |       |                   |
| (431)   |       | (442)             |
| <b>(15,009)</b>   |       | <b>(20,574)</b>   |
| HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement: |       |                   |
| (1,238)   |       | (1,016)           |
| (7,474)   |       | (7,035)           |
| (188)   |       | (7)               |
| 60  |       | 69                |
| (499)   |       | (468)             |
| 181   |       | -                 |
| 2,006   |       | 2,067             |
| <b>(22,161)</b>   |       | <b>(26,964)</b>   |
| <b>Surplus or (Deficit) for the Year on HRA Services</b>  |       |                   |

**Housing Revenue Account - Movement in Reserves Statement**

| 2016/2017 |   |       | 2017/2018 |
|-----------|---|-------|-----------|
| £000      |   | Notes | £000      |
| (22,161)  | Surplus or (Deficit) for the Year on HRA Income and Expenditure Statement |       | (26,964)  |
| 22,769    | Adjustments between Accounting Basis and Funding Basis Under Statute      | 1     | 26,140    |
| 608       | Net Increase or (Decrease) Before Transfers to or from Reserves           |       | (824)     |
| (608)     | Transfers (to) or from Reserves   | 2     | 824       |
| -         | Increase or (Decrease) in Year on the HRA                                 |       | -         |
| -         | <b>Balance on the HRA at the end of the Current Year</b>                  |       | -         |



**Housing Revenue Account - Disclosures****1 Adjustments between Accounting Basis and Funding Basis under Statute**

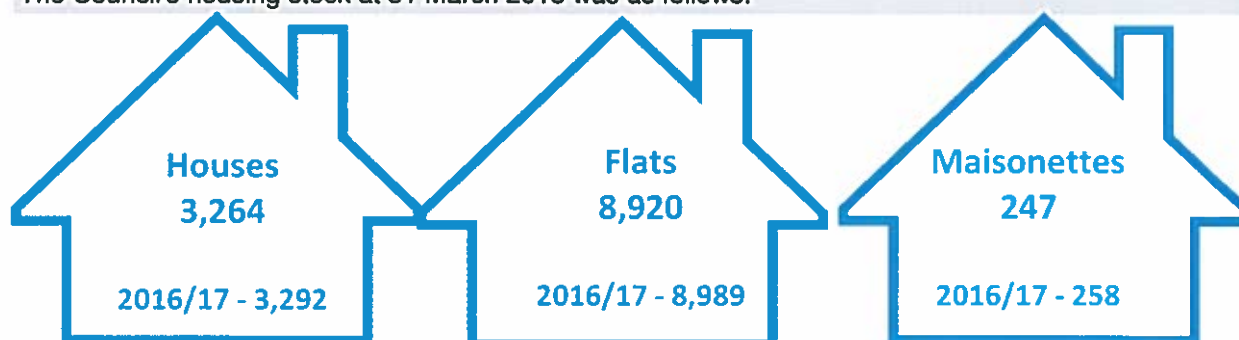
| 2016/2017<br>£000 |  | 2017/2018<br>£000 |
|-------------------|--|-------------------|
| 1,238             | Gain or loss on sale of HRA non-current assets                             | 1,016             |
| 188               | Impairment of Assets Held for Sale   | 7                 |
|                   | Transfer to/from Capital Adjustment Account:                               |                   |
| 33,100            | * Depreciation and Impairment - Housing Revenue Account Assets             | 36,045            |
| -                 | * Depreciation and Impairment - Central Support Assets                     | 263               |
| (2,006)           | * Capital Grants and Contributions   | (2,067)           |
| (10,844)          | * Repayment of Debt  | (10,763)          |
| (181)             | * Change in Fair Value of Investment Property                              | -                 |
| 12                | Short Term Accumulating Absences   | 12                |
| 1,314             | HRA share of contributions to or from the Pensions Reserve                 | 1,705             |
| (52)              | HRA Share of Transfer to/from the Financial Instruments Adjustment Account | (78)              |
| <b>22,769</b>     | <b>Total</b>   | <b>26,140</b>     |

**2 Transfers (to) or from Reserves**

| 2016/2017<br>£000 |  | 2017/2018<br>£000 |
|-------------------|--|-------------------|
| (608)             | Transfer (to)/from the Renewal & Repair Fund | 824               |
| <b>(608)</b>      | <b>Total</b>                                 | <b>824</b>        |

**3 Housing Stock**

The Council's housing stock at 31 March 2018 was as follows:

**4 Rent Arrears**

Rent Arrears at 31 March 2018 were £2,589,860 (£2,288,895 at 31 March 2017).

**5 Impairment of Debtors**

In 2017/2018 an impairment of £2,697,333 has been provided in the Balance Sheet for irrecoverable rents, a net increase of £320,359 from the provision in 2016/2017.

**6 Voids**

The total value of uncollectable void rents was £921,615 (2016/2017 £820,052). This has been netted against rental income.

**7 Accumulated Housing Revenue Account Balance**

The Renewal and Repair Fund Balance at 31 March 2018 was £5.9m, of which £3.7m was earmarked for the Housing Revenue Account.

# THE GROUP ACCOUNTS & THEIR NOTES | Group Comprehensive Income & Expenditure Statement

The Group Comprehensive Income and Expenditure Statement combines the income and expenditure figures of the Council with the Council's share of operating results of those entities in which it has a financial interest.

|                | 2016/2017                 |                      | 2017/2018                 |                                    |                  |
|----------------|---------------------------|----------------------|---------------------------|------------------------------------|------------------|
|                | Gross Expenditure<br>£000 | Gross Income<br>£000 | Gross Expenditure<br>£000 | Gross Income<br>£000               |                  |
|                |                           |                      |                           | Net Expenditure / (Income)<br>£000 |                  |
| 166,118        | (13,133)                  | 152,985              | 171,512                   | (18,296)                           | 153,216          |
| 186,387        | (108,740)                 | 77,647               | 196,996                   | (118,769)                          | 78,227           |
| 80,813         | (16,149)                  | 64,664               | 84,216                    | (18,735)                           | 65,481           |
| 37,141         | (7,694)                   | 29,447               | 41,305                    | (11,073)                           | 30,232           |
| 14,617         | (2,380)                   | 12,237               | 13,363                    | (1,536)                            | 11,827           |
| 107,587        | (77,288)                  | 30,299               | 108,443                   | (74,540)                           | 33,903           |
| 10,859         | (13,544)                  | (2,685)              | 9,980                     | (11,227)                           | (1,247)          |
| 65,759         | (51,181)                  | 14,578               | 71,881                    | (51,749)                           | 20,132           |
| 280            | -                         | 280                  | 340                       | -                                  | 340              |
| 938            | -                         | 938                  | 903                       | -                                  | 903              |
| -              | -                         | -                    | 2,719                     | -                                  | 2,719            |
| 6,622          | (744)                     | 5,878                | 1,089                     | (2,068)                            | (979)            |
| 150            | (164)                     | (14)                 | 134                       | -                                  | 134              |
| 1,807          | (109)                     | 1,698                | 2,360                     | (118)                              | 2,242            |
| 80,519         | -                         | 80,519               | 77,901                    | -                                  | 77,901           |
| <b>759,597</b> | <b>(291,126)</b>          | <b>468,471</b>       | <b>783,142</b>            | <b>(308,111)</b>                   | <b>475,031</b>   |
|                |                           | 1,421                |                           |                                    | 4,401            |
|                |                           | (147)                |                           |                                    | (161)            |
|                |                           | -                    |                           |                                    | 330              |
|                |                           | 33,247               |                           |                                    | 30,209           |
|                |                           | 271                  |                           |                                    | 378              |
|                |                           | 319                  |                           |                                    | 190              |
|                |                           | (379,379)            |                           |                                    | (380,223)        |
|                |                           | (83,001)             |                           |                                    | (77,701)         |
|                |                           | (1,008)              |                           |                                    | (959)            |
|                |                           | <b>40,194</b>        |                           |                                    | <b>51,495</b>    |
|                |                           | (6,934)              |                           |                                    | (57,924)         |
|                |                           | 2,469                |                           |                                    | 2,398            |
|                |                           | (343)                |                           |                                    | (27)             |
|                |                           | 110,054              |                           |                                    | (284,250)        |
|                |                           | 3,637                |                           |                                    | 1,084            |
|                |                           | <b>108,883</b>       |                           |                                    | <b>(338,719)</b> |
|                |                           | <b>149,077</b>       |                           |                                    | <b>(287,224)</b> |

## THE GROUP ACCOUNTS & THEIR NOTES | Group Movement in Reserves Statement

The Group Movement in Reserves Statement shows the movement in the year on the different reserves held by the council, together with the movement in the Council's shares of those entities in which it has a financial interest.

|  | Revenue Reserves          |                              |                              | Capital Reserves    |                                       |                   | Total Usable Reserves £000 | Unusable Reserves £000 | Total Reserves £000 |
|--|---------------------------|------------------------------|------------------------------|---------------------|---------------------------------------|-------------------|----------------------------|------------------------|---------------------|
|  | General Fund Balance £000 | Housing Revenue Account £000 | Renewal and Repair Fund £000 | Insurance Fund £000 | Capital Grants Unapplied Account £000 | Capital Fund £000 |                            |                        |                     |
| <b>Balance at 31 March 2016</b>  | <b>(11,834)</b>           | -                            | <b>(9,482)</b>               | <b>(897)</b>        | -                                     | <b>(2,008)</b>    | <b>(24,221)</b>            | <b>(550,261)</b>       | <b>(574,482)</b>    |
| <b>Movement in reserves during 2016/2017</b>                             |                           |                              |                              |                     |                                       |                   |                            |                        |                     |
| Total Comprehensive Expenditure and Income                               | 18,033                    | 22,161                       | -                            | -                   | -                                     | -                 | 40,194                     | 108,883                | 149,077             |
| Adjustments between Group Accounts and Council Accounts                  | 2,273                     | -                            | -                            | -                   | -                                     | -                 | 2,273                      | 6,306                  | 8,579               |
| <b>Net (Increase)/Decrease before Transfers</b>                          | <b>20,306</b>             | <b>22,161</b>                | <b>-</b>                     | <b>-</b>            | <b>-</b>                              | <b>-</b>          | <b>42,467</b>              | <b>115,189</b>         | <b>157,656</b>      |
| Adjustments between Accounting Basis and Funding Basis Under Regulations | (11,144)                  | (22,769)                     | -                            | -                   | -                                     | (83)              | (33,996)                   | 33,996                 | -                   |
| <b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>    | <b>9,162</b>              | <b>(608)</b>                 | <b>-</b>                     | <b>-</b>            | <b>-</b>                              | <b>(83)</b>       | <b>8,471</b>               | <b>149,185</b>         | <b>157,656</b>      |
| Transfers to/(from) Earmarked Reserves (Increase)/Decrease in 2016/2017  | (3,128)                   | 608                          | 2,750                        | (221)               | -                                     | (9)               | -                          | -                      | -                   |
|  | 6,034                     | -                            | 2,750                        | (221)               | -                                     | (92)              | 8,471                      | 149,185                | 157,656             |
| <b>Balance at 31 March 2017 Carried Forward</b>                          | <b>(5,800)</b>            | <b>-</b>                     | <b>(6,732)</b>               | <b>(1,118)</b>      | <b>-</b>                              | <b>(2,100)</b>    | <b>(15,750)</b>            | <b>(401,076)</b>       | <b>(416,826)</b>    |

|  | Revenue Reserves          |                              |                              | Capital Reserves    |                        |                     | Total Usable Reserves £000 | Unusable Reserves £000 | Total Reserves £000 |
|--|---------------------------|------------------------------|------------------------------|---------------------|------------------------|---------------------|----------------------------|------------------------|---------------------|
|  | General Fund Balance £000 | Housing Revenue Account £000 | Renewal and Repair Fund £000 | Insurance Fund £000 | Unapplied Account £000 | Capital Grants £000 |                            |                        |                     |
| <b>Balance at 31 March 2017</b>  | <b>(5,800)</b>            | -                            | <b>(6,732)</b>               | <b>(1,118)</b>      | -                      | <b>(2,100)</b>      | <b>(15,750)</b>            | <b>(401,076)</b>       | <b>(416,826)</b>    |
| <b>Movement in reserves during 2017/2018</b>                             |                           |                              |                              |                     |                        |                     |                            |                        |                     |
| Total Comprehensive Expenditure and Income                               | 24,531                    | 26,964                       | -                            | -                   | -                      | -                   | 51,495                     | (338,719)              | (287,224)           |
| Adjustments between Group Accounts and Council Accounts                  | (11,152)                  | -                            | -                            | -                   | -                      | -                   | (11,152)                   | (9,790)                | (20,942)            |
| <b>Net (Increase)/Decrease before Transfers</b>                          | <b>13,379</b>             | <b>26,964</b>                | <b>-</b>                     | <b>-</b>            | <b>-</b>               | <b>-</b>            | <b>40,343</b>              | <b>(348,509)</b>       | <b>(308,166)</b>    |
| Adjustments between Accounting Basis and Funding Basis Under Regulations | (27,749)                  | (26,140)                     | -                            | -                   | (3,393)                | -                   | (57,282)                   | 57,282                 | -                   |
| <b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>    | <b>(14,370)</b>           | <b>824</b>                   | <b>-</b>                     | <b>-</b>            | <b>(3,393)</b>         | <b>-</b>            | <b>(16,939)</b>            | <b>(291,227)</b>       | <b>(308,166)</b>    |
| Transfers to/(from) Earmarked Reserves                                   | 397                       | (824)                        | 882                          | (445)               | -                      | (10)                | -                          | -                      | -                   |
| <b>(Increase)/Decrease in 2017/2018</b>                                  | <b>(13,973)</b>           | <b>-</b>                     | <b>882</b>                   | <b>(445)</b>        | <b>(3,393)</b>         | <b>(10)</b>         | <b>(16,939)</b>            | <b>(291,227)</b>       | <b>(308,166)</b>    |
| <b>Balance at 31 March 2018</b>  | <b>(19,773)</b>           | <b>-</b>                     | <b>(5,850)</b>               | <b>(1,563)</b>      | <b>(3,393)</b>         | <b>(2,110)</b>      | <b>(32,689)</b>            | <b>(692,303)</b>       | <b>(724,992)</b>    |



The Group Balance Sheet shows as at 31 March the assets and liabilities of the Group and combines the Council's assets and liabilities with the Council's share of those entities assets and liabilities in which it has a financial interest.

| 31 March 2017    |                                    | 31 March 2018    |
|------------------|------------------------------------|------------------|
| £000             |                                    | £000             |
| 1,365,537        | Property, Plant & Equipment        | 1,481,419        |
| 8,382            | Heritage Assets                    | 8,382            |
| 22,200           | Investment Property                | 21,034           |
| 1,161            | Intangible Assets                  | 1,114            |
| 29               | Long Term Investments              | 29               |
| 572              | Investments in Associates          | 674              |
| 7,195            | Long Term Debtors                  | 10,124           |
| <b>1,405,076</b> | <b>Long Term Assets</b>            | <b>1,522,776</b> |
| 9,547            | Short Term Investments             | 8,301            |
| 2,023            | Inventories                        | 1,100            |
| 54,696           | Short Term Debtors                 | 54,122           |
| 4,019            | Assets Held for Sale               | 3,649            |
| <b>70,285</b>    | <b>Current Assets</b>              | <b>67,172</b>    |
| (87,040)         | Short Term Borrowing               | (104,992)        |
| (66,305)         | Short Term Creditors               | (70,595)         |
| (1,619)          | Cash and Cash Equivalents          | (2,516)          |
| <b>(154,964)</b> | <b>Current Liabilities</b>         | <b>(178,103)</b> |
| (3,745)          | Provisions                         | (3,675)          |
| (418,921)        | Long Term Borrowing                | (440,578)        |
| (23,363)         | Liabilities in Associates          | (5,396)          |
| (457,174)        | Other Long Term Liabilities        | (235,941)        |
| (368)            | Capital Grants Receipts in Advance | (1,263)          |
| <b>(903,571)</b> | <b>Long Term Liabilities</b>       | <b>(686,853)</b> |
| <b>416,826</b>   | <b>Net Assets</b>                  | <b>724,992</b>   |
| 15,750           | Usable reserves                    | 32,689           |
| 401,076          | Unusable Reserves                  | 692,303          |
| <b>416,826</b>   | <b>Total Reserves</b>              | <b>724,992</b>   |



**Gregory Colgan, BAcc (Hons) ACMA, CGMA**  
**Executive Director of Corporate Services**  
**Dundee City Council**

The unaudited accounts were issued on 27 June 2018 and the audited accounts were authorised for issue on 26 September 2018.

The Group Cash Flow Statement shows the change in the year of cash and cash equivalents of the Council and those entities in which it has a financial interest.

| 2016/2017<br>£000 |  | 2017/2018<br>£000 |
|-------------------|--|-------------------|
| 40,194            | Net (Surplus) or Deficit on the provision of services  | 51,495            |
| (104,759)         | Adjust net (Surplus) or Deficit on the provision of services for non cash movements  | (136,111)         |
| 10,288            | Adjust for items included in the net (Surplus) or Deficit on the provision of services that are investing and financing activities | 6,584             |
| <b>(54,277)</b>   | <b>Net cash flows from Operating Activities</b>  | <b>(78,032)</b>   |
| 87,945            | Investing Activities   | 115,455           |
| (32,973)          | Financing Activities   | (36,526)          |
| <b>695</b>        | <b>Net (Increase) or Decrease in cash and cash equivalents</b>   | <b>897</b>        |
| (924)             | Cash and cash equivalents at the beginning of the reporting period   | (1,619)           |
| <b>(1,619)</b>    | <b>Cash and cash equivalents at the end of the reporting period</b>  | <b>(2,516)</b>    |

## 1 Impact of Consolidation on Reserves

The impact on total reserves of consolidating group entities is shown in the following tables.

| Group Entity                         | As at 31 March 2018 |                   |                |
|--------------------------------------|---------------------|-------------------|----------------|
|                                      | Usable Reserves     | Unusable Reserves | Total Reserves |
|                                      | £000                | £000              | £000           |
| Dundee City Council (Single Entity)  | 26,762              | 693,699           | 720,461        |
| Tayside Contracts Joint Committee    | 187                 | (5,381)           | (5,194)        |
| Common Good Fund                     | 3,293               | 258               | 3,551          |
| Charitable Trust Fund                | 552                 | 7,360             | 7,912          |
| Tayside Valuation Joint Board        | 56                  | (797)             | (741)          |
| Dundee City Developments Limited     | 467                 | -                 | 467            |
| Leisure & Culture Dundee             | 1,165               | (2,836)           | (1,671)        |
| Design Dundee Limited                | 207                 | -                 | 207            |
| Dundee Energy Recycling Limited      | -                   | -                 | -              |
| <b>Total per Group Balance Sheet</b> | <b>32,689</b>       | <b>692,303</b>    | <b>724,992</b> |

| Group Entity                         | As at 31 March 2017 |                   |                |
|--------------------------------------|---------------------|-------------------|----------------|
|                                      | Usable Reserves     | Unusable Reserves | Total Reserves |
|                                      | £000                | £000              | £000           |
| Dundee City Council (Single Entity)  | 19,791              | 420,728           | 440,519        |
| Tayside Contracts Joint Committee    | 193                 | (16,369)          | (16,176)       |
| Common Good Fund                     | 3,307               | 260               | 3,567          |
| Charitable Trust Fund                | 328                 | 7,360             | 7,688          |
| Tayside Valuation Joint Board        | 64                  | (2,561)           | (2,497)        |
| Dundee City Developments Limited     | 628                 | (56)              | 572            |
| Leisure & Culture Dundee             | 1,277               | (8,286)           | (7,009)        |
| Dundee Energy Recycling Limited      | (9,838)             | -                 | (9,838)        |
| <b>Total per Group Balance Sheet</b> | <b>15,750</b>       | <b>401,076</b>    | <b>416,826</b> |

## 2 Impact of Consolidation on Cash and Cash Equivalents

The impact on total cash and cash equivalents of consolidating group entities is shown below:

| Group Entity                         | At 31 March    | At 31          |
|--------------------------------------|----------------|----------------|
|                                      | 2017           | March 2018     |
|                                      | £000           | £000           |
| Dundee City Council (Single Entity)  | (2,576)        | (3,085)        |
| Common Good Fund                     | 19             | 17             |
| Charitable Trust Fund                | 355            | 552            |
| Dundee Energy Recycling Limited      | 583            | -              |
| <b>Total per Group Balance Sheet</b> | <b>(1,619)</b> | <b>(2,516)</b> |

## 3 Group Accounting Policies

The group accounting policies are those specified for the single entity financial statements. The accounting policies of all group entities are materially the same as those of the single entity, except as where subsequently stated. The appropriate consolidation adjustments have been made where group entities are not required to prepare their financial statements on an IFRS basis.

4 Group Entities – Basis of Consolidation

The Group Accounts have been prepared using the 'equity' and line by line' methods of consolidation, with appropriate summarisation of the Comprehensive Income & Expenditure Statement and Balance Sheet. This involves bringing into the Group Comprehensive Income & Expenditure Statement the Council's share of profits and losses of the group entities and bringing into the Group Balance Sheet the Council's share of the assets and liabilities of the group entities. The impact of consolidating the results of the Council with these entities is as follows:

|   | 2016/2017           |               |                                 | 2017/2018           |               |                                 |
|---|---------------------|---------------|---------------------------------|---------------------|---------------|---------------------------------|
|   | Consolidation Basis | Group Share % | Net Expenditure / (Income) £000 | Consolidation Basis | Group Share % | Net Expenditure / (Income) £000 |
| <b>Subsidiaries:</b>                      |                     |               |                                 |                     |               |                                 |
| Common Good Fund                          | Sole Trustee        | 100.00        | (178)                           | Sole Trustee        | 100.00        | (21)                            |
| Fleming Trust                             | Sole Trustee        | 100.00        | (243)                           | Sole Trustee        | 100.00        | (234)                           |
| Dundee Energy Recycling Limited           | Share Capital Owned | 100.00        | (133)                           | Share Capital Owned | 100.00        | (261)                           |
| <b>Associates:</b>                        |                     |               |                                 |                     |               |                                 |
| Tayside Valuation Joint Board             | Requisition Share   | 33.13         | 872                             | Requisition Share   | 32.67         | (1,724)                         |
| Dundee City Developments Limited          | Voting Rights       | 28.57         | (76)                            | Voting Rights       | 28.57         | 93                              |
| Leisure & Culture Dundee                  | Voting Rights       | 46.15         | 3,655                           | Voting Rights       | 46.15         | (5,315)                         |
| Tayside Contracts Joint Committee         | Share of Business   | 33.20         | -                               | Share of Business   | 32.30         | -                               |
| Design Dundee Limited                     | Voting Rights       | n/a           | -                               | Voting Rights       | 20.00         | (20)                            |
| <b>Joint Ventures:</b>                    |                     |               |                                 |                     |               |                                 |
| Dundee Health and Social Care Partnership | Equal Partnership   | 50.00         | (2,482)                         | Equal Partnership   | 50.00         | 200                             |
| <b>Total Group Entities</b>               |                     |               | <b>1,415</b>                    | <b>(23,693)</b>     |               | <b>(7,282)</b>                  |
| Dundee City Council (Single Entity)       |                     |               | 147,662                         | 440,519             |               | (279,942)                       |
| <b>Dundee City Council (Group)</b>        |                     |               | <b>149,077</b>                  | <b>416,826</b>      |               | <b>(287,224)</b>                |
|   |                     |               |                                 |                     |               | <b>724,992</b>                  |



**Subsidiaries:****Common Good Fund and Fleming Trust**

The Council administers the Common Good Fund for the former Burgh of Dundee. Whilst the Council does not have legal title over the assets of the Fund, they are legally vested in the Council and have therefore been included in the Group Accounts on the basis of applying the principle of faithful representation. Similarly, a charitable trust administered by the Council (the Fleming Trust) has also been included in the Group Accounts. The income, expenditure, assets and liabilities of the Common Good Fund and Fleming Trust have been consolidated as subsidiaries on a "line-by-line" basis in the Group Accounts. Separate details of the Common Good Fund are included on page 130. Separate details of the Fleming Trust are included on pages 109-110.

**Dundee Energy Recycling Limited**

Dundee Energy Recycling Limited (DERL) was a special purpose company, established in order to construct and operate a Waste-to-Energy Plant at Baldovie, Dundee. The project was originally developed under the Private Finance Initiative (PFI). The plant was taken over from the construction contractor on 31 March 2000. On the same date, a 20 year contract commenced between the Council and DERL for the disposal of domestic refuse. The company was then financially restructured in March 2004, as part of which the Council purchased the plant from DERL and leased it back at a commercial rate.

The Council became DERL's sole shareholder on 21 October 2013 when it acquired all remaining ordinary share capital from the other shareholders. Dundee City Council had two officers as Directors on the Board of DERL (maximum number of Directors is six).

The Council sold its shareholding in DERL to MVV Environment Limited on 28 November 2017, following a Balance Sheet restructuring of the DERL group companies. On the same day, the Council entered into a new 28 year contract with MVV Environment Baldovie Limited (MEB) for the disposal of residual waste.

The accounts of DERL have been consolidated on a 'line by line' basis. For this purpose, the unaudited completion accounts for the eleven month period to 28 November 2017 were used. The Council has no interest in the new company (MEB).

There is a divergence of accounting policy between DERL and the Group that requires to be disclosed. This relates to the lease of Property, Plant & Equipment from the Council to the company that has been treated by DERL as a finance lease and capitalised in their Balance Sheet. The Council has treated this lease as an operating lease. As a result, an adjustment is required on consolidation to align the accounting policies and the treatment of these items in the Group Accounts. The depreciation charge totalling £0.571m, has been eliminated from DERL's adjusted accounts as a depreciation charge will already have been provided for these assets in the Council's single entity accounts.

**Associates:****Tayside Valuation Joint Board**

Tayside Valuation Joint Board was created in 1996 to take over from the local authorities in its area certain duties in relation to valuation for Rating and Council Tax. The Valuation Joint Boards (Scotland) Order 1995 provides the regulatory framework for the administration of the Board. Dundee City Council has accounted for it on a 'net equity' basis. For the purpose of consolidation and disclosure, unaudited statutory accounts to the year ended 31 March 2018 were used.

**Dundee City Developments Limited**

Dundee City Developments Limited (DCD) was established in 1999 as a company limited by guarantee to continue the process of economic regeneration and to maintain momentum across a range of economic development initiatives in the city. The company has been consolidated on a 'net equity' basis. For the purpose of consolidation and disclosure, unaudited statutory accounts to 30 April 2018 were used.

**Leisure and Culture Dundee**

Leisure and Culture Dundee (LACD) is a Scottish Charitable Incorporated Organisation (SCIO) that was established to manage the leisure and cultural facilities owned by the Council and has been in operation since 1 July 2011. The operational responsibility for Dundee Ice Arena was also transferred to LACD from 1 April 2014. The organisation has been consolidated on a "net equity" basis. For the purpose of consolidation and disclosure, unaudited accounts to the year ended 31 March 2018 were used.

**Tayside Contracts Joint Committee**

Tayside Contracts is a commercially based local authority contracting organisation providing catering, cleaning, roads maintenance, vehicle maintenance and winter maintenance throughout the Tayside area of Scotland. Tayside Contracts operates under a Joint Committee comprising of elected members from Dundee, Angus and Perth & Kinross Council. Tayside Contracts is accounted for as a "associate" and has been consolidated on a "net equity" basis. For the purpose of consolidation and disclosure, unaudited accounts to the year ended 31 March 2018 were used.

**Design Dundee Limited**

Design Dundee Limited was established to organise the development and delivery of the V&A Museum of Design Dundee (V&A Dundee). The Council are one of the founder members of the company together with Universities of Dundee and Abertay, Scottish Enterprise and Victoria & Albert Museum. The company is limited by guarantee and a registered charity. The Council has one officer appointed as a Director to the Board (total number Directors is currently 9). The company has been consolidated on a 'net equity' basis. For the purpose of consolidation and disclosure, unaudited accounts to 31 March 2018 were used.

**Joint Ventures:****Dundee Health and Social Care Partnership**

The Dundee Health and Social Care Partnership was established 3 October 2015 by a formal legal partnership agreement between the two parent organisations, Dundee City Council and NHS Tayside. It is responsible for the operational management and oversight of delegated health and social care functions with effect from 1 April 2016. The Public Bodies (Joint Working) (Integration Joint Board) (Scotland) Amendment (No 3) Order 2015 provides the regulatory framework for the administration of the Board. It has been accounted for it on a "net equity" basis. For the purpose of consolidation and disclosure, unaudited statutory accounts to the year ended 31 March 2018 were used.

Copies of the accounts for all the above organisations can be obtained from the Executive Director of Corporate Services, Dundee City Council, (e-mail: [gregory.colgan@dundeecity.gov.uk](mailto:gregory.colgan@dundeecity.gov.uk) ). In accordance with the Local Authority Accounts (Scotland) Regulations 2014, copies of audited accounts of those organisations treated as subsidiaries will also be published on the Council's website once these are available.

**5. Non-Material Interests in Other Entities**

The Council also has non-material interests in the following other entities:

**Discovery Education Companies (3 no)**

Discovery Education PLC, Discovery Education (Holdings) Limited and Discovery Education (Nominee) Limited were established during financial year 2006/2007 to operate the Dundee Schools PPP Project. The Council has a contract with Discovery Education PLC to carry out the projects works and services. Dundee City Council has a 1.5% shareholding in Discovery Education (Holdings) Limited. The Council owns £7,500 Ordinary B shares of £1 each. These 'B' shares have no rights to participate in the profits of the Company and no distributions of any kind, nor do they carry any voting rights at any general meeting of the company. The Council has an officer appointed as a Director on the Board of the company (total number of directors is 5). The Council also has an officer appointed as a Director on the Board of both the other companies although the Council has no shareholding (total number of directors on both other companies is 5). The Council's interest in these companies is accounted for as an investment in the single entity and group

There are two other companies the Council has an interest in but no investment. The nature of the Council's interest is such that the financial results of these companies do not require to be consolidated in the group accounts. These companies are as follows:

**Replacement of Baldragon Academy – Project Delivery Company**

An investment of £299,800 has been made by the Council in the Subordinated Debt of the project delivery company (Hub East Central (Baldragon) Limited), this being the maximum investment that can be made under the revised Hub DBFM structure. This debt carries an interest rate of 10% and is repayable on a semi-annual basis from 31 March 2021, with a final repayment date of 31 March 2042. This represents 10% of the total sub debt invested in Hub East Central (Baldragon) Limited ("DBFM Co"). The Council's investment is accounted for as a long term debtor in the single entity and group accounts.

The Council also holds 10 "B" Ordinary Shares in Hub East Central (Baldragon) Midco Limited ("MidCo") representing a 10% share holding. DBFM Co is a wholly owned subsidiary of MidCo.

**Dundee Contemporary Arts Limited**

The Dundee Contemporary Arts Limited Company was established to operate the Arts Centre in Dundee, which is owned by the Council. There is a lease agreement with the company for the occupation of the Arts Centre. The company is limited by guarantee and the members' liability is limited to a maximum amount of £1. The Council has four elected members and two officers appointed as Directors to the Board (maximum number of Directors is 20).

**Dovetail Enterprises (1993) Limited**

Dovetail Enterprises Limited was established to provide training and employment for persons with disabilities. The Council provides annual grant funding to this organisation. The Council has also provided an interest free loan of £400,000 and as a result has increased its share of the Standard Security to 33% of the company's liquidated assets. As at 31 March 2018, £300,000 of this loan has been repaid to the Council. During 2017/2018 the Council provided a further loan of £100,000 at commercial rates. The company is limited by guarantee and the members' liability is limited to £1. The Council has four elected members appointed as Directors to the Board (total number of Directors is 14).

**6. Related Entities Not Consolidated****Tay Road Bridge Joint Board**

The Board comprises twelve elected members who are appointed by the three constituent Councils, with Dundee City Council nominating six members. Following the abolition of tolls in February 2008, the revenue and capital expenditure requirements of the Board are met directly by grants from the Scottish Government. The financial results of the Board have not been consolidated in the Council's Group Accounts on the basis that the Council does not have a financial interest or investment in the Board.

**National Housing Trust Initiatives**

The National Housing Trust (NHT) is a housing initiative developed by the Scottish Government, in partnership with the Scottish Futures Trust and local authorities. The aim is to deliver new homes for mid-market rent while at the same time stimulating the housing market.

**a) Broughty Ferry NHT 2011 LLP**

In August 2010, the Council agreed to participate in Phase 1 of the National Housing Trust Initiative, to provide properties for mid-market rent within Dundee subject to suitable bids being received. It was agreed that up to a maximum of 75 units may be considered, involving a prudential borrowing requirement of up to £6.337m. This prudential borrowing would be backed by Scottish Government guarantees. In March 2011, the Council approved a bid from Ferrier Holdings to provide 16 x 2 bedroom flats at East Links Place, Broughty Ferry. The Council would provide 65% of the funding required, with the developer retaining a 35% interest for the minimum five year period. Following the initial five year period the flats could continue to be rented, sold to sitting tenants or sold on the open market.

The Special Purpose Vehicle (SPV) established for this project is Broughty Ferry NHT 2011 LLP. The Council is one of the three designated members of the SPV and provided funding of £1,456,560 during the 2014/15 financial year, by way of a loan which is repayable after 6.5 years. This loan is included at par value under Long Term Debtors in the Council's Balance Sheet. The financial results of the SPV have not been consolidated in the Council's Group Accounts on the basis that the SPV is deemed to be a subsidiary of the developer and the Council does not therefore have control or exercise significant influence.

b) Wallace Craigie Works

In August 2011, the Council agreed to participate in Phase 2 of the National Housing Trust Initiative. In April 2012, the Council approved a scheme, proposed by Keiller Estates, for the development of 75 flats at Wallace Craigie Works, with the Council's funding commitment estimated at £7.175m. The number of units was subsequently increased to 99, with the Council's revised funding commitment estimated at £9.749m. In January 2018, it was reported that this development would not be progressing.



The Council administers the Common Good Fund for the former Burgh of Dundee. Common Good Funds came into existence in medieval times when the Crown gave lands to Burghs. The rents and feu-duties on these lands were to be used for the common good, which at that time was the minimal level of public service provided such as public lighting, street cleaning and repairs. Over time, as the level of public services increased, the rates system was introduced as the funding mechanism. The funds still held are to be used for purposes which promote "the general good of the inhabitants".

| 2016/2017<br>£000 | Income & Expenditure Account      | 2017/2018<br>£000 |
|-------------------|-----------------------------------|-------------------|
|                   | <b>Income</b>                     |                   |
| (164)             | Dividends on Bonds / Shares       | (151)             |
| (164)             |                                   | (151)             |
|                   | <b>Expenditure</b>                |                   |
| 150               | Other Expenditure                 | 134               |
| 150               |                                   | 134               |
| (14)              | <b>(Surplus)/Deficit for Year</b> | (17)              |

| 2017<br>£000 | Balance Sheet as at 31 March | 2018<br>£000 |
|--------------|------------------------------|--------------|
|              | <b>Current Assets</b>        |              |
| 3,572        | Short Term Investments       | 3,551        |
| 3,572        |                              | 3,551        |
|              | <b>Current Liabilities</b>   |              |
| (5)          | Sundry Creditors             | -            |
| (5)          |                              | -            |
| 3,567        | <b>Net Assets</b>            | 3,551        |

| <b>Financed By Fund Balances and Reserves</b> |  |       |
|---|--|-------|
| Not Available for Use:                        |  |       |
| 260   | - Available-for-sale Financial Instruments Reserve | 258   |
| 260   |  | 258   |
| Available for Use:                            |  |       |
| 3,307   | - Common Good Balance                              | 3,293 |
| 3,567   |  | 3,551 |



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Executive Director of Corporate Services  
Dundee City Council

The unaudited accounts were issued on 27 June 2018 and the audited accounts were authorised for issue on 26 September 2018.

### 1. SHORT TERM INVESTMENTS

Included within the Short Term Investments figure of £3,551,135 are investments in Bonds to the value of £3,457,659

## Independent auditor's report to the members of Dundee City Council and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### Report on the audit of the financial statements

#### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Dundee City Council and its group for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the council only Expenditure and Funding Analysis, the group and council Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the council-only Council Tax Income Account, Non-Domestic Rate Income Account, Housing Revenue Account Income and Expenditure Statement and Movement in Reserves Statement, Common Good Fund Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the council and its group as at 31 March 2018 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Executive Director of Corporate Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Responsibilities of the Executive Director of Corporate Services and the Scrutiny Committee for the financial statements**

As explained more fully in the Statement of Responsibilities, the Executive Director of Corporate Services is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Executive Director of Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Corporate Services is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Scrutiny Committee is responsible for overseeing the financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Other information in the annual accounts**

The Executive Director of Corporate Services is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Report on other requirements

### Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.



Fiona Mitchell-Knight, Audit Director  
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26 September 2018



While much of the terminology used in this document is intended to be self explanatory, the following additional definitions and interpretation of terms may be of assistance.

#### **Accounting Period**

The period of time covered by the accounts, normally a period of 12 months commencing on 1 April.

#### **Actuarial Gains and Losses (Pensions)**

Changes in actuarial deficits or surpluses that arise because events have not coincided with previous actuarial assumptions or actuarial assumptions have changed.

#### **Asset**

An asset is categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock). A non current asset will provide benefit to the Council and to the Services it provides for a period of more than one year.

#### **Associate**

An entity in which the Council has a participating interest or over whose operating and financial policies the Council is able to exercise significant influence.

#### **Balance Sheet**

This represents the overall financial position of the Council at the end of the year. All inter-departmental balances have been eliminated upon consolidation.

#### **Capital Adjustment Account**

The Capital Adjustment Account relates to amounts set aside from capital resources to meet past expenditure.

#### **Capital Expenditure**

Expenditure on the acquisition of a non-current asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing non-current asset.

#### **Capital Financing**

The various methods used to finance capital expenditure such as borrowing, leasing, capital receipts, capital grants and use of revenue funding.

#### **Capital Grants Unapplied Account**

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

#### **Capital Receipt**

Proceeds from the disposal of land or other non-current assets.

#### **Capital Receipts Reserve**

The Capital Receipts Reserve represents the proceeds from non-current asset disposals not yet used and are available to meet future capital investment.

#### **Cash Flow Statement**

Shows the changes in cash and cash equivalents by detailing the inflows and outflows of cash arising from revenue and capital transactions.

#### **Common Good Fund**

Presents a picture of the Council's stewardship of the assets under its control which do not form part of the core financial statements.

#### **Community Assets**

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal, such as municipal parks.

**Comprehensive Income & Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (IFRS).

**Corporate and Democratic Core**

The Corporate and Democratic Core comprises all activities, which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are therefore over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same service.

**Council Tax Income Account**

Details the gross and net income from Council Tax.

**Creditor**

Amounts owed by the council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

**Current Service Cost (Pensions)**

The increase in the present value of a defined benefit scheme's liabilities, expected to arise from employee service in the current period.

**Debtor**

Amount owed to the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

**Defined Benefit Pension Scheme**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**Depreciation**

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's non-current assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

**Discretionary Benefits (Pensions)**

Retirement awards, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers.

**Employee Statutory Adjustment Account**

The Employee Statutory Adjustment Account, which absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to and from the account.

**Entity**

A body corporate, partnership, trust, unincorporated association or statutory body that is delivering a service or carrying on a trade or business with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single entity accounts.

**Events after the Balance Sheet Date**

Are those events both favourable and unfavourable that occur between the Balance Sheet date and the date when the Annual Accounts are signed.

**Expenditure and Funding Analysis**

Demonstrates to council tax and rent payers how the funding available to the Council (ie government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices.

**Fair Value**

The fair value of an asset is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account is a balancing account to allow for differences in statutory requirements and proper accounting practices for lending and borrowing by the Council.

**Finance Lease**

A lease that transfers substantially all the risks and rewards of ownership of a non-current asset to the lessee.

**General Fund**

The General Fund encompasses all services areas (with the exception of the Council's housing stock) and is funded mainly by Government Grant and Council Tax.

**Government Grants**

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue or capital spend of the Council in general.

**Gross Expenditure**

This includes all expenditure attributable to the service and activity including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support services and capital charges.

**Gross Income**

This includes grant income and all charges to individuals and organisations for the direct use of the Council's services.

**Group Accounts**

Brings together Dundee City Council and its interests in entities which would be regarded as its subsidiaries or associates or joint ventures if the local authority was subject to the Companies Act.

**Heritage Asset**

An asset with historical, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

**Housing Revenue Account**

Reflects the statutory requirement to separately account for local authority housing provision, as defined in the Housing (Scotland) Act 1987. It shows the major elements of housing revenue expenditure, and how these are met by rents, housing support grant and other income.

**Impairment**

A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet.

**Infrastructure Assets**

Assets belonging to the council represented by highways, footpaths and bridges.

**Insurance Fund**

The Insurance Fund covers the main classes of insurance and is earmarked for insurance purposes.

**Intangible Assets**

Non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events.

**Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period of the scheme liabilities because the benefits are one period closer to settlement.

**Inventories**

Items of raw materials and stock the Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

**Liability**

A liability is where the Council owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A long term liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

**Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure) and unusable reserves.

**National Non-Domestic Rates Pool**

All Non domestic Rates collected by local authorities are remitted to the national pool and thereafter distributed to Councils by the Scottish Government.

**Net Book Value**

The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**Non Current Assets**

These are created by capital expenditure incurred by the Council. They include property, vehicles, plant, machinery, roads, computer equipment etc.

**Non Distributed Costs**

Costs that cannot be allocated to specific services and are, therefore, excluded from the total cost relating to Service activity in accordance with the Service Reporting code of Practice. Charges for added pension years and early retirement are examples of these costs.

**Non-Domestic Rate Income Account**

Details the gross and net income from Non-Domestic Rates and the net contribution to the National Non-Domestic Rate Pool.

**Notes to the Core Financial Statements and Other Various Accounts**

These are intended to give the reader further information which is not separately detailed in the financial statements.

**Operating Lease**

A lease where the ownership of a non-current asset remains with the lessor.

**Past Service Cost (Pensions)**

For a defined benefit scheme, the increase in the present value of the scheme liabilities relating to employee service in prior periods arising in the current period as a result of the introduction of or improvement to retirement benefits.

**Pension Reserve**

The Pension Reserve arises from the IAS 19 account disclosures for retirement benefits and recognises the council's share of actuarial gains and losses in the Tayside Pension Fund and the change in the Council's share of the Pension Fund net liability chargeable to the Comprehensive Income and Expenditure Statement.

**Pension Scheme Liabilities**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. The scheme liabilities, measured using the 'projected unit method' reflect the benefits that the employer is committed to provide for service up to the valuation date.



**Post Employment Benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment (e.g. pensions in retirement).

**Prior Year Adjustment**

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**Provision**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates or when they will arise are uncertain.

**Public Works Loan Board (PWLB)**

A Central Government Agency, which provides loans for one year and above to Councils at interest rates only based on those at which the Government can borrow itself

**Rateable Value**

The annual assumed rental of a non housing property, which is for national Non Domestic Rates purposes.

**Related Parties**

Entities or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council.

**Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

**Repairs and Renewal Fund**

The Repairs and Renewal Fund provides resources for expenditure on the Council's assets.

**Reserves**

The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

**Residual Value**

The net realisable value of an asset at the end of its useful life.

**Revaluation Reserve**

The Revaluation Reserve represents the store of gains on revaluation of fixed assets not yet realised through sales.

**Revenue Expenditure**

The day-to-day running costs associated with the provision of services.

**Service Concession Arrangement**

A contractual arrangement (or other arrangement that confers similar rights) between a local authority and an operator in which:

- a) the operator uses the service concession asset to provide a public service on behalf of the local authority for a specified period of time, and
- b) the operator is compensated for its services over the period of the service concession arrangement.

**Significant Interest**

The reporting authority is actively involved and is influential in the direction of an entity through its participation in policy and/or operational decisions.

**Soft Loan**

A loan made by the Council to another entity at an interest rate significantly below market interest rates.

**Subsidiary**

An entity over which the Council has overall control through the power to govern its financial and operating policies so as to obtain benefits from the entity's activities.