



DUNDEE CITY COUNCIL

**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2012**

AUDITED

September 2012

DUNDEE CITY COUNCIL
STATEMENT OF ACCOUNTS 2011/2012
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FOREWORD BY THE DIRECTOR OF CORPORATE SERVICES

Introduction

This foreword is intended as a commentary on the City Council's financial position, as presented within the Statement of Accounts for the financial year 2011/2012.

Annual Governance Statement (see pages 10 to 11)

This statement sets out the Council's Corporate Governance arrangements, explaining how the Council conducts its business, both internally and in its dealings with others. The main components of these arrangements are listed, together with any significant weaknesses that have been identified and the remedial action taken.

Remuneration Report (see pages 12 to 20)

This report sets out the remuneration and accrued pension benefits of the Senior Councillors and Senior Employees of the Council, together with policy and contextual information relating to these areas.

Statement of Responsibilities for the Statement of Accounts (see page 21)

This statement sets out the main financial responsibilities of the Council and the Director of Corporate Services.

The Accounting Statements (see pages 22 to 116)

Movement in Reserves Statement:

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

Comprehensive Income & Expenditure Statement:

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

Balance Sheet:

this is a combination of the General Fund, Housing Revenue Account, Consolidated Loans Fund, Insurance Funds and Statutory Trading Account Balance Sheets and represents the overall financial position of the Council at 31 March 2012. All inter-departmental balances have been eliminated upon consolidation.

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.

Council Tax Income Account:

details the gross and net income from Council Tax.

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.

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.

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 Council was subject to the Companies Act.

Common Good Fund:

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

Notes to the Core Financial Statements and Other Various Accounts

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

Accounting Policies (note 1 to the Core Financial Statements):

The Accounting Policies set out the basis upon which the Financial Statements have been prepared, and explains the accounting treatment of both general and specific items.

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Virement from Contingency / Fund Balances

The 2011/2012 Revenue Budget included a general contingency provision of £650,000 to allow for unforeseen items of expenditure arising during the course of the financial year. The full amount of £650,000 was vired from this contingency to offset additional expenditure incurred by departments. Specific contingencies totalling £636,000 were also included for additional costs relating to energy and severance schemes. An amount of £124,000 was vired from these contingencies to offset additional expenditure incurred by departments. Further virements totalling £1.248m were made from General Fund Balances, partly to fund departmental expenditure commitments that had been carried forward from 2010/2011. During the course of the financial year, the Council received additional revenue grant totalling £1.479m from the Scottish Government to fund additional cost pressures and transfers of responsibility.

The "Budgeted Net Expenditure/(Income)" column in the Comprehensive Income & Expenditure Statement reflects the impact of the transfers from contingency and from General Fund Balances, together with the additional funding received from the Scottish Government during the financial year. The budgeted net expenditure figures have also been adjusted to reflect internal budget virements between departments and amounts transferred from the Renewal & Repair Fund in order to fund expenditure within departments.

Revenue Budget

The 2011/2012 Revenue Budget was agreed at the meeting of the Special Policy & Resources Committee on 10 February 2011. In setting the 2011/2012 Council Tax level it was agreed that no amounts would be taken from balances. The Policy & Resources Committee received monthly revenue monitoring reports during 2011/2012 in order to keep elected members fully apprised as to the projected outturn position.

The following table reconciles the Revenue Budget approved by the Special Policy & Resources Committee on 10 February 2011 to the revised Budgeted Surplus on Provision of Services, as shown in the Comprehensive Income & Expenditure Statement. That figure is then reconciled further to the Adjusted Budgeted General Fund Deficit.

	Budgeted Net Expenditure/ (Income) £m
Approved Revenue Budget 10 February 2011	-
<u>Add</u>	
Virements from General Fund Balances	1.248
Insurance Fund Deficit	0.350*
Transfer from Renewal & Repair Fund	0.216*
Transfer to Capital Fund	0.679*
Depreciation and Impairment	100.827*
Financial Instruments Adjustment	(0.071)
Loss on Disposal of Fixed Assets	2.680*
IAS 19 Adjustment	(3.703)*
Capital Grants & Contributions	(36.502)*
Changes in Fair Value of Investment Properties & Assets Held for Sale	1.630*
Movement in Employee Benefits Accrual	(0.273)*
<u>Less</u>	
On-Street Car Parking Surplus	(0.301)
Loan Repayments and CFCR	<u>(24.136)*</u>
Budgeted Deficit on Provision of Services per Comprehensive Income & Expenditure Statement	42.644
<u>Less</u>	
Items marked * above	(41.768)
<u>Add</u>	
Transfer from Financial Instruments Adjustment Account	<u>0.068</u>
Adjusted Budgeted General Fund Deficit	<u>0.944</u>

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Revenue Expenditure

The Movement in Reserves Statement shows an actual increase in the General Fund balance over the year of £2.730m. This was against a budgeted deficit of £0.944m, ie this represents an overall net underspend of £3.674m against the 2011/2012 Revenue Budget. The main components of the net underspend are as follows:

	(Under)/ Over Spend £m
Net Underspend on Council Services	(0.573)
Reduced Joint Board Contributions	(1.072)
Additional Housing Benefits Subsidy Costs	0.445
Net Savings on Contingency Amounts	(0.231)
Reduced DCS Deficit	(0.316)
Additional Tayside Contract Surplus	(0.165)
Reduced Income from Investment Properties	0.049
Additional Local Taxation Income	(0.910)
Increased Revenue Support Grant	(0.108)
Increased Contribution from NNDR Pool	(0.285)
Savings on Loan Charges	(1.134)
Additional CFCR Expenditure	0.738
Additional Pension Contributions	<u>0.216</u>
Net Underspend Before Appropriations	(3.346)
Contributions from Reserves	<u>(0.328)</u>
Net Underspend After Appropriations	<u>(3.674)</u>

The net underspend of £0.573m on Council services was due to a number of under and overspends within departmental budgets, with the main areas being: Social Work (overspend £2.129m, mainly continued significant cost pressures in adult care and increased spend on family placements and children's residential and secure care due to an increased number of children requiring to be looked after and accommodated), City Development (overspend £2.199m, mainly provision for non-recovery of long-term debtor balances and shortfalls against income budgets), Environment (underspend £0.899m, mainly underspends in staff costs and various supplies and services budgets within the Waste Management division), Corporate Services Department and Corporate & Democratic Core Costs (underspend £2.140m, mainly additional internal recharge income and additional grant income, together with underspends in staff costs across the central divisions), Other Housing (underspend £1.316m, mainly underspend in budget for private sector housing grant).

General Fund Balances

The surplus of income over expenditure for the financial year 2011/2012 was £2.730m. When added to the opening General Fund balance of £6.758m, this gives a General Fund balances figure of £9.488m at 31 March 2012. It is, however, estimated that there are expenditure commitments amounting to £1.893m outstanding at 31 March 2012. These have arisen mainly due to underspends in 2011/2012 and these underspends will be carried forward to 2012/2013 and fully utilised in the new financial year. In addition, there are ear-marked balances within the General Fund of £0.521m and £0.101m in respect of the Devolved School Management Scheme and Car Parking respectively. The amount of £0.943m was taken from balances in setting the 2012/2013 Council Tax. When all of these items are taken into account, it is estimated that the Council has uncommitted General Fund balances of £6.030m as at 31 March 2012. This sum is not considered unreasonable for a local authority with an annual net cost of services of over £400m, and given the financial risks and uncertainties currently facing the Council. The Council manages its General Fund balances (and other cash-backed reserves) in accordance with proper accounting practice and the associated protocol that was agreed by the Policy & Resources Committee on 9 February 2004.

Other Cash-backed Reserves

In addition to the General Fund, the Council operates three statutory cash-backed reserves: Capital Fund, Renewal & Repair Fund and Insurance Fund. These reserves are operated in accordance with the relevant statutory provisions. Further details on these reserves are provided in the Movement in Reserves Statement. In accordance with proper accounting practice, all in-year movements on these reserves (with the exception of capital receipts transferred to/from the Capital Receipts Reserve) are processed through the Comprehensive Income & Expenditure Statement. The following table summarises the movements in 2011/2012:

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	Capital Fund £m	Renewal & Repair Fund £m	Insurance Fund £m
Interest & Investment Income Applied	0.021	0.017	0.044
Transfer from Reserve to cover Expenditure	-	(0.198)	(0.194)
Transfer of HRA Surplus (Historical Cost Basis)	-	0.247	-
General Transfer to / (from) Reserves	-	1.000	0.500
Capital Receipts Transferred to the Capital Receipts Reserve	<u>(2.096)</u>	<u>-</u>	<u>-</u>
Total Increase / (Decrease) in Reserve Balance in the Year	<u>(2.075)</u>	<u>1.066</u>	<u>0.350</u>

Principal Sources of Finance for Revenue Expenditure

The majority of the principal sources of finance, as detailed in the Comprehensive Income & Expenditure Statement, are determined by the Scottish Government and are as follows:

	£m
Revenue Support Grant	240.7
Contributions from National Non-Domestic Pool	<u>61.1</u>
	<u>301.8</u>

The remainder of the principal sources of finance are Council Tax (£57.6m) which was set, billed and collected by the City Council and residual Community Charge (Poll Tax) not previously accounted for.

Prudential Code

The previous controls on local authority borrowing were abolished by the Local Government in Scotland Act 2003 and replaced (with effect from 1 April 2004) by a prudential regime, based mainly on self-regulation. A Prudential Code has been developed by CIPFA as a professional code of practice to support local authorities in taking decisions on capital investment. The Code seeks to ensure that capital investment programmes are affordable, that borrowing is within prudent and sustainable levels and that treasury management decisions are taken in accordance with professional good practice. The Code also sets out a range of prudential indicators that will demonstrate whether these objectives have been met. Compliance with the Code is required under the 2003 Act. The Council has complied with all aspects of the Prudential Code in 2011/2012.

Capital Expenditure & Borrowing Facilities

Gross capital expenditure in 2011/2012 was £86.9m, of which £23.6m was spent within the Housing Department Programmes. The remaining £63.3m was spent on the Council's other services including Education, Social Work, City Development, Leisure & Communities and Environment. £86.9m of capital expenditure was funded through borrowing (£57.0m), various types of capital receipts (£28.2m) and directly from revenue resources (£1.7m). 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 the Comprehensive Income & Expenditure Statement increases total net 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 Public Works Loans Board, although the Council can, in addition, borrow from the money markets and the European Investment Bank. During 2011/2012 the Council's Capital Financing Requirement (CFR) increased by £33.8m, from £473.2m to £507.0m. 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 contract and finance leases. The Council manages its CFR level in line with the requirements of the Prudential Code. The Council's external debt was £468.8m (2010/11 £442.1m). The fact that this is significantly below the CFR confirms the Council is not borrowing for revenue purposes and is partly funding its capital expenditure from existing resources.

Control of Capital and Revenue Expenditure

The monitoring and control of both capital and revenue expenditure of an organisation of the size and complexity of the City Council is an on-going and substantial exercise which requires a positive contribution from staff and elected members to ensure that the Council's financial objectives are achieved and that the Council's financial resources are fully utilised. The following Statement of Accounts reflects the fact that this has been satisfactorily carried out in the course of the financial year.

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Public Private Partnership (PPP)

In December 2003, the Scottish Government confirmed their initial offer of revenue (level playing field) support of £5.730m per annum for a revised PPP project with a notional capital value of £80m for the replacement, extension and refurbishment of schools within the city. Robertson Capital Projects (RCP) were appointed preferred bidder in November 2005. In February 2007, the Council reached financial close with RCP and a Special Purpose Vehicle (Discovery Education Plc) was set up to construct and operate the schools for a period of 30 years. Construction began in March 2007. The first tranche of primary schools (Claypotts Castle, Craigowl, Downfield and St Andrews RC) were completed in May 2008. Grove Academy Phase 1 was completed in August 2008 and St Pauls RC Academy was completed in November 2008. The remaining two primary schools (Fintry and Rowantree) were completed in April 2009 and Grove Academy Phase 2 was completed in November 2009.

Pension Liability (International Accounting Standard 19)

Under International Accounting Standard 19 (Employee Benefits) the Council is required to include figures in its Statement of 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 £318.9m as at 31 March 2012 (estimated net pension liability at 31 March 2011 was £225.8m). A decrease in the real interest rate used to calculate scheme liabilities has caused an increase in liabilities and, along with a decrease in the value of scheme assets, this has caused the overall increase in the net liability.

Statutory Trading Accounts

The Local Government in Scotland Act 2003 repealed CCT legislation and introduced a new requirement to maintain Trading Accounts for significant trading operations. In 2003/2004, the Council established a Statutory Trading Account for the services provided by Dundee Contract Services. The Statutory Trading Account (see Note 19) shows that a net surplus of £0.422m was generated in 2011/2012 and this has been included in the Comprehensive Income & Expenditure Statement. The statutory financial target is for the Trading Account to break-even over a three year rolling period. This requirement has been exceeded by £0.765m during the period 2009-2012.

Scottish Housing Quality Standard

Following consultation, and recognising the desire of a majority of tenants to remain with the Council, a Scottish Housing Quality Standard delivery plan was submitted to the Scottish Government. The Scottish Government had previously announced that they require all Scottish Council Housing to be brought up to the new Scottish Housing Quality Standard by 2015 and maintained at that standard thereafter. The standard states that Scottish Council Housing should be free from major repair, energy efficient and safe and secure. The Council's delivery plan was approved in October 2006 and sets out the achievement of the standard by 2015 and the phasing of the £140.8m investment in Council Housing core stock. The Council also intends to spend an additional £51m to supplement the SHQS by investing in a maintenance investment programme during the same period. A "root and branch" review was submitted to committee in August 2010.

Equal Pay Costs / Single Status Agreement

In the Comprehensive Income & Expenditure Statements for the period 2005-2010, net charges totalling £3.899m were included for this item. A further £0.058m has been included in the 2011/2012 Comprehensive Income & Expenditure Statement. In addition to the costs associated with its own staff, these charges also reflected the Council's liability to meet a share (33%) of the equal pay costs for Tayside Contracts staff. The charges largely cover equal pay costs for the 5-year period to 31 March 2006 and include provision for Income Tax and National Insurance costs. The resolution of the equal pay issue was deemed to be a necessary step towards reaching agreement on the implementation of the Single Status Agreement, which will ensure ongoing equal pay for work of equal value for all employees of the Council. The Single Status Agreement was implemented by the Council on 1 April 2008 and by Tayside Contracts on 1 July 2008.

Changing for the Future

In August 2010, the Policy & Resources Committee approved a strategy entitled Changing for the Future that set out how the Council plans to achieve the level of savings required to deliver annual balanced budgets over the period 2011-2014. The report included a projection of Revenue Budgets for the period 2011-2014 and indicated that savings totalling £39.3m were required in order to deliver annual balanced budgets over that period. (Savings totalling £15m and £3.6m were subsequently identified and agreed in setting the 2011/2012 and 2012/2013 Revenue Budgets respectively. The approved Changing for the Future work programme includes 33 discrete projects under four broad themes: Service Prioritisation, Reshaping Service Delivery Models, Assets and Enabling the Change. The outcome of several reviews has now been reported to the Policy & Resources Committee, with identified savings and efficiencies being incorporated into the budget preparation process for 2012/13 and future years. A further 12 projects have been identified under Phase 2 of the Changing for the Future work programme.

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Voluntary Early Retirement Schemes / Voluntary Redundancy Scheme

The above schemes have been approved by the Council as part of the Changing for the Future programme that seeks to identify the cost saving measures that are required to deliver annual balanced budgets over the period 2011-2014. Once implemented the reduction in staffing levels will facilitate the rationalisation and restructuring of Council services. The Council has approved separate schemes for teaching staff and other employees. Details of the approved schemes are summarised below:

Teaching Staff and Associated Professionals

On 12 December 2011, the Special Policy & Resources Committee approved a voluntary early retirement scheme for above staff that would take effect from the end of the 2011/2012 academic session. This scheme followed similar schemes that were available to staff in both the previous two years. The scheme was available to all teaching staff and associated professionals that would be aged 55 years or over as at 12 August 2012 and were members of the Scottish Teachers Superannuation Scheme. Following approval of the scheme, the Director of Education issued correspondence to all relevant teaching staff setting out the terms and conditions of the scheme along with the procedures to be followed should they wish to apply. The closing date for applications to the above scheme was 10 January 2012. Of the 120 teaching staff that expressed an interest, 60 have been made an initial offer of early retirement and 55 of these employees have accepted. This is likely to be the final position.

Other Employees

The Policy & Resources Committee approved a voluntary early retirement scheme and a voluntary redundancy scheme for all other employees on 14 November 2011. The scheme was available to all other (i.e. non-teaching) employees and the conditions of the scheme were similar to the first scheme approved in April 2010. Successful applicants required approval by the relevant Head of Department, together with approval from the Chief Executive, Director of Corporate Services and Head of Human Resources. Staff applying and being accepted under the scheme were allowed to leave their employment early with the choice of either added years to their pension entitlement or receiving a statutory redundancy payment. Entitlement to either added years or statutory redundancy is dependent on an employee's age and whether they are members of the Local Government Pension Scheme. The closing date for applications to the above scheme was 14 December 2011. A total of 243 employees applied and as at 15 June 2012, 60 applications were approved, decisions on 41 applications were deferred and the remaining 142 applications were either refused or the offer made was declined by the applicant.

The financial implications of the Council's Voluntary Early Retirement Schemes and Voluntary Redundancy Scheme have been reflected in the 2011/2012 Statement of Accounts as necessary, in line with the relevant proper accounting practices.

Dundee Leisure / Leisure and Culture Dundee

In March 2006, it was agreed that a Leisure Company with charitable status ("Dundee Leisure") would be established to manage and operate the Council's swimming and leisure facilities from 1 April 2006. A Management Agreement was agreed between the Council and the Company, together with building leases for five different leisure facilities. As part of the Management Agreement, 118 full-time equivalent staff transferred from the Council to the Company on existing terms and conditions of employment. The financial savings arising from the establishment of Dundee Leisure (mainly in respect of non-domestic rates and VAT) were reflected in future years' Revenue Budgets. In addition, it was agreed that from 1 April 2009, Dundee Leisure should manage and operate the community based Sports and Leisure facility at the new St Paul's RC Academy. All financial implications were reflected in future years' Revenue Budgets.

In February 2011, as part of the 2011/2012 Revenue Budget setting process, it was agreed to establish a charitable organisation to manage the leisure and cultural facilities owned by the Council. The estimated savings of £334,000 were reflected in the 2011/2012 Revenue Budget, with further savings subsequently reflected in the 2012/2013 Revenue Budget. It was agreed that the legal form of the new charitable organisation would be a Scottish Charitable Incorporated Organisation (SCIO) and that the SCIO would be named Leisure and Culture Dundee. The constitution of Leisure and Culture Dundee was approved by the Policy & Resources Committee and an application to establish the SCIO was approved by OSCR on 29 June 2011. Leisure and Culture Dundee have been in operation from 1 July 2011.

City Council Organisation Structure

In March 2011, as part of the Changing for the Future Programme, the Policy & Resources Committee approved a revised organisation structure for the Council. The new structure consists of six departments and one arms length organisation (Leisure and Culture Dundee), alongside a Chief Executive's department. The main changes were the consolidation of all Support Services including Finance into a single Corporate Services Department; all property related matters becoming the responsibility of the City Development Department; the creation of a new Leisure and Culture organisation; a new Environment Department that includes Dundee Contracts, all ground maintenance,

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waste management and environmental services. A Community Learning and Development Services section was retained as part of the Chief Executive's Department. The majority of the revised departmental structure took effect from 1 July 2011, with the new Corporate Services Department taking effect from 1 April 2012. The existing Education, Social Work and Housing Departments remained largely unchanged.

Dundee Airport

On 1 December 2007, the operation of Dundee Airport was transferred to Dundee Airport Ltd (DAL) a wholly owned subsidiary of Highlands and Islands Airports Ltd (HIAL). The City Council has entered into a 175 year lease of the airport facilities with DAL. As part of the transfer of the airport operation, 43 full-time equivalent staff have transferred from the Council to DAL under a TUPE transfer. The financial savings from the transfer were reflected in future years' Revenue Budgets.

Tayside Contracts

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. The organisation is the commercial trading arm of the Councils of Dundee City, Angus and Perth & Kinross and employs approximately 2,500 staff operating out of in excess of 300 establishments. Tayside Contracts operates under a Joint Committee comprising of elected members from each constituent council. In terms of the City Council's Group Accounts, Tayside Contracts is accounted for as a "joint arrangement which is not an entity" and a proportion of their assets and liabilities have been added to the City Council's Balance Sheet prior to the consolidation of group entities.

Group Accounts

Proper accounting practice requires local authorities to prepare supplementary Group Accounts to incorporate the results of subsidiaries, associates and joint ventures. Two directly managed funds, being the Common Good Fund and a Charitable Trust Fund (the Fleming Trust) have been incorporated as subsidiaries. Six associates have been consolidated using the "equity" method in the Group Accounts. A proportion of the assets and liabilities of Tayside Contracts has been added to the City Council's Balance Sheet prior to the consolidation of the other group entities.

The Group Comprehensive Income & Expenditure Statement shows a deficit of £60.588m, a movement of £22.639m from the deficit of £37.949m shown in the Council's Comprehensive Income & Expenditure Statement. This is mainly due to incorporating the Council's share of deficits on the Comprehensive Income & Expenditure Statements of the Police and Fire Boards. The impact of consolidation on the Balance Sheet is to decrease the net assets and reserves by £365.919m, when compared to the Council's adjusted single entity Balance Sheet. This is mainly due to the impact of consolidating the Council's share of the Balance Sheets of the Police and Fire Boards. These Boards' Balance Sheets show large deficits, mainly due to the effect of accounting for pension costs under International Accounting Standard 19 (Employee Benefits).

Pension Fund Accounts

Dundee City Council is the administering authority for both the Tayside Superannuation Fund (Main Fund) and the Tayside Transport Superannuation Fund (Transport Fund). The scheme covering these Funds is statutory, approved by the Inland Revenue and contracted out of S2P (the State Second Pension). The Scheme is a "defined benefit scheme". This means that the benefits to which members and their spouses are entitled are determined by final pensionable pay and pensionable service.

Tayside Superannuation Fund:

this fund is maintained for the benefit of its membership (including existing and deferred pensioners). This comprises the majority of Local Government employees within Dundee City Council, Perth and Kinross Council and Angus Council as well as 43 other "scheduled bodies" and "admitted bodies". Teachers are not included in the Scheme as they have a separate, nationally established, statutory arrangement. Membership of the Tayside Superannuation Fund decreased to 17,228 employees at 31 March 2012 from 17,882 employees at 31 March 2011. The number of pensioners on the roll at 31 March 2012 was 12,301 compared with 11,801 at 31 March 2011.

Tayside Transport Superannuation Fund:

as a result of the 1985 Transport Act, the employees of the former Dundee City Bus Unit, which formed part of Tayside Regional Council's Roads and Transport Department, were transferred to a new company, Tayside Public Transport Company Ltd. A separate Superannuation Fund for those transferred employees was set up on 26 October 1986. During 1991/1992 Tayside Public Transport Company Ltd was subject to an employee buy-out. Any employees in post at the time of the buy-out may remain in the Fund, however, any new employees are not eligible for entry into the Fund. Tayside Public Transport Company Limited was bought out by West Midlands Travel on 22 February 1997 and renamed as Travel Dundee, but this had no effect on the Fund.

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Further information can be found in the Tayside Superannuation Funds' Annual Report and Accounts which is available upon request from the Director of Corporate Services, Dundee City Council, Floor 4, 50 North Lindsay Street, Dundee DD1 1NZ or via Dundee City Council's website (www.dundeeecity.gov.uk/pensions).

Financial Indicators

The following financial indicators are intended to support interpretation of the financial statements 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 demonstrate how effective financial management is within the Council.

Category / Financial Indicator	2011/12	2010/11
<i>Reserves</i>		
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	1.75%	1.44%
Movement in the Uncommitted General Fund Balance	+£1.114m	-£1.895m
<i>Council Tax</i>		
In-year collection rate	93.3%	92.9%
Ratio of Council Tax Income to Overall Level of Funding	15.1%	15.2%
<i>Financial Management</i>		
Actual Outturn Net Service Expenditure compared to Budgeted Net Service Expenditure	99.1%	100.1%
Actual contribution to / from Unallocated General Fund Balance compared to Budget	-£1.114m	+£1.138m
<i>Debt / Long Term Borrowing</i>		
Capital Financing Requirement for the current year	£507.0m	£473.2m
External Debt Levels for the current year	£468.8m	£442.1m
Ratio of financing costs to net revenue stream – General Services	6.9%	6.3%
Ratio of financing costs to net revenue stream – HRA	38.7%	37.6%
Impact of Capital Investment on Council Tax	£nil	£nil
Impact of Capital Investment on Weekly Rents	£2.02	£2.19

Subsequent Events

A fire occurred at the plant operated by Dundee Energy Recycling Limited on 16th May 2012. The plant is owned by the City Council and plays a significant role in its waste disposal strategy. The plant is still non-operational but its reinstatement will be funded from an insurance settlement. It is not considered that the effect on the net book value is significant. This is deemed to be a "non-adjusting event", in terms of the Code of Practice.

Acknowledgements

I 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, I would conclude this report by thanking all the Finance Division staff who contributed to the management and control of the Council's finances and to the finalisation of the City Council's 2011/2012 Statement of Accounts.

Marjory Stewart, FCCA, CPFA
Director of Corporate Services
Dundee City Council
xx September 2012

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 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.

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 Single Outcome Agreement.
- 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.
- approved anti-fraud and corruption strategies including "whistle-blowing" arrangements under the Public Interest Disclosure Act 1998.
- 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.

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 auditors and other review agencies and inspectorates.

ANNUAL GOVERNANCE STATEMENT

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 over 90% compliant with guidelines.

In addition Chief Officers from each department have made a self-assessment of their own arrangements. This involved the completion of a 31-point checklist covering four key governance areas of Service Planning and Performance Management, Internal Control Environment, Budgeting, Accounting and Financial Control and Risk Management and Business Continuity. This again indicated a high level of compliance.

The Internal Audit Service operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006 and reports to the Scrutiny Committee. Internal Audit undertakes an annual programme of work, which is reported to the Scrutiny Committee. The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control.

The Director of Corporate Services complied fully with the five principles set out in CIPFA's *Role of the Chief Financial Officer*.

Continuous Improvement Agenda

The Council's Corporate Governance working group has identified the following areas for improvement, to be taken forward during 2012/13:

- publish a Customer Excellence Standard.
- review national reports by regulators for best practice.
- introduce a system to enable full realisation of benefits.
- increase compliance with procurement framework.
- raise awareness of risk

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

- further documentation of operational procedures and guidance.
- further development of certain key computerised systems.
- business continuity planning and testing.

Group Entities

In respect of the Joint Boards, Joint Committee, Charitable Organisation and Companies that fall within the Council's group boundary, the review of their corporate governance systems 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 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 during 2012/13 that steps are taken to address the items identified in the Continuous Improvement Agenda to further enhance the Council's governance arrangements.

David K Dorward
Chief Executive, Dundee City Council
xx September 2012

Ken Guild
Leader of the Council
xx September 2012

ANNUAL REMUNERATION REPORT

INTRODUCTION

The Council is required to prepare and publish within its Statement of Accounts an annual Remuneration Report under the Local Authority Accounts (Scotland) Amendment Regulations 2011 (Scottish Statutory Instrument No. 2011/64), which came into force on 31 March 2011. The report sets out the remuneration and accrued pension benefits of the Senior Councillors and Senior Employees of the Council. 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 Council's External Auditor is required to audit certain parts of the Remuneration Report and give a separate opinion in his report on the Statement of Accounts as to whether the Remuneration Report has been properly prepared in accordance with the Regulations. All the tables in this report are subject to audit except those 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). 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. When determining the level of remuneration for Councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority Councillors.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2011/2012 the salary for the Leader of Dundee City Council was £32,470. 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 (£24,353). The Regulations allow the Civic Head to incur expenditure of £3,000 on expenses associated with the position. Dundee City Council's Lord Provost does not claim any expenditure 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 £320,647 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. The Council's arrangements in this area were agreed, for 2009/2010 onwards, at the meeting of Dundee City Council on 1 July 2009.

In 2011/2012, Dundee City Council had 14 Senior Councillors (including the Leader and Civic Head) and the remuneration paid to these Councillors totalled £302,383. 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 Members Salaries scheme for 2009/2010 onwards, which encompasses the salaries of all elected members including the Leader, Civic Head (Lord Provost) and Senior Councillors was agreed at a meeting of Dundee City Council on 1 July 2009. A copy of the scheme is available on the Council's website. (www.dundeeccity.gov.uk/reports/agendas/pr010709.pdf).

ANNUAL REMUNERATION REPORT

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.

	2011/2012	2010/2011
	£	£
Salaries	556,487	557,633
Mileage, Travel & Subsistence etc	8,029	10,140
Training & Conferences	1,323	1,859
Telephone Expenses	5,199	4,894
	571,038	574,526
Provision of Council Cars	30,832	40,998
	601,870	615,524

The full Annual Return of Councillors Salaries & Expenses for 2011/12 is available on the Council's website. (www.dundee.gov.uk/dundeecity/uploaded_publications/publication_3326.pdf).

Senior Employees

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 continues to apply. The salaries of the 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 Directors and Heads 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 12 employees (11 posts) meet the criteria for designation as a Senior Employee in 2011/2012, with all 12 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 2.

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:

ANNUAL REMUNERATION REPORT

Remuneration Bands	No of Employees	No of Employees
	2011/2012	2010/2011
£50,000 - £54,999	59	60
£55,000 - £59,999	32	38
£60,000 - £64,999	12	13
£65,000 - £69,999	8	7
£70,000 - £74,999	7	8
£75,000 - £79,999	8	9
£80,000 - £84,999	-	2
£85,000 - £89,999	1	2
£90,000 - £94,999	2	1
£95,000 - £99,999	2	2
£100,000 - £104,999	3	4
£105,000 - £109,999	-	-
£110,000 - £114,999	-	1
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	1	1
Total	135	148

ACCRUED PENSION BENEFITS

Pension benefits for Councillors and Local Government Employees are provided through the Local Government Pension Scheme (LGPS).

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 this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number years that the person has been a member of the scheme.

The scheme's normal retirement age for both Councillors and Local Government Employees is 65.

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 tiers and members contribution rates for 2011/2012 remain at the 2009/2010 rates and are as follows:

Whole Time Pay	Contribution Rate 2011/2012	Contribution Rate 2010/2011
On earnings up to and including £18,000	5.5%	5.5%
On earnings above £18,000 and up to £22,000	7.25%	7.25%
On earnings above £22,000 and up to £30,000	8.5%	8.5%
On earnings above £30,000 and up to £40,000	9.5%	9.5%
On earnings above £40,000	12%	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 guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service.

ANNUAL REMUNERATION REPORT

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

The accrued pension benefits for Senior Employees are set out in Table 4, 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 2011/2012, the scheme member contribution rate for Senior Councillors was in the range of 5.5% to 6.7% of pensionable pay and for Senior Employees was in the range of 9.5% to 10.5% of pensionable pay. In 2011/2012, the employer contribution rate was 18.5% of pensionable pay for both Senior Councillors and Senior Employees.

David K Dorward, CPFA
Chief Executive
Dundee City Council
xx September 2012

ANNUAL REMUNERATION REPORT

TABLE 1a – REMUNERATION OF SENIOR COUNCILLORS

Councillor Name	Responsibility	Salary, Fees & Allowances	Taxable Expenses	Non-cash Expenses & Benefits-in-Kind	Total Remuneration 2011/2012	Total Remuneration 2010/2011
		£	£	£	£	£
Ken Guild	Leader	32,470	0	0	32,470	32,470
John R Letford	Lord Provost	24,353	0	0	24,353	24,353
Will Dawson	Convener, City Development	21,563	0	0	21,563	21,563
Bob Duncan	Convener, Leisure, Arts & Communities	21,563	0	0	21,563	21,563
Jimmy Black	Convener, Housing, DCS & Environmental Services	21,563	0	0	21,563	21,563
Elizabeth F Fordyce	Convener, Education	21,563	0	0	21,563	21,563
Jim Barrie	Convener, Social Work & Health	21,563	0	0	21,563	21,563
Willie Sawers	Depute Convener, Policy & Resources	21,563	0	0	21,563	21,563
Roderick A J Wallace	Convener, Development Management	21,563	0	0	21,563	21,563
Stewart Hunter	Depute Convener, Education	18,264	0	0	18,264	18,264
Alan Ross	Depute Convener, Leisure Arts & Communities	18,264	0	0	18,264	18,264
Craig Melville	Depute Convener, Housing, DCS & Environmental Services	18,264	0	0	18,264	18,264
David Bowes	Depute Convener, City Development	18,264	0	0	18,264	18,264
Kevin Keenan	Leader of the Opposition	21,563	0	0	21,563	21,563
Andy Dawson	Depute Convener, Licensing (until 25/10/10)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,380</u>
Total		302,383	0	0	302,383	319,763

TABLE 1a NOTES

1. The Housing, DCS & Environmental Services Committee was dissolved on 30 June 2011.
2. The Leisure, Arts & Communities Committee was dissolved on 30 June 2011.
3. A new Housing Committee was established on 1 July 2011, with Councillor Jimmy Black as Convener and Councillor Craig Melville as Depute Convener.
4. A new Environment Committee was established on 1 July 2011, with Councillor Bob Duncan as Convener and Councillor Alan Ross as Depute Convener.

ANNUAL REMUNERATION REPORT

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

Councillor Name	Responsibility	Salary, Fees & Allowances	Taxable Expenses	Non-cash Expenses & Benefits-in-Kind	Total Remuneration 2011/2012	Total Remuneration 2010/2011
		£	£	£	£	£
Tom Ferguson	Convener, Tayside Valuation Joint Board	20,294	0	0	20,294	20,294
George Regan	Vice Convener, Tayside Joint Police Board	18,264	0	0	18,264	18,264
Christina Roberts	Vice Convener, Tayside Fire & Rescue Board	18,264	0	0	18,264	18,264
Helen Wright	Convener, Tayside Community Justice Authority	<u>20,294</u>	<u>0</u>	<u>0</u>	<u>20,294</u>	<u>20,294</u>
Total		<u>77,116</u>	<u>0</u>	<u>0</u>	<u>77,116</u>	<u>77,116</u>

Note

The following recharges were made in respect of the above responsibilities:

	2011/12	2010/11
	£	£
Tayside Valuation Joint Board	4,060	4,060
Tayside Joint Police Board	2,030	2,030
Tayside Fire & Rescue Board	2,030	2,030
Tayside Community Justice Authority	<u>4,060</u>	<u>4,060</u>
	<u>12,180</u>	<u>12,180</u>

ANNUAL REMUNERATION REPORT

TABLE 2 – REMUNERATION OF SENIOR EMPLOYEES

Employee Name	Post Title	Salary, Fees & Allowances	Bonuses	Taxable Expenses	Compensation for Loss of Employment	Benefits Other Than in Cash	Total Remuneration 2011/2012	Total Remuneration 2010/2011
		£	£	£	£	£	£	£
David K Dorward	Chief Executive	143,394	0	0	0	2,709	146,103	141,447
Patricia McIlquham	Depute Chief Executive (Support Services) (retired 30/3/12, full year equivalent £106,017)	105,745	0	0	18,978 (plus annual compensation of £6,326)	0	124,723	105,217
Marjory Stewart	Director of Finance	97,782	0	0	0	3,038	100,820	100,808
Chris Ward	Assistant Chief Executive (retired 30/6/11, full year equivalent £84,045)	21,011	0	0	11,752 (plus annual compensation of £3,917)	0	32,763	84,045
Jim Collins	Director of Education (retired 30/6/11, full year equivalent £101,217)	25,304	0	0	16,722 (plus annual compensation of £5,574)	0	42,026	101,217
Michael Wood	Director of Education (wef 1/7/11, full year equivalent £101,217)	75,913	0	0	0	0	75,913	n/a
Alan Baird	Director of Social Work	101,217	0	0	0	0	101,217	101,217
Elaine Zwirlein	Director of Housing	92,625	0	0	0	0	92,625	92,625
Michael P Galloway	Director of City Development	101,217	0	0	0	0	101,217	101,217
Ken Laing	Director of Environment (wef 1/7/11, was previously Director of Dundee Contract Services)	90,480	0	0	0	1,304	91,784	87,424
James K Laing	Head of Waste Management (retired 8/7/11, full year equivalent £77,166)	20,951	0	0	2,902 (plus annual compensation of £967)	0	23,853	77,166
Stewart Murdoch	Director of Leisure & Communities	89,190	0	0	0	0	89,190	89,190
Ged Bell	Head of Information Technology	0	0	0	0	0	0	78,630
Iain M M Martin	Head of Personnel	0	0	0	0	0	0	78,041
Total		964,829	0	0	50,354	7,051	1,022,234	1,238,244

TABLE 2 NOTES

- Salary, Fees & Allowances figure for David K Dorward, Chief Executive, includes £10,653 Returning / Counting Officer fee in respect of the Scottish Parliamentary Election and Alternative Vote Referendum in May 2011 (2010/2011: £6,002).
- Salary, Fees & Allowances figure for Patricia McIlquham, Depute Chief Executive (Support Services), includes £4,800 Depute Returning / Counting Officer fee in respect of the Scottish Parliamentary Election and Alternative Vote Referendum in May 2011 (2010/2011: £4,000).
- Figures for Benefits Other Than in Cash relate to participation in the Council's Contract Car Hire Scheme. The equivalent figures for 2010/2011 are included within Total Remuneration for that year.
- Following a change in senior management reporting arrangements as part of the revised organisation structure, the posts of Head of Information Technology and Head of Personnel no longer fall within the definition of "Senior Employee" per the Regulations.

ANNUAL REMUNERATION REPORT

TABLE 3 – SENIOR COUNCILLORS ACCRUED PENSION BENEFITS

Councillor Name	Responsibility	Pension as at 31 March 2012	Pension Difference from 31 March 2011	Lump Sum as at 31 March 2012	Lump Sum Difference from 31 March 2011	Pension Contribution 2011/2012	Pension Contribution 2010/2011
		£000	£000	£000	£000	£	£
Ken Guild	Leader	2.2	0.6	2.1	0.1	6,007	6,007
Will Dawson	Convener, City Development	1.5	0.4	1.5	0.1	3,989	3,989
Bob Duncan	Convener, Leisure Arts & Communities	1.5	0.4	1.5	0.1	3,989	3,989
Jimmy Black	Convener, Housing, DCS & Environmental Services	1.5	0.4	1.5	0.1	3,989	3,989
Jim Barrie	Convener, Social Work & Health	1.5	0.2	1.5	0.0	3,989	3,989
Willie Sawers	Depute Convener, Policy & Resources	1.5	0.4	1.5	0.1	3,989	3,989
Stewart Hunter	Depute Convener, Education	1.4	0.2	1.3	0.0	3,379	3,379
Alan Ross	Depute Convener, Leisure Arts & Communities	1.2	0.3	0.9	0.0	3,379	3,379
Craig Melville *	Depute Convener, Housing, DCS & Environmental Services	1.0	0.4	0.0	0.0	3,564	3,533
Kevin Keenan	Leader of the Opposition	2.0	0.4	2.0	0.0	3,989	3,989
Total		15.3	3.7	13.8	0.5	40,263	40,232

* Councillor Craig Melville receives an additional payment as Chair of an APSE Committee. Pension contributions are made on this additional payment.

TABLE 3 NOTES

1. The Housing, DCS & Environmental Services Committee was dissolved on 30 June 2011.
2. The Leisure, Arts & Communities Committee was dissolved on 30 June 2011.
3. A new Housing Committee was established on 1 July 2011, with Councillor Jimmy Black as Convener and Councillor Craig Melville as Depute Convener.
4. A new Environment Committee was established on 1 July 2011, with Councillor Bob Duncan as Convener and Councillor Alan Ross as Depute Convener.

ANNUAL REMUNERATION REPORT

TABLE 4 – SENIOR EMPLOYEES ACCRUED PENSION BENEFITS

Employee Name	Post Title	Pension as at 31 March 2012 £000	Pension Difference from 31 March 2011 £000	Lump Sum as at 31 March 2012 £000	Lump Sum Difference from 31 March 2011 £000	Pension Contribution 2011/2012 £	Pension Contribution 2010/2011 £
David K Dorward	Chief Executive	68	3	183	0	25,496	25,667
Patricia McIlquham	Depute Chief Executive (Support Services) (retired 30/3/12)	44	3	116	1	204,419	18,725
Marjory Stewart	Director of Finance	36	2	92	0	18,090	18,090
Chris Ward	Assistant Chief Executive (retired 30/6/11)	28	5	76	16	5,508	15,548
Jim Collins	Director of Education (retired 30/6/11)	40	(5)	193	67	15,213	18,725
Michael Wood	Director of Education (wef 1/7/11)	46	10	124	23	14,044	n/a
Alan Baird	Director of Social Work	42	2	112	1	18,725	18,725
Elaine Zwirlein	Director of Housing	31	2	78	0	17,136	17,136
Michael P Galloway	Director of City Development	36	3	92	2	18,725	18,725
Ken Laing	Director of Environment (wef 1/7/11, was previously Director of Dundee Contract Services)	29	4	72	6	16,739	15,548
James K Laing	Head of Waste Management (retired 8/7/11)	33	1	90	0	3,876	14,275
Stewart Murdoch	Director of Leisure & Communities	40	2	106	1	16,500	16,500
Ged Bell	Head of Information Technology	0	n/a	0	n/a	0	14,275
Iain M M Martin	Head of Personnel	0	n/a	0	n/a	0	14,275
Total		<u>473</u>	<u>32</u>	<u>1,334</u>	<u>117</u>	<u>374,471</u>	<u>226,214</u>

TABLE 4 NOTES

1. Pension Contribution 2011/2012 figure for David K Dorward, Chief Executive, includes £939 contributions payable on Returning Officer fee in respect of the Scottish Parliamentary Election in May 2011 (2010/2011: £1,110).
2. Following a change in senior management reporting arrangements as part of the revised organisation structure, the posts of Head of Information Technology and Head of Personnel no longer fall within the definition of "Senior Employee" per the Regulations.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority 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. In this authority, that officer is the Director of Corporate Services.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the audited Statement of Accounts.

The Responsibilities of the Director of Corporate Services

The Director of Corporate Services is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ('the Code of Practice').

In preparing this statement of accounts, the 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 the Code of Practice.

The 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.

The Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and of its income and expenditure for the year ended 31 March 2012.

Marjory Stewart, FCCA, CPFA
Director of Corporate Services
Dundee City Council
xx September 2012

MOVEMENT IN RESERVES STATEMENT 2010/2011

Movement in Reserves Statement

This statement shows the movement in the year 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 reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and Dwellings Rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Renewal & Repair Fund £000	Insurance Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010	(9,500)	-	-	-	(8,152)	(2,889)	(889)	(21,430)	(442,449)	(463,879)
<u>Movement in Reserves During 2010/2011</u>										
(Surplus) or Deficit on Provision of Services	(63,285)	26,661	-	-	-	-	-	(36,624)	-	(36,624)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(112,900)	(112,900)
Total Comprehensive Income & Expenditure	(63,285)	26,661	-	-	-	-	-	(36,624)	(112,900)	(149,524)
Adjustments Between Accounting Basis & Funding Basis Under Regulations (note 5)	65,583	(26,763)	-	-	3,285	-	-	42,105	(42,105)	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	2,298	(102)	-	-	3,285	-	-	5,481	(155,005)	(149,524)
Transfers to/(from) Earmarked Reserves	444	102	-	-	(34)	(1,015)	503	-	-	-
(Increase)/Decrease in 2010/2011	2,742	-	-	-	3,251	(1,015)	503	5,481	(155,005)	(149,524)

MOVEMENT IN RESERVES STATEMENT 2011/2012

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Renewal & Repair Fund £000	Insurance Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2011 Carried Forward	(6,758)	-	-	-	(4,901)	(3,904)	(386)	(15,949)	(597,454)	(613,403)
<u>Movement in Reserves During 2011/12</u>										
(Surplus) or Deficit on Provision of Services	7,778	30,171	-	-	-	-	-	37,949	-	37,949
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	90,889	90,889
Total Comprehensive Income & Expenditure	7,778	30,171	-	-	-	-	-	37,949	90,889	128,838
Adjustments Between Accounting Basis & Funding Basis Under Regulations (note 5)	(10,998)	(30,418)	-	(13,572)	1,396	-	-	(53,592)	53,592	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(3,220)	(247)	-	(13,572)	1,396	-	-	(15,643)	144,481	128,838
Transfers to/(from) Earmarked Reserves	490	247	-	-	679	(1,066)	(350)	-	-	-
(Increase)/Decrease in 2011/2012	(2,730)	-	-	(13,572)	2,075	(1,066)	(350)	(15,643)	144,481	128,838
Balance at 31 March 2012 carried forward	(9,488)	-	-	(13,572)	(2,826)	(4,970)	(736)	(31,592)	(452,973)	(484,565)

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. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2010/2011			2011/2012			Unaudited 2011/12 Budgeted Net
Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000	Gross Expenditure £000	Gross Income £000	Net Expenditure/ (Income) £000	Expenditure / (Income) £000
149,617	(7,213)	142,404	147,968	(7,576)	140,392	140,865
87,309	(71,139)	16,170	89,306	(73,274)	16,032	16,903
68,105	(50,714)	17,391	74,995	(51,999)	22,996	23,190
32,034	(3,159)	28,875	27,322	(2,026)	25,296	25,216
25,266	(4,036)	21,230	23,292	(3,768)	19,524	20,383
23,183	(7,783)	15,400	20,510	(7,270)	13,240	12,739
18,859	(10,443)	8,416	43,275	(8,729)	34,546	32,911
116,561	(22,351)	94,210	119,162	(24,067)	95,095	92,965
4,824	(110)	4,714	3,968	(97)	3,871	4,264
3,566	(82,160)	(78,594)	1,859	(51)	1,808	1,527
18,237	(6,856)	11,381	17,627	(6,891)	10,736	13,292
16,152	-	16,152	15,606	-	15,606	16,223
12,887	-	12,887	12,169	-	12,169	12,553
1,018	-	1,018	920	-	920	991
577,618	(265,964)	311,654	597,979	(185,748)	412,231	414,022
		758			2,720	2,720
		31,526			18,877	20,478
		(380,562)			(395,879)	(394,576)
		(36,624)			37,949	42,644
		(12,620)			(5,952)	(5,952)
		(63)			(24)	(24)
		-			(212)	(212)
		(100,217)			97,077	97,077
		(112,900)			90,889	90,889
		(149,524)			128,838	133,533

BALANCE SHEET

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 of reserves are usable reserves, ie those reserves 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 of reserves is those that the Council is not able to use to provide services. This category of reserves 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 2011 £000	Note	31 March 2012 £000
1,285,352	Property, Plant & Equipment 37	1,262,422
-	Heritage Assets 53	8,114
21,198	Investment Property 33	19,360
1,137	Long Term Investments 49	1,159
10,672	Long Term Debtors 49	9,940
1,318,359	Long Term Assets	1,300,995
622	Short Term Investments 49	641
1,072	Inventories 41	996
43,681	Short Term Debtors 43	46,899
5,603	Cash and Cash Equivalents	-
2,320	Assets held for sale 40	2,482
53,298	Current Assets	51,018
(41,071)	Short Term Borrowing 49	(36,817)
(63,903)	Short Term Creditors 44/49	(60,056)
-	Cash and Cash Equivalents 16	(2,238)
(104,974)	Current Liabilities	(99,111)
(5,479)	Provisions 45	(4,358)
(326,058)	Long Term Borrowing 49	(360,978)
(308,903)	Other Long Term Liabilities 56	(401,873)
(12,840)	Grants Receipts in Advance 48	(1,128)
(653,280)	Long Term Liabilities	(768,337)
613,403	Net Assets	484,565
15,949	Usable reserves 11	31,592
597,454	Unusable Reserves 12	452,973
613,403	Total Reserves	484,565

Marjory Stewart, FCCA, CPFA
Director of Corporate Services
Dundee City Council

The unaudited accounts were issued on 29 June 2012 and the audited accounts were authorised for issue on xx September 2012.

CASHFLOW STATEMENT

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 (ie borrowing) to the Council.

2010/2011		2011/2012
£000		£000
(36,624)	Net (surplus) or deficit on the provision of services	37,949
(22,009)	Adjust net (surplus) or deficit on the provision of services for non cash movements	(90,581)
<u>5,331</u>	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	<u>3,702</u>
(53,302)	Net cash flows from Operating Activities (note 13)	(48,930)
73,579	Investing Activities (note 14)	83,403
<u>(33,205)</u>	Financing Activities (note 15)	<u>(26,632)</u>
(12,928)	Net (increase) or decrease in cash and cash equivalents	7,841
<u>(7,325)</u>	Cash and cash equivalents at the beginning of the reporting period	<u>5,603</u>
<u>5,603</u>	Cash and cash equivalents at the end of the reporting period (note 16)	<u>(2,238)</u>

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NOTES TO THE CORE FINANCIAL STATEMENTS

1 Accounting Policies

A General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/2012 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985. Section 12 of the Local Government in Scotland Act 2003 requires that they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of 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 (eg 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 Acquisitions and Discontinued Operations

N/a.

D 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.

E 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 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, ie 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

In accordance with the Code, the Council has adopted FRS 30 Heritage Assets for the first time in the financial statements. The effect of this change in accounting policy is not considered to be material and so the previous year's comparative figures have not been restated.

F Charges to Revenue for Non-Current Assets

Services, support services and trading accounts 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

The Council is not required to raise Council tax to cover depreciation, revaluation and impairment losses. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses 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.

G 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.

H 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 and other forms of leave earned by employees but not taken before the year-end and 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 Account when the Council is demonstrably committed to either terminating the employment of an employee or group of employees or making an offer to encourage voluntary redundancy. 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 Superannuation Scheme (Tayside Superannuation Fund), a defined benefits scheme which is administered by the City 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 – no liability for future payments of benefits is recognised in the Balance Sheet and the Education Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Local Government Pension Scheme

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

- The liabilities of the Tayside Superannuation 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 Superannuation Fund attributable to the Council are included in the Balance Sheet at their fair value:

 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities arising from current year decisions 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 Non Distributed Costs
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not co-incided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
 - contributions paid to the Tayside Superannuation 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

I 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 Statement of Accounts is 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 Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is 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 Statement of Accounts.

J Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

K 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 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.

L 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 then 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council has made a small number of loans to local external parties at less than market rates (soft loans). When soft loans are made, a loss is recorded in the appropriate service line of the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at the prevailing rate of interest rather than the rate receivable from these external parties, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited or credited to the Comprehensive Income and Expenditure Statement to the net gain 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.

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 principles:

- 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 – independent appraisal of company valuations.

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

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 derecognition 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.

M Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Any resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

NOTES TO THE CORE FINANCIAL STATEMENTS

N 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.

O 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 and 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

P Intangible Assets

N/a

Q Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of associates and jointly controlled entities 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.

R 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.

S 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. 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 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.

T Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation. Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

U 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 as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease together with an equivalent deferred liability for the obligation to pay the lessor. Where applicable, any initial direct costs of the Council are added to the carrying amount of the asset. Any premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

NOTES TO THE CORE FINANCIAL STATEMENTS

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the relevant accounting policies applied generally to such assets eg depreciation, revaluation and impairment review. The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore replaced by revenue provision 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.

Operating Leases

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 (eg if there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. 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.

Operating Leases

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.

V Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2011/2012* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

NOTES TO THE CORE FINANCIAL STATEMENTS

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

W 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 (ie 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 Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Authority. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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 – fair value, determined using the basis of existing use value for social housing (EUV- SH)
- other land & buildings – fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 previously recognised losses. Depreciation is not charged on Assets Held for Sale. 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 (ie 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. The balance of receipts is 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 Authority'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 (ie 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 asset 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

X 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.

Y 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. For example, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and 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 (eg 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 its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie 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 authority'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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

Z 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 and retirement 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.

AA Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

AB 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.

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

IFRS 7 – Financial Instruments: Disclosures (transfers of financial assets) – issued October 2010, effective for the 2012/2013 Financial Year

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013 (the Code) has introduced a change in accounting policy relating to the disclosure requirements around the transfer of financial assets. The amended accounting policy will require to be adopted fully in the 2012/2013 financial statements.

The amendments to *IFRS 7 Financial Instruments: Disclosures* are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Council's financial position. Relevant circumstances would arise where an authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership. It is the view of CIPFA / LASAAC that the transfers described by the standard do not occur frequently in local authorities and this is indeed the case for Dundee City Council. The adoption of the amended standard is therefore unlikely to have any material impact on the financial statements of Dundee City Council in 2012/2013.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local 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 £87.5m) are 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 Statement of 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 2012 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.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £0.8m for every year that useful lives had to be reduced.</p>
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 45.	The total value of provisions in the Council's balance sheet at 31 March 2012 is £4.358m. If eventual settlement of the related liabilities is higher than the amounts currently provided for, then an additional charge would require to be made.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 £23.5m. However, the assumptions interact in complex ways. During 2011/2012, the Council's actuaries advised that the net pensions liability had increased by £35.5m as a result of estimates being corrected as a result of experience and also increased by a further £61.0m attributable to updating of the assumptions.
Debtors / Non-collection Provisions	At 31 March 2012, the Authority has a gross balance for short-term sundry debtors of £67.193m, 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 £24.603m is appropriate. In addition, a provision of £1.950m has been made against the gross long-term debtors balance of £11.890m. However, in the current economic climate it is not certain that these allowances would be sufficient. Detailed information on bad debt provisions provided in note 45.	If collection rates were to deteriorate, an increase in the amount provided for doubtful debts would require to be charged.

NOTES TO THE CORE FINANCIAL STATEMENTS

5. **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 2010/2011 £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Renewal & Repair Fund £000	Insurance Fund £000	Movement in Unusable Reserves £000	
2010/2011									
Adjustments involving the Capital Adjustment Account:									
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>									
Charges for depreciation and impairment of non current assets	(34,585)	(34,373)	-	-	-	-	-	68,958	-
Movements in the market value of Investment Properties & Assets Held for Sale	119	58	-	-	-	-	-	(177)	-
Capital grants and contributions that have been applied to capital financing	19,694	-	-	-	(1,879)	-	-	(17,815)	-
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	(2,428)	(3,661)	-	-	-	-	-	6,089	-
Write-off of soft loan where advance from Consolidated Loans Fund has already been fully repaid	(60)	-	-	-	-	-	-	60	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>									
Statutory provision for the financing of capital investment	14,099	8,384	-	-	-	-	-	(22,483)	-
Capital expenditure charged against the General Fund and HRA balances	940	71	-	-	-	-	-	(1,011)	-
Adjustments involving the Capital Receipts Reserve:									
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,622	2,709	(10,495)	-	5,164	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	10,495	-	-	-	-	(10,495)	-

NOTES TO THE CORE FINANCIAL STATEMENTS

Usable Reserves

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Renewal & Repair Fund £000	Insurance Fund £000	Movement in Unusable Reserves £000	Total 2010/2011 £000
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	(6)	(10)	-	-	-	-	-	16	-
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 29)	38,975	(1,512)	-	-	-	-	-	(37,463)	-
Employer's pensions contributions and direct payments to pensioners payable in the year	26,457	1,630	-	-	-	-	-	(28,087)	-
Adjustment involving the Accumulating Compensated Absences Adjustment Account:									
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	(244)	(59)	-	-	-	-	-	303	-
Total Adjustments 2010/2011	65,583	(26,763)	-	-	3,285	-	-	(42,105)	-

NOTES TO THE CORE FINANCIAL STATEMENTS

2011/2012	Usable Reserves							Movement in Unusable Reserves £000	Total 2011/2012 £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Renewal & Repair Fund £000	Insurance Fund £000		
Adjustments involving the Capital Adjustment Account:									
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>									
Charges for depreciation and impairment of non current assets	(60,852)	(39,975)	-	-	-	-	-	100,827	-
Movements in the market value of Investment Properties & Assets Held for Sale	(1,477)	(153)	-	-	-	-	-	1,630	-
Capital grants and contributions that have been applied	35,331	1,171	-	-	-	-	-	(36,502)	-
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	(2,831)	(3,551)	-	-	-	-	-	6,382	-
Provision against long-term debtor where advance from Consolidated Loans Fund has already been repaid to the value of the provision.	(1,950)	-	-	-	-	-	-	1,950	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>									
Statutory provision for the financing of capital investment	14,435	8,738	-	-	-	-	-	(23,173)	-
Capital expenditure charged against the General Fund and HRA balances	1,735	1	-	-	-	-	-	(1,736)	-
Adjustments primarily involving the Capital Grants Unapplied Account:									
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement				(13,572)				13,572	

NOTES TO THE CORE FINANCIAL STATEMENTS

	Usable Reserves							Movement in Unusable Reserves £000	Total 2011/2012 £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Renewal & Repair Fund £000	Insurance Fund £000		
Adjustments involving the Capital Receipts Reserve:									
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	484	3,218	(5,098)	-	1,396	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	5,098	-	-	-	-	(5,098)	-
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	151	(83)	-	-	-	-	-	(68)	-
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 29)	(18,774)	(1,457)	-	-	-	-	-	20,231	-
Employer's pensions contributions and direct payments to pensioners payable in the year	22,495	1,655	-	-	-	-	-	(24,150)	-
Adjustment involving the Accumulating Compensated Absences Adjustment Account:									
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	255	18	-	-	-	-	-	(273)	-
Total Adjustments 2011/2012	(10,998)	(30,418)	-	(13,572)	1,396	-	-	53,592	-

NOTES TO THE CORE FINANCIAL STATEMENTS

6. 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.

2011/2012	Balance at 1 April 2011 £000	Transfers Out 2011/2012 £000	Transfers In 2011/2012 £000	Balance at 31 March 2012 £000	Purpose of the Earmarked Reserve
General Fund:					
Schools' DSM Balances	(308)	-	(213)	(521)	Balance of funds devolved to schools
Car Parking Balances	(561)	460	-	(101)	To fund future car parking projects
Total - Earmarked Balances	(869)	460	(213)	(622)	
Other General Fund Balances	(5,889)	-	(2,977)	(8,866)	
Total - General Fund Balances	(6,758)	460	(3,190)	(9,488)	

2010/2011	Balance at 1 April 2010 £000	Transfers Out 2010/2011 £000	Transfers In 2010/2011 £000	Balance at 31 March 2011 £000	Purpose of the Earmarked Reserve
General Fund:					
Schools' DSM Balances	(185)	-	(123)	(308)	Balance of funds devolved to schools
Car Parking Balances	(640)	79	-	(561)	To fund future car parking projects
Total - Earmarked Balances	(825)	79	(123)	(869)	
Other General Fund Balances	(8,675)	2,786	-	(5,889)	
Total - General Fund Balances	(9,500)	2,865	(123)	(6,758)	

NOTES TO THE CORE FINANCIAL STATEMENTS

7 Comprehensive Income and Expenditure Statement – Other Operating Expenditure		
2010/2011 £000		2011/2012 £000
-	Levies	-
758	(Gains) / losses on the disposal of non current assets	2,680
-	Impairment of Assets Held for Sale	40
758	Total	2,720

8 Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure		
2010/2011 £000		2011/2012 £000
22,956	Interest payable and similar charges	24,147
9,546	Pensions interest cost and expected return on pensions assets	(5,132)
(444)	Interest receivable and similar income	(452)
(177)	Changes in the fair value of investment properties	1,590
(140)	Net income from investment properties	(524)
157	(Gains) / losses on trading operations (note 19)	(422)
(372)	Share of Tayside Contracts surplus	(330)
31,526	Total	18,877

9 Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Income		
2010/2011 £000		2011/2012 £000
(57,701)	Council Tax income	(57,553)
(94)	Residual Community Charge income	(46)
(56,850)	Contribution from national non domestic rates pool	(61,130)
(246,223)	Non-ringfenced government grants	(240,648)
(19,694)	Capital grants and contributions	(36,502)
(380,562)	Total	(395,879)

10 Comprehensive Income and Expenditure Statement – Material Items of Income and Expense

There were no material items of income or expense in 2011/2012 that are not already disclosed on the face of the Comprehensive Income and Expenditure Statement or elsewhere in the notes to the accounts.

11 Balance Sheet – Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 5 and 6 above.

NOTES TO THE CORE FINANCIAL STATEMENTS

12 Balance Sheet – Unusable Reserves

31 March 2011 £000		31 March 2012 £000
(507,045)	Revaluation Reserve	(499,028)
(246)	Available for Sale Financial Instruments Reserve	(265)
(334,019)	Capital Adjustment Account	(290,136)
5,912	Financial Instruments Adjustment Account	5,839
225,780	Pensions Reserve	318,938
12,164	Accumulating Compensated Absences Adjustment Account	11,679
(597,454)	Total Unusable Reserves	(452,973)

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.

2010/2011 £000		2011/2012 £000
(508,322)	Balance at 1 April	(507,045)
(18,332)	Upward revaluation of assets	(19,312)
5,712	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	13,416
(12,620)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(5,896)
3,650	Difference between fair value depreciation and historical cost depreciation	10,810
10,247	Accumulated gains on assets sold or scrapped	3,103
-	Accumulated gains written-out on Investment Properties	-
13,897	Amount written off to the Capital Adjustment Account	13,913
(507,045)	Balance at 31 March	(499,028)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2010/2011 £000		2011/2012 £000
(203)	Balance at 1 April	(246)
(70)	Upward revaluation of investments	(45)
28	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	26
(42)		(19)
(1)	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
(246)	Balance at 31 March	(265)

NOTES TO THE CORE FINANCIAL STATEMENTS

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 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/2011 £000		2011/2012 £000
(343,247)	Balance at 1 April	(334,019)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
68,958	• Charges for depreciation and impairment of non current assets	100,827
-	• Revaluation losses on Property, Plant and Equipment	-
-	• Revenue expenditure funded from capital under statute	-
6,089	• 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	6,382
75,047		107,209
(13,897)	Adjusting amounts written out of the Revaluation Reserve	(13,913)
61,150	Net written out amount of the cost of non current assets consumed in the year	93,296
	Capital financing applied in the year:	
(10,495)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(5,098)
(17,815)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(22,930)
(22,483)	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(23,173)
(1,011)	• Capital expenditure charged against the General Fund and HRA balances	(1,736)
(51,804)		(52,937)
(178)	Movements in the market value of Investment Properties and Assets Held for Sale debited or credited to the Comprehensive Income and Expenditure Statement	1,630
-	Revaluation of Finance Lease	(56)
60	Write -off of soft loan where advance from consolidated loans fund has already been fully repaid	-
-	Provision against long-term debtor where advance from Consolidated Loans Fund has already been repaid to the value of the provision	1,950
(334,019)	Balance at 31 March	(290,136)

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

2010/2011 £000		2011/2012 £000
5,915	Balance at 1 April	5,912
(128)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(128)
161	Difference in interest on stepped rate loans (existing at 31 March 2007)	72
(17)	Difference in interest on soft loans (existing at 31 March 2007)	(12)
16	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	(68)
(19)	Adjustment to opening amortised cost of soft loans (credited to Other Comprehensive Income & Expenditure)	(5)
5,912	Balance at 31 March	5,839

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Authority 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.

2010/2011 £000		2011/2012 £000
391,547	Balance at 1 April	225,780
(102,127)	Actuarial gains or losses on pensions assets and liabilities	96,513
1,910	Difference between actuarial pensions contribution figure and actual pensions contribution figure	564
(37,463)	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	20,231
(28,087)	Employer's pensions contributions and direct payments to pensioners payable in the year	(24,150)
225,780	Balance at 31 March	318,938

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.

2010/2011 £000		2011/2012 £000
11,861	Balance at 1 April	12,164
(11,861)	Settlement or cancellation of accrual made at the end of the preceding year	(12,164)
12,164	Amounts accrued at the end of the current year	11,891
303	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	(273)
-	Write-off Balance re Staff Transferring to LACD	(212)
12,164	Balance at 31 March	11,679

NOTES TO THE CORE FINANCIAL STATEMENTS

13 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2010/2011 £000		2011/2012 £000
(517)	Interest received	(524)
22,654	Interest paid	22,466
(20)	Dividends received	(24)

14 Cash Flow Statement – Investing Activities

2010/2011 £000		2011/2012 £000
76,611	Purchase of property, plant and equipment, investment property and intangible assets	85,961
-	Purchase of short-term and long-term investments	21
3,170	Other payments for investing activities	1,968
(5,692)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,943)
-	Proceeds from short-term and long-term investments	-
(510)	Other receipts from investing activities	(604)
73,579	Net cash flows from investing activities	83,403

15 Cash Flow Statement – Financing Activities

2010/2011 £000		2011/2012 £000
(36,688)	Cash receipts of short- and long-term borrowing	(42,500)
-	Other receipts from financing activities	-
2,538	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,313
945	Repayments of short- and long-term borrowing	13,555
-	Other payments for financing activities	-
(33,205)	Net cash flows from financing activities	(26,632)

16 Cash Flow Statement – Cash and Cash Equivalents

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

31 March 2011 £000		31 March 2012 £000
104	Cash held by officers	95
(6,806)	Bank current accounts	(8,989)
12,305	Short-term deposits with building societies	6,656
5,603	Total cash and cash equivalents	(2,238)

NOTES TO THE CORE FINANCIAL STATEMENTS

17 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Policy & Resources Committee on the basis of budget reports analysed across Council departments and other budget heads. These reports are prepared on the basis of the amounts that require to be charged or credited against General Fund balances. This is a different basis from the accounting policies used in the preparation of the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation and impairment losses are charged to services in the Comprehensive Income and Expenditure Account)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on Central Support Services and Central Buildings is budgeted for centrally and not recharged to departments

The Council's Policy & Resources Committee receives monthly revenue monitoring reports during the course of the financial year, with budgets and outturn projections shown for Council departments and other budget heads. The actual outturn of income and expenditure of the Council departments and other budget heads shown in the monthly revenue monitoring reports is shown in the following table. The figures are, however, stated on the basis of the accounting policies used in the preparation of the financial statements. The adjustments required to restate these figures to the amounts that require to be charged or credited against General Fund balances are shown in note 5.

In March 2011, as part of the Changing for the Future Programme, the Policy & Resources Committee approved a revised organisation structure for the Council. Further details are provided in the Foreword by the Director of Corporate Services (see page 8). The majority of the revised departmental structure took effect from 1 July 2011, with the new Corporate Services Department taking effect from 1 April 2012. The Council's 2011/2012 Revenue Budget had been prepared and approved on the basis of the previous departmental structure. As a consequence, the monthly revenue monitoring reports submitted to the Policy & Resources Committee during 2011/2012 also continued to be based on the previous departmental structure and this is reflected in the table below.

Departments / Budget Heads Reported to Policy & Resources Committee

Department / Budget Head	Actual Net Expenditure 2010/2011	Actual Net Expenditure 2011/2012
	£000	£000
Education	137,228	134,423
Social Work	93,963	94,836
City Development	23,388	47,230
Leisure & Communities	31,559	29,062
Waste Management	18,041	16,838
Environmental Health & Trading Standards	3,472	3,071
Central Support Services	4,770	4,089
Miscellaneous Services	13,068	12,456
Other Housing	2,247	2,140
Supporting People	12,318	12,279
DCS Land Services Client	2,207	2,113
Contribution to Tayside Joint Police Board	16,152	15,606
Contribution to Tayside Fire & Rescue Board	12,887	12,169
Contribution to Tayside Valuation Joint Board	1,018	920
Miscellaneous Income	(372)	(330)
DCS Contracting Activities & Land Services	157	(422)
Capital Financing Costs / IORB	44,995	46,868
Discretionary Non Domestic Rates Relief	160	185
Supplementary Superannuation Costs	6,198	3,917
Non Distributed Costs	803	223
Housing Revenue Account	17,391	22,996
Total Net Expenditure	441,650	460,669

NOTES TO THE CORE FINANCIAL STATEMENTS

There are some budget heads that are included within the cost of services in the Comprehensive Income & Expenditure Statement but which are not included in the monthly revenue monitoring reports that are submitted to the Policy & Resources Committee. Similarly, there are some budget heads that are included in the monthly revenue monitoring reports that are submitted to the Policy & Resources Committee but which are not included within the cost of services in the Comprehensive Income & Expenditure Statement (these items are included elsewhere in the Comprehensive Income & Expenditure Statement). The following table reconciles the total net expenditure shown in the table above to the cost of services shown in the Comprehensive Income & Expenditure Statement.

Reconciliation of Departments / Budget Heads Reported to the Policy & Resources Committee to Cost of Services in the Comprehensive Income & Expenditure Statement

	Actual Net Expenditure 2010/2011	Actual Net Expenditure 2011/2012
	£000	£000
Net Expenditure in Departments / Budget Heads Reported to Policy & Resources Committee (see table above)	441,650	460,669
Add amounts in the Comprehensive Income & Expenditure Statement but not reported to the Policy & Resources Committee:		
Net (surplus) / deficit on Insurance Account	539	195
Non Distributed Costs	<u>(79,397)</u>	<u>1,585</u>
	(78,858)	1,780
Less amounts reported to the Policy & Resources Committee but not included in the Cost of Services in the Comprehensive Income & Expenditure Statement:		
Share of Tayside Contracts surplus	372	330
Dundee Contracts Services surplus / (deficit)	(157)	422
Capital Financing Costs / IORB	(44,995)	(46,868)
Discretionary Non Domestic Rates Relief	(160)	(185)
Resources Transferred from Capital Programme	-	-
Supplementary Superannuation Costs	<u>(6,198)</u>	<u>(3,917)</u>
	(51,138)	(50,218)
Cost of Services in the Comprehensive Income & Expenditure Statement	<u>311,654</u>	<u>412,231</u>

The monthly revenue monitoring reports that are submitted to the Policy & Resources Committee cover all departments and other budget heads that were included in the originally approved revenue budget, together with subsequently agreed budget adjustments. Income and expenditure is reported on a net basis. There is no analysis based on the type of income / expenditure and there is no reporting of assets / liabilities.

Subjective Analysis of Surplus or Deficit on the Provision of Services

Income / Cost Heading	2010/2011 £000	2011/2012 £000
Fees, charges & other service income	(230,521)	(152,709)
Interest & investment income	(761)	(978)
Income from Council Tax	(57,795)	(57,599)
Government grants & contributions	(390,603)	(395,075)
Employee expenses	250,437	228,163
Other service expenses	235,831	245,844
Support services recharges	34,051	27,522
Depreciation, impairment & amortisation	68,958	100,827
Interest payments	22,964	24,151
Joint Board contributions	30,057	28,695
Gain or loss on disposal of non-current assets	758	2,680
(Surplus) or Deficit on the Provision of Services	(36,624)	51,521

NOTES TO THE CORE FINANCIAL STATEMENTS

18 Acquired and Discontinued Operations

The Council had no acquired or discontinued operations in 2011/2012 (2010/2011 Nil).

19 Trading Operations

Dundee City Council has two trading areas within its Environment Department, namely Construction and Land Services. The Director of the Environment Department is required to operate in a commercial environment and balance the budget by generating income from other parts of the authority or other organisations. Details of those two areas are as follows:

		2009/2010	2010/2011	2011/2012
		£000	£000	£000
Environment (Construction) is geared to maintain, repair and modernise houses and other public buildings. It has the technical expertise and capability to undertake most types of building construction work and provides services of a specialist nature such as lift and gas central heating maintenance. Cumulative surplus over last three financial years: £257k	Turnover	(23,876)	(26,104)	(26,601)
	Expenditure	23,478	26,597	26,249
	(Surplus) / Deficit	(398)	493	(352)
Environment (Land Services) provides a comprehensive grounds maintenance service including new landscape works, forestry, fencing and arboriculture works for publicly owned sites, forests, open spaces and landscaped areas. Cumulative surplus over last three financial years: £508k	Turnover	(5,146)	(5,918)	(5,264)
	Expenditure	5,044	5,582	5,194
	(Surplus) / Deficit	(102)	(336)	(70)
An internal recharge value must be eliminated from the consolidated turnover and consolidated expenditure. This is Land Services share of overall departmental administration costs.	Turnover	494	619	619
	Expenditure	(494)	(619)	(619)
	(Surplus) / Deficit	-	-	-
The consolidated results of the two Council trading areas i.e. consolidated cumulative surplus over the last 3 financial years: £765k	Turnover	(28,528)	(31,403)	(31,246)
	Expenditure	28,028	31,560	30,824
	(Surplus) / Deficit	(500)	157	(422)

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The net surplus or deficit on trading operations is shown as Financing and Investment Income and Expenditure (see note 8).

NOTES TO THE CORE FINANCIAL STATEMENTS

20 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:

	2010/11 Income £000	2010/11 Expenditure £000	2011/12 Income £000	2011/12 Expenditure £000
Special Education services to Angus Council	702	702	787	787
Provision of Social Work Services to NHS Tayside	8,618	8,618	9,774	9,774
Various Social Work Services to Perth & Kinross Council	80	80	71	71
Various Social Work Services to Angus Council	119	119	155	155
Total	9,519	9,519	10,787	10,787

21 Road Charging Schemes Under the Transport (Scotland) Act 2001

The Council does not operate a road charging or workplace charging scheme

22 Pooled Budgets

The Authority has had a pooled budget arrangement with NHS Tayside since August 2007 for the provision of a Community Equipment Centre. The Centre provides a comprehensive equipment loan service for disabled people and people with health issues in the Dundee area, covering equipment issued by both health staff (nursing, rehabilitation and mobility equipment) and social work staff (daily living equipment) to enable people to remain in their own homes. The Authority and NHS Tayside have an agreement in place for funding this service, with the partners contributing funds to the agreed budget based on proportions agreed in 2007/08. Additional one off funding by way of capital grants are applied for through NHS Tayside where appropriate. The pooled budget is hosted and managed operationally by Dundee City Council. Strategic management is carried out through the Dundee Community Adult Services Management Team (CASMT). Equipment is purchased by and is owned by Dundee City Council.

	2010/2011 £000	2011/2012 £000
Funding provided to the pooled budget:		
Dundee City Council	389	389
NHS Tayside	349	349
Surplus carried forward	111	85
	849	823
Expenditure met from the pooled budget:	764	738
Net surplus arising from the pooled budget during the year	85	85

NOTES TO THE CORE FINANCIAL STATEMENTS

23 Members' Allowances

The Authority paid the following amounts to members of the council during the year.

	2010/2011 £000	2011/2012 £000
Salaries	558	556
Allowances	41	31
Expenses	17	15
Total	616	602

24 Officers' Remuneration

The remuneration paid to the Council's senior employees is detailed in the remuneration report on page 108

25 External Audit Costs

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

	2010/2011 £000	2011/2012 £000
Fees payable to appointed auditor with regard to external audit services carried out by the appointed auditor for the year	385	405
Fees payable in respect of other services provided by the appointed auditor during the year	-	2
Total	385	407

26 Dedicated Schools Grant

Not applicable (applies in England only).

NOTES TO THE CORE FINANCIAL STATEMENTS

27 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. The table below 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, Barnet 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).

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)	
	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012
£0 - £20,000	-	-	125	43	125	43	1,333	434
£20,001 - £40,000	-	-	77	27	77	27	2,190	676
£40,001 - £60,000	-	-	68	19	68	19	3,358	918
£60,001 - £80,000	-	-	19	21	19	21	1,295	1,456
£80,001 - £100,000	-	-	16	5	16	5	1,408	434
£100,001 - £150,000	-	-	10	14	10	14	1,119	1,697
£150,001 - £400,000	-	-	2	4	2	4	320	928
Total	-	-	317	133	317	133	11,023	6,543

The above table includes costs of termination benefits associated with the voluntary redundancy schemes. The first scheme was approved in April 2010 and allowed employees to leave in advance of their normal retirement age, in exchange for a statutory redundancy payment. The Policy & Resources Committee agreed in November 2011 to reopen the scheme as part of the 2012/2013 budget process. During 2011/2012, a further 52 employees accepted voluntary redundancy (2010/2011 108 employees) for which the Council incurred one-off redundancy costs of £449,000 (2010/2011 £913,000).

NOTES TO THE CORE FINANCIAL STATEMENTS

28 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 2011/2012, the Council paid £12.0m to Teachers' Pensions in respect of teachers' retirement benefits, representing 21.0% of pensionable pay. The figures for 2010/2011 were £12.0m and 21.0%. 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 29.

29 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 two post employment schemes:

- The Local Government Pension Scheme, administered locally by Dundee City Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit final arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme and Discretionary Benefits Arrangements	
	2010/2011	2011/2012
	£000	£000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
• current service cost	33,656	23,593
• past service costs	(83,683)	1,635
• (Gains)/Losses on settlements and curtailments	3,018	135
<i>Financing and Investment Income and Expenditure</i>		
• interest cost	57,636	45,916
• expected return on scheme assets	(48,090)	(51,048)
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	(37,463)	20,231
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
• Difference between actuarial pensions contribution figure and actual pensions contribution figure	1,910	564
• actuarial gains and losses	(102,127)	96,513
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	(137,680)	117,308
<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	137,680	(117,308)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
• employers' contributions payable to scheme	28,087	24,150

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £187.417m (31 March 2011 loss of £90.904m).

NOTES TO THE CORE FINANCIAL STATEMENTS

Assets and liabilities in relation to post employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Liabilities: Local Government Pension Scheme and Discretionary Benefits	
	2010/2011	2011/2012
	£000	£000
Opening balance at 1 April	1,044,044	930,161
Current service cost	33,656	23,593
Interest cost	57,636	45,916
Contributions by scheme participants	7,701	6,963
Settlements and curtailments	3,018	2,281
Liabilities extinguished on settlements	-	(17,222)
Actuarial gains and losses	(98,176)	55,214
Benefits paid	(31,802)	(31,794)
Past service costs	(83,683)	1,635
Unfunded pension payments	(2,233)	(2,128)
Closing balance at 31 March	930,161	1,014,619

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme	
	2010/2011	2011/2012
	£000	£000
Opening balance at 1 April	652,497	704,381
Expected rate of return	48,090	51,048
Actuarial gains and losses	3,951	(41,299)
Employer contributions	26,177	23,586
Contributions by scheme participants	7,701	6,963
Benefits paid	(34,035)	(33,922)
Receipt / (Payment) of bulk transfer value	-	(15,076)
Closing balance at 31 March	704,381	695,681

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £9.749m (2010/2011: £52.040m).

NOTES TO THE CORE FINANCIAL STATEMENTS

Scheme history

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present value of liabilities:					
Local Government Pension Scheme and Discretionary Benefits	(706,779)	(656,324)	(1,044,044)	(930,161)	(1,014,619)
Fair value of assets in the Local Government Pension Scheme					
	586,149	477,913	652,497	704,381	695,681
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme and Discretionary Benefits	(120,630)	(178,411)	(391,547)	(225,780)	(318,938)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £318.938m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie, before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £20.109m. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2013 are £2.124m.

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 mortality 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 Superannuation Fund being based on the latest full valuation of the scheme as at 1 April 2011.

NOTES TO THE CORE FINANCIAL STATEMENTS

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme and Discretionary Benefits	
	2010/2011	2011/2012
Long-term expected rate of return on assets in the scheme:		
Equity investments	8.2%	7.1%
Bonds	5.5%	4.6%
Other	3.0%	3.0%
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	21.4	20.6
Women	24.4	22.8
Longevity at 65 for future pensioners (years):		
Men	22.3	21.8
Women	25.3	24.4
Rate of inflation	3.5%	3.3%
Rate of increase in salaries	5.0%	4.8%
Rate of increase in pensions	2.7%	2.5%
Rate for discounting scheme liabilities	5.5%	4.6%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2011	31 March 2012
	%	%
Equity investments	72	68
Debt Instruments	17	19
Other assets	11	13
	100	100

NOTES TO THE CORE FINANCIAL STATEMENTS

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/2012 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Differences between the expected and actual return on assets	(12.0)	(32.5)	20.9	0.6	(5.9)
Experience gains and losses on liabilities	(0.0)	(0.8)	(0.0)	(0.0)	7.6

30 Events After the Reporting Period

DERL

A fire occurred at the plant operated by Dundee Energy Recycling Limited on 16th May 2012. The plant is owned by the City Council and plays a significant role in its waste disposal strategy. The plant is still non-operational but its reinstatement will be funded from an insurance settlement. It is not considered that the effect on the net book value is significant. This is deemed to be a "non-adjusting event", in terms of the Code of Practice.

Police and Fire Reform

The Police and Fire Reform (Scotland) Act 2012 received royal assent on 7 August 2012. Responsibility for Police and Fire and Rescue Services will transfer from local government to new central government bodies on 1 April 2013. In 2013/14 the local Joint Boards will no longer be responsible for service provision. The full impact and mechanisms of the reform process are currently being assessed.

31 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 note 17 on amounts reported to decision makers. Details of central government grants transactions are shown in note 48.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid is provided in note 23. Further details of senior members remuneration is included in the Remuneration Report (page 108). Under the Councillors' 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 Councillor. Membership of statutory Joint Boards or Committees, which are composed exclusively of Councillors 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 Head of Democratic & Legal Services, 21 City Square, Dundee or alternatively through the Council's website www.dundeecity.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 108). 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Pension Fund

The Council is the administering authority for the Tayside Superannuation 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 2010/2011		As at 31 March 2011			During 2011/2012		As at 31 March 2012	
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
1,063	-	1,063	-	Tayside Superannuation Fund	1,055	-	1,055	-

Other Entities Controlled or Significantly Influenced by the Authority

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 it's representation on their respective boards, the relevant transactions and balances with these bodies are as follows:

During 2010/2011		As at 31 March 2011			During 2011/2012		As at 31 March 2012	
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
847	6,385	3,633	49	Dundee Energy Recycling Ltd	866	6,396	4,613	71
24	164	7	-	Dundee City Developments Ltd	23	166	7	-
34	183	115	-	Dundee Ice Arena Ltd	17	349	173	-
1	372	145	1	Dundee Contemporary Arts Ltd	7	382	164	-
70	372	-	4	Dovetail Enterprises (1993) Ltd	28	279	-	3
166	52	918	2	Tayside Fire & Rescue Board	81	128	952	-
1,193	1,136	3,321	195	Tayside Joint Police Board	1,138	564	3,324	70
1,802	24,806	7,354	3,378	Tayside Contracts	2,425	25,966	6,947	2,067
46	3	96	2	Tayside Valuation Joint Board	166	3	80	2
91	22	25	146	Tay Road Bridge Joint Board	82	26	-	572
69	869	219	18	Dundee Leisure Ltd	64	-	-	-
-	-	-	-	Leisure and Culture Dundee Discovery	121	393	1,048	5
-	11,092	-	-	Education PLC	-	11,767	-	983
8	61	-	185	Tay Plan Tayside Community Justice Authority	8	61	-	211
5,058	-	-	-		4,989	3	104	647

NOTES TO THE CORE FINANCIAL STATEMENTS

32 Leases

Authority as Lessee

Finance Leases

The Council has acquired central heating equipment for council houses a under finance lease agreement.

The assets acquired under this agreement are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2011	31 March 2012
	£000	£000
Vehicles, Plant, Furniture and Equipment	1,269	966
	1,269	966

The Council is committed to making payments under this lease agreement comprising settlement of the long-term liability for the interest in the central heating equipment acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The lease payments are made up of the following amounts:

	31 March 2011	31 March 2012
	£000	£000
Finance lease liabilities:		
• current	371	274
• non current	414	93
Finance costs payable in future years	42	17
Minimum lease payments	827	384

The minimum lease payments will be payable over the following periods:

	31 March 2011	31 March 2012
	£000	£000
Not later than one year	396	287
Later than one year and not later than five years	431	97
Later than five years	-	-
	827	384

Operating Leases

The Council have 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 2011	31 March 2012
	£000	£000
Not later than one year	1,163	802
Later than one year and not later than five years	1,161	1,157
Later than five years	178	641
	2,502	2,600

NOTES TO THE CORE FINANCIAL STATEMENTS

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:

	2010/2011 £000	2011/2012 £000
Minimum lease payments	1,661	1,355
Less Employers Contributions	(369)	(373)
	1,292	982

Authority as Lessor

Finance Leases

There were no assets leased to third parties on finance lease during 2011/2012 (2010/2011 None).

Operating Leases

The Council has entered into a number of agreements that are managed corporately by the City Development Department. 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
- waste-to-energy plant that was purchased from and leased back to Dundee Energy Recycling Limited following financial restructuring of company in March 2004

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

	2011/2012 £000
Not later than one year	3,840
Later than one year and not later than five years	13,573
Later than five years	80,920
	98,333

33 **Investment Properties**

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement:

	2010/2011 £000	2011/2012 £000
Rental income from investment property	171	538
Direct operating expenses arising from investment property	(31)	(14)
Net gain/(loss)	140	524

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2010/2011 £000	2011/2012 £000
Balance at start of the year	21,736	21,198
Disposals	(84)	(32)
Net gains/losses from fair value adjustments	177	(1,590)
Transfers:		
- to/from Inventories	-	-
- to/from Property, Plant and Equipment	(450)	(216)
Other changes	(181)	-
Balance at end of the year	21,198	19,360

34 Intangible Assets

The Council held no Intangible Assets as at 31 March 2012 (31 March 2011 Nil).

35 Impairment Losses

Impairment losses charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement during 2011/2012 totalled £61.879m (2010/2011 £31.787m).

Of this total, £26.363m (2010/2011 £26.406m) relates to expenditure in the year which did not add value to assets, £19.687m (2010/2011 £18.020m) relates to expenditure on Council Houses, £3.841m (2010/2011 £5.714m) relates to expenditure on schools and the remaining £2.835m (2010/2011 £2.672m) relates to expenditure on other Council land & buildings.

The remaining £35.516m (2010/2011 £5.381m) 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.

36 Capitalisation of Borrowing Costs

The Council does not operate a policy of capitalising borrowing costs.

NOTES TO THE CORE FINANCIAL STATEMENTS

37. Property, Plant and Equipment

Movements on Balances

Movements in 2011/2012:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2011	591,603	576,005	88,762	141,199	1,549	-	52,063	1,451,181	91,563
Additions	3,070	100	5,217	15,447	-	-	36,256	60,090	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(8,062)	3,250	-	-	-	-	-	(4,812)	-
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(8,047)	(30,688)	-	-	-	-	-	(38,735)	-
Disposals	(3,744)	(3,159)	(2,542)	-	-	-	-	(9,445)	-
Assets reclassified (to)/from Held for Sale	-	(650)	-	-	-	-	-	(650)	-
Other movements in Cost or Valuation	5,702	48,855	-	(395)	(19)	1,479	(56,294)	(672)	-
At 31 March 2012	580,522	593,713	91,437	156,251	1,530	1,479	32,025	1,456,957	91,563

NOTES TO THE CORE FINANCIAL STATEMENTS

	Council Dwellings and £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
Accumulated Depreciation and Impairment									
At 1 April 2011	(24,438)	(29,479)	(63,848)	(48,064)	-	-	-	(165,829)	(2,563)
Depreciation charge	(12,037)	(16,312)	(5,056)	(5,542)	-	-	-	(38,947)	(1,483)
Depreciation written out to the Revaluation Reserve	-	3,458	-	-	-	-	-	3,458	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	676	2,543	-	-	-	-	-	3,219	-
Disposals	222	962	2,359	-	-	-	-	3,543	-
Other Movements	-	-	-	21	-	-	-	21	-
At 31 March 2012	(35,577)	(38,828)	(66,545)	(53,585)	-	-	-	(194,535)	(4,046)
Net Book Value									
At 31 March 2012	544,945	554,885	24,892	102,666	1,530	1,479	32,025	1,262,422	87,517
At 31 March 2011	567,165	546,526	24,914	93,135	1,549	-	52,063	1,285,352	89,000

NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative Movements in 2010/2011:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2010	595,595	572,314	85,090	129,031	1,549	18,016	1,401,595	91,563
Additions	1,093	1,861	4,492	12,168	-	34,014	53,628	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	11,216	-	-	-	-	11,216	-
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(8,084)	-	-	-	(217)	(8,301)	-
Disposals	(5,163)	(519)	(820)	-	-	-	(6,502)	-
Assets reclassified (to)/from Held for Sale	-	(905)	-	-	-	-	(905)	-
Other movements in Cost or Valuation	78	122	-	-	-	250	450	-
At 31 March 2011	591,603	576,005	88,762	141,199	1,549	52,063	1,451,181	91,563

NOTES TO THE CORE FINANCIAL STATEMENTS

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment								
At 1 April 2010	(12,960)	(19,126)	(59,627)	(42,809)	-	-	(134,522)	(1,080)
Depreciation charge	(12,980)	(14,015)	(4,921)	(5,255)	-	-	(37,171)	(1,483)
Depreciation written out to the Revaluation Reserve	-	741	-	-	-	-	741	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	2,921	-	-	-	-	2,921	-
Disposals	1,502	-	700	-	-	-	2,202	-
At 31 March 2011	(24,438)	(29,479)	(63,848)	(48,064)	-	-	(165,829)	(2,563)
Net Book Value								
At 31 March 2011	567,165	546,526	24,914	93,135	1,549	52,063	1,285,352	89,000

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2012, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/2013 and future years budgeted to cost £28m. Similar commitments at 31 March 2011 were £42m. The major commitments are:

- Allan Street Swimming Pool £9.8m
- Allan Street Multi Storey Car Park £2.5m
- West End Primary School £2.5m
- Balgarthno Primary School £7.8m
- Waterfront Redevelopment £2.4m

Effects of Changes in Estimates

In 2011/2012, 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 that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. 2011/12 is the third year of the current revaluation programme. All valuations were carried out internally and 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 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.

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000
Carried at historical cost	-	1,028	1,028
Valued at fair value as at:			
31 March 2012	6,300	-	6,300
31 March 2011	8,570	-	8,570
31 March 2010	23,433	-	23,433
Total Cost or Valuation	38,303	1,028	39,331

38 **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 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

	2010/2011 £000	2011/2012 £000
<i>Opening Capital Financing Requirement</i>	443,132	473,165
<i>Capital investment</i>		
Property, Plant and Equipment	80,475	86,453
Investment Properties	-	-
Intangible Assets	-	-
Revenue Expenditure Funded from Capital under Statute	-	-
Other Capital Expenditure	1,520	421
<i>Sources of finance:</i>		
Capital receipts	(5,331)	(5,098)
Government grants and other contributions	(22,979)	(22,930)
Sums set aside from revenue:		
• Direct revenue contributions	(1,011)	(1,736)
• Loans fund principal	(22,483)	(23,173)
Government grants and other contributions	(158)	(92)
Other Adjustments	-	(56)
<i>Closing Capital Financing Requirement</i>	473,165	506,954
<i>Explanation of movements in year</i>		
Increase in underlying need to borrowing (supported by government financial assistance)	7,313	-
Increase in underlying need to borrowing (unsupported by government financial assistance)	25,258	36,102
Assets acquired under finance leases	(360)	(418)
Assets acquired under PFI/PPP contracts	(2,178)	(1,895)
<i>Increase/(decrease) in Capital Financing Requirement</i>	30,033	33,789

39 Private Finance Initiatives and Similar Contracts

Education Services PFI Scheme

2011/2012 was the fourth 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Property, Plant and Equipment

The schools have been recognised on the Council'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 37.

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 2012 (excluding any estimation of inflation and availability/performance deductions) are as follows:-

	Payment for Services £000	Repayment of Liability £000	Interest £000	Lifecycle Maintenance £000	Total £000
Payable in 2012-13	2,758	2,186	4,786	464	10,194
Payable within 2-5 years	11,737	8,433	19,600	3,619	43,389
Payable within 6 - 10 years	16,399	10,513	25,671	8,040	60,623
Payable within 11 - 15 years	18,554	14,732	28,502	6,802	68,590
Payable within 16 - 20 years	20,992	17,331	29,282	9,998	77,603
Payable within 21 - 25 Years	23,751	23,477	32,718	7,855	87,801
Payable within 26 - 30 years	5,304	6,040	7,457	813	19,614
TOTAL	99,495	82,712	148,016	37,591	367,814

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: -

	2010/2011 £000	2011/2012 £000
Balance outstanding at the start of the year	86,784	84,606
Payments during the year	(2,178)	(1,894)
Capital expenditure incurred in the year	-	-
Balance outstanding at year end	84,606	82,712

40 Assets Held for Sale

	Current Assets	
	2010/2011 £000	2011/2012 £000
Balance at start of year	1,833	2,320
Assets newly classified as held for sale:		
• Property, Plant and Equipment	905	650
• Intangible Assets	-	-
• Other assets/liabilities in disposal groups	182	-
Revaluation losses	-	(40)
Revaluation gains	539	-
Assets sold	(1,705)	(448)
Other movements	566	-
Balance at year-end	2,320	2,482

NOTES TO THE CORE FINANCIAL STATEMENTS

41 Inventories

	Consumable Stores		Maintenance Materials		Client Services Work in Progress		Total	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Balance outstanding at start of year	865	970	27	36	28	66	920	1,072
Purchases	1,561	1,809	327	459	2,096	320	3,984	2,588
Recognised as an expense in the year	(1,453)	(1,845)	(318)	(461)	(2,070)	(330)	(3,841)	(2,636)
Other Adjustments	(3)	(44)	-	-	12	16	9	(28)
Balance outstanding at year-end	970	890	36	34	66	72	1,072	996

42 Construction Contracts

At 31 March 2012 the Council had various minor construction contracts in progress totalling £72,656. The value of work completed at 31 March 2012 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.

43 Short Term Debtors

	31 March 2011 £000	31 March 2012 £000
Central government bodies	13,141	14,401
Other local authorities	5,967	1,745
NHS bodies	2,557	1,389
Public corporations and trading funds	2,513	3,358
Other entities and individuals	19,503	26,006
Total	43,681	46,899

44 Short Term Creditors

	31 March 2011 £000	31 March 2012 £000
Central government bodies	10,779	10,874
Other local authorities	7,293	5,512
NHS bodies	405	406
Public corporations and trading funds	4,440	1,404
Other entities and individuals	40,986	41,860
Total	63,903	60,056

NOTES TO THE CORE FINANCIAL STATEMENTS

45 Provisions

	Council Tax Income- Exemptions/ Discounts £000	Self-Insured / Uninsured Losses- Dundee City Council £000	Self-Insured/ Uninsured Losses- Tayside Regional Council £000	Self-Insured/ Uninsured Losses- Dundee District Council £000	Dundee Contract Services – Provision for Future Losses on Contracts £000	Total £000
Balance at 1 April 2011	700	2,731	693	1,000	355	5,479
Additional provisions made in 2011/2012	210	-	-	-	-	210
Amounts used in 2011/2012	(210)	(507)	-	(259)	(355)	(1,331)
Unused amounts reversed in 2011/2012	-	-	-	-	-	-
Unwinding of discounting in 2011/2012	-	-	-	-	-	-
Balance at 31 March 2012	700	2,224	693	741	-	4,358

Council Tax

A provision has been made in respect of potential reductions to the amount of net Council Tax levied by the Council. Such reductions arise every year for a variety of reasons, the most common being delays by Council Tax payers in submitting requests for exemptions from, or discounts on, the charge levied. Provision is made with reference to the value of such transactions arising during the current financial year and is anticipated to cover the value of transactions which will arise in the subsequent financial year. The value of the provision is reviewed each year.

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 below 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.

Dundee Contract Services

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

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:

Community Charge - the provision of £1.954m has been calculated by projecting future collection levels based on the actual collection achieved in 2011/2012.

Council Tax - the provision of £14.805m 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 £3.020m has been calculated by applying the overall percentage relating to the various charge elements (ie Non Domestic Rates, Community Charge and Council Tax) to which the Statutory Addition was applied.

Miscellaneous Invoiced Debt - the provision of £2.180m 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 £1.017m 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 £1.627m has been calculated by applying an anticipated non-collection rate to the total debt.

Also, a provision of £1.950m has been made against the gross Long-Term Debtors balance of £11.890m.

NOTES TO THE CORE FINANCIAL STATEMENTS

46 Contingent Liabilities

A Contingent Liability exists at 31 March 2012 in respect of equal pay costs. A small number of City Council staff are taking their claims for equal pay compensation through the Employment Tribunal process. Should they be successful, the Council may be required to make payments to these staff in excess of the amounts already provided for in the accounts for the period 2005-2012. It is estimated that the potential liability to the Council is £238,000. The employment tribunal's process is ongoing and the Council is defending against these claims. A Contingent Liability in respect of this matter was also disclosed at 31 March 2011 (£270,000).

Further claims have also been made in respect of perceived inequalities in the implementation of Single Status in 2008. It is estimated that the potential liability to the Council is £1.0m.

47 Contingent Assets

There were no Contingent Assets at 31 March 2012 (31 March 2011 Nil).

48 Grant Income

The Council credited grants and contributions to the Comprehensive Income and Expenditure Statement in 2011/2012. These included the following grants and contributions:

	2010/2011 £000	2011/2012 £000
Credited to Taxation and Non Specific Grant Income		
RSG & Non-Specific Grants	(246,223)	(240,648)
Contribution from NNDR Pool	(56,850)	(61,130)
Capital Grant	(19,694)	(36,502)
Council Tax / Community Charge Income	(57,795)	(57,599)
Total	(380,562)	(395,879)
Credited to Services:		
Central Waterfront Development	(2,362)	(2,716)
Smarter Places Smarter Choices	(255)	(92)
Working for Families	(3,634)	(718)
ERDF Grants	(316)	(1,397)
Facade Enhancement Grant	(311)	(54)
Air Quality Grant	-	(185)
Private Sector Housing Grant	(1,487)	(1,221)
NHS Tayside Resource Transfer	(7,592)	(8,007)
Supporting People Grant	(2,661)	(2,736)
Criminal Justice Grant	(5,207)	(5,077)
NHS Tayside: Community Equipment	(349)	(349)
NHS Tayside: Alcohol & Drugs Project Team	(511)	(498)
DWP: Workstep Grant	(91)	-
Scottish Govt: Telecare Grant	(76)	(75)
Scottish Govt: Violence Against Women	(69)	(172)
Macmillan Cancer Care: Welfare Rights Grant	(101)	(102)
NHS Tayside: Change Fund	-	(743)
NHS Tayside: Drug & Alcohol Grant	(121)	(126)
Scottish Govt: 16+ Learning Choices Grant	-	(101)
Determined to Succeed Grant	(476)	-
Sports Council Contribution to Sports Co-ordinators	(322)	(324)

NOTES TO THE CORE FINANCIAL STATEMENTS

Arts Council Grants	(170)	(136)
Improvement Service: National Entitlement Card	(896)	(930)
DWP: Housing Benefit Subsidy	(67,836)	(70,367)
DWP: HB/CTB Administration	(2,160)	(2,042)
Anti-Social Behaviour Contribution	(228)	(250)
Total	(97,231)	(98,418)

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 2011 £000	31 March 2012 £000
Capital Grants Receipts in Advance:		
SET: Dundee Central Waterfront	(11,105)	-
Various: Dundee Central Waterfront	(62)	(36)
Tactran: Port Access Improvements	(441)	(507)
Miller Homes: Linlathen East Bridge	(333)	-
VDLF	(164)	(120)
Section 75 Contributions	(394)	(408)
NHS Tayside Capital Contribution	(135)	-
Tayside Police Capital Contribution	(135)	-
Scottish Government: Harris New Build	(47)	-
Total	(12,816)	(1,071)

	31 March 2011 £000	31 March 2012 £000
Revenue Grants Receipts in Advance:		
Improvement Service: National Entitlement Card	(541)	(182)
Various: Film Liaison Project	(74)	(88)
Scottish Govt: Dundee European Programme	(505)	(431)
Convention Bureau Partnership	(146)	(151)
ERDF: Business Shop	(37)	(218)
SET: Public Art	-	(75)
Various: Flexible Fund	(470)	(287)
Scottish Govt: Smarter Choices Smarter Places	-	(148)
Scottish Govt: Youth Music Initiative	(104)	(107)
Scottish Govt: Healthy Weight Project	(138)	(227)
Scottish Govt: Violence Against Women	(103)	-
Energy Efficiency Advice	(154)	-
Total	(2,272)	(1,914)

NOTES TO THE CORE FINANCIAL STATEMENTS

49 Financial Instruments

Categories of financial assets and financial liabilities

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

	<u>Long-term</u>		<u>Current</u>	
	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000
Investments				
Loans and receivables	1,130	1,130	-	-
Available-for-sale financial assets	-	-	622	641
Unquoted equity investment at cost	7	29	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Total investments	1,137	1,159	622	641
Debtors				
Loans and receivables:				
Cash and Bank	-	-	104	95
Other Short Term Deposits	-	-	12,305	6,656
Soft Loans	409	261	-	94
Other Loans at Market Rates	10,263	11,629	-	-
Financial assets carried at contract amounts:				
Sundry Debtors including trade receivables	-	-	43,681	46,899
Total Debtors	10,672	11,890	56,090	53,744
Borrowings				
Financial liabilities at amortised cost:				
Borrowing Repayable	(326,058)	(360,978)	(36,629)	(32,395)
Temporary Advances from Other Accounts	-	-	(4,442)	(4,422)
Bank Overdraft	-	-	(6,806)	(8,989)
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	(326,058)	(360,978)	(47,877)	(45,806)
Other Liabilities				
PPP Contract	(82,708)	(80,525)	(1,897)	(2,186)
Finance Leases	(414)	(93)	(371)	(274)
Total Other Liabilities	(83,122)	(80,618)	(2,268)	(2,460)
Creditors				
Financial liabilities at amortised cost				
Financial liabilities carried at contract amount:				
Sundry creditors including trade payables	-	-	(63,903)	(60,056)
Total Creditors	-	-	(63,903)	(60,056)

NOTES TO THE CORE FINANCIAL STATEMENTS

Reclassification and Derecognition

There were no reclassification or derecognition of financial assets or financial liabilities (2010/2011 None).

Collateral

There has been no collateral pledged or held in respect of these financial assets and liabilities (2010/2011 None).

Defaults

There were no defaults that occurred in respect of these financial assets and liabilities (2010/2011 None).

Allowance Account for Credit Losses

There were no financial assets impaired by credit losses (2010/2011 None).

NOTES TO THE CORE FINANCIAL STATEMENTS

<i>Income, Expense, Gains and Losses</i>	2010/2011					2011/2012				
	Financial Liabilities	Financial Assets				Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost £000	Loans and receivables £000	Available- for-sale assets £000	Assets and Liabilities at Fair Value through Profit or Loss £000	Total £000	Liabilities measured at amortised cost £000	Loans and receivables £000	Available- for-sale assets £000	Assets and Liabilities at Fair Value through Profit or Loss £000	Total £000
Interest expense	22,956	-	-	-	22,956	24,147	-	-	-	24,147
Losses on de-recognition	-	-	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	22,956	-	-	-	22,956	24,147	-	-	-	24,147
Interest income	-	(424)	(20)	-	(444)	-	(429)	(23)	-	(452)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-
Increases in fair value	-	-	-	-	-	-	-	-	-	-
Gains on de-recognition	-	-	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	(424)	(20)	-	(444)	-	(429)	(23)	-	(452)
Gains on revaluation	-	-	(43)	-	(43)	-	-	(24)	-	(24)
Losses on revaluation	-	-	-	-	-	-	-	-	-	-
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-	-	-	-	-	-
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	(43)	-	(43)	-	-	(24)	-	(24)
Net gain/(loss) for the year	22,956	(424)	(63)	-	22,469	24,147	(429)	(47)	-	23,671

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2012 of 1.88% to 14.00% for loans from the PWLB and 0.50% 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 2011		31 March 2012	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities:					
Borrowing Repayable	i	362,687	389,635	393,373	456,131
Temp Advances from Other Accounts	ii	4,442	4,442	4,422	4,422
Bank Overdraft	iii	6,806	6,806	8,989	8,989

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 Public Works Loan Board (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 2012, 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

		31 March 2011		31 March 2012	
	Note	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables:					
Cash and Bank	i	104	104	95	95
Other Short term Deposits	i	12,305	12,305	6,656	6,656
Other Short term Deposits	ii	-	-	94	94
Long-term debtors:					
Investments	iii	1,130	1,130	1,130	1,130
Soft Loans	ii	409	409	261	261
Other Loans at Market rates	iv	10,263	10,263	9,679	9,679

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 Investments

This long-term investment relates to cash held on deposit with a building society. As this investment is held at market value the carrying value and fair value will not be materially different.

iv 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

50. 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 Business Support 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 £8m.
- UK Local Authorities £8m
- Debt Management Agency £8m

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 2012 that this was likely to crystallise.

The following analysis summarises the Authority'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 31 March 2012 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2012 %	Estimated maximum exposure to default and uncollectability at 31 March 2012 £000	Estimated maximum exposure at 31 March 2011 £000
	A	B	C	(A X C)	
Bonds	-	-	-	-	-
Financial Institutions (F1)	6,655	-	-	6,655	12,305
				6,655	12,305

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Liquidity risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority 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 authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing during specified periods. The maturity analysis of financial liabilities is as follows:

	31 March 2011	31 March 2012
	£000	£000
Less than one year	32,150	26,267
Between one and two years	7,652	9,763
Between two and five years	30,502	31,233
Between five and ten years	35,580	52,170
More than ten years	250,860	266,276
	356,744	385,709

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

Interest rate risk

The Authority 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 authority. 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. 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 Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	200
Increase in interest receivable on variable rate investments	Nil
Impact on Surplus or Deficit on the Provision of Services	200
Share of overall impact debited to the HRA	<u>81</u>
Decrease in fair value of fixed rate investment assets	Nil
Impact on Other Comprehensive Income and Expenditure	<u>Nil</u>
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)	<u>51,471</u>

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

NOTES TO THE CORE FINANCIAL STATEMENTS

51 Charitable Trust Funds Account (Registered Charities)

The Council acts as Trustees for 29 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 (2005). Accordingly, no adjustment is made to reverse out the impact of depreciation on Fund Balances.

2010/2011 Actual £000	Income & Expenditure Account	2011/2012				(Surplus)/ Deficit £000
		Interest on Investments £000	Other Income £000	Total Income £000	Expenditure £000	
(26)	Hospital Fund	(3)	(45)	(48)	22	(26)
-	Dundee Festival Trust	-	-	-	1	1
1	A T Cathro Bequest	-	-	-	1	1
(49)	Other Various Smaller Trusts (26 no)	(1)	(15)	(16)	31	15
(74)	Total	(4)	(60)	(64)	55	(9)
2011 £000	Balance Sheet as at 31 March			2012 £000		
2,595	Tangible Fixed Assets			3,497		
<u>2,595</u>				<u>3,497</u>		
	Current Assets					
-	Sundry Debtors			-		
1,048	Short Term Investments			1,057		
1	Bank			1		
<u>1,049</u>				<u>1,058</u>		
	Less Current Liabilities					
1	Sundry Creditors			1		
<u>1</u>				<u>1</u>		
<u>1,048</u>	Net Current Assets			<u>1,057</u>		
<u>3,643</u>	Total Net Assets			<u>4,554</u>		
	Financed By Fund Balances and Reserves					
	Not Available for Use:					
<u>2,595</u>	Revaluation Reserve			<u>3,497</u>		
2,595				3,497		
	Available for Use:					
<u>1,048</u>	Fund Balances			<u>1,057</u>		
<u>3,643</u>	Total Balances and Reserves			<u>4,554</u>		

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2012 was £1.097m (31 March 2011 £1.063m).

Dundee Festival Trust

This Trust was created from the income that was received from events to mark the 800th anniversary of the foundation of Dundee as a Royal Burgh. The Trust is used to promote summer festival events. The balance on the Trust at 31 March 2012 was £39,000 (31 March 2011 £40,000).

A T Cathro Bequest

This Bequest was established from the residue of the estate received in 1948. It is used to give as many children as might have need an opportunity of enjoying an outing in the country or at the seaside. The balance on the Bequest at 31 March 2012 was £20,000 (31 March 2011 £21,000).

CHARITABLE TRUSTS REGISTERED WITH OFFICE OF THE SCOTTISH CHARITY AND REGULATOR

The following Charitable Trusts and Endowments are registered with the Office of the Scottish Charity and Regulator (OSCR):

Alexander Torrance Cathro Bequest (SC018898)
Charles Ower Bequest (SC018907)
Dundee Festival Trust (SC020365)
Charles Ower Mafeking Gift (SC018906)
John Hoggan Trust for the Poor of Alyth (SC018892)
Johnston Charity (SC018893)
Mortification for Scots Episc Clergymen (SC018919)
Halyburton Mortification (SC018903)
Admiral Duff Bequest (SC018304)
Saunders, Robert Bequest (SC018915)
Meritorious Service (Police) Fund (SC018916)
Public Libraries Art Fund (SC018917)
Curr Night Refuge (SC018901)
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 Endow Fund (SC018913)
D W Crichton Trust (SC018914)
Gilroy Mausoleum (SC018921)
Lochee Day Nurseries (SC018918)
Camperdown Estate (SC018899)
William Dawson Trust (SC018920)
Thomas Cox Bequest (SC018909)
Alexander Wilson Bequest (SC018908)
Mrs Gibson Mortification (SC018904)
Hospital Fund (SC018896)

NOTES TO THE CORE FINANCIAL STATEMENTS

ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET

	<u>Balance Sheet at 31 March 2011</u>	<u>Gross Income</u>	<u>Gross Expenditure</u>	<u>Capital Expenditure/ Receipts & Transfers</u>	<u>Capital Accounting</u>	<u>Balance Sheet at 31 March 2012</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<u>Hospital Fund</u>						
Fixed Assets	438	-	-	-	9	447
Long Term Investments	-	-	-	-	-	-
Current Assets	625	48	(22)	-	-	651
Current Liabilities	-	-	-	-	-	-
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>1,063</u>	<u>48</u>	<u>(22)</u>	<u>-</u>	<u>9</u>	<u>1,098</u>
Revaluation Reserve	438	-	-	-	9	447
Fund Balance	<u>625</u>	<u>48</u>	<u>(22)</u>	<u>-</u>	<u>-</u>	<u>651</u>
	<u>1,063</u>	<u>48</u>	<u>(22)</u>	<u>-</u>	<u>9</u>	<u>1,098</u>
<u>Dundee Festival Trust</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	-	-	-	-	-	-
Long Term Investments	-	-	-	-	-	-
Current Assets	40	-	(1)	-	-	39
Current Liabilities	-	-	-	-	-	-
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>40</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>39</u>
Capital Adjustment Account	-	-	-	-	-	-
Revaluation Reserve	-	-	-	-	-	-
Fund Balance	<u>40</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>39</u>
	<u>40</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>39</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET (CONTD)

	<u>Balance Sheet at 31 March 2011 £000</u>	<u>Gross Income £000</u>	<u>Gross Expenditure £000</u>	<u>Capital Expenditure/ Receipts & Transfers £000</u>	<u>Capital Accounting £000</u>	<u>Balance Sheet at 31 March 2012 £000</u>
<u>AT Cathro Bequest</u>						
Fixed Assets	-	-	-	-	-	-
Long Term						
Investments	-	-	-	-	-	-
Current Assets	22	-	(1)	-	-	21
Current Liabilities	(1)	-	-	-	-	(1)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>21</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>20</u>
Revaluation Reserve	-	-	-	-	-	-
Fund Balance	<u>21</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>20</u>
	<u>21</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>20</u>
<u>Others</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	2,157	-	-	-	893	3,050
Long Term						
Investments	-	-	-	-	-	-
Current Assets	362	16	(31)	-	-	347
Current Liabilities	-	-	-	-	-	-
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>2,519</u>	<u>16</u>	<u>(31)</u>	<u>-</u>	<u>893</u>	<u>3,397</u>
Revaluation Reserve	2,157	-	-	-	893	3,050
Fund Balance	<u>362</u>	<u>16</u>	<u>(31)</u>	<u>-</u>	<u>-</u>	<u>347</u>
	<u>2,519</u>	<u>16</u>	<u>(31)</u>	<u>-</u>	<u>893</u>	<u>3,397</u>
<u>Total</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	2,595	-	-	-	902	3,497
Long Term						
Investments	-	-	-	-	-	-
Current Assets	1,049	64	(55)	-	-	1,058
Current Liabilities	(1)	-	-	-	-	(1)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>3,643</u>	<u>64</u>	<u>(55)</u>	<u>-</u>	<u>902</u>	<u>4,554</u>
Revaluation Reserve	2,595	-	-	-	902	3,497
Fund Balance	<u>1,048</u>	<u>64</u>	<u>(55)</u>	<u>-</u>	<u>-</u>	<u>1,057</u>
	<u>3,643</u>	<u>64</u>	<u>(55)</u>	<u>-</u>	<u>902</u>	<u>4,554</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

52 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.

2010/2011 Actual £000	Income & Expenditure Account		2011/2012		(Surplus)/ Deficit £000	
	Interest on Investments £000	Other Income £000	Total Income £000	Expenditure £000		
59	Fleming Trust	(2)	(281)	(283)	102	(181)
<u>21</u>	Other Various Smaller Trusts (4 no)	<u>(2)</u>	<u>-</u>	<u>(2)</u>	<u>28</u>	<u>26</u>
80	Total	<u>(4)</u>	<u>(281)</u>	<u>(285)</u>	<u>130</u>	(155)
<u>(194)</u>	Less: Depreciation					<u>(194)</u>
<u>(114)</u>						<u>(349)</u>
2011 £000	Balance Sheet as at 31 March		2012 £000			
6,892	Tangible Fixed Assets		7,280			
<u>6,892</u>			<u>7,280</u>			
	Current Assets					
170	Sundry Debtors		27			
914	Short Term Investments		889			
<u>112</u>	Bank		<u>350</u>			
<u>1,196</u>			<u>1,266</u>			
	Less Current Liabilities					
<u>(120)</u>	Sundry Creditors		<u>(35)</u>			
<u>(120)</u>			<u>(35)</u>			
<u>1,076</u>	Net Current Assets		<u>1,231</u>			
<u>7,968</u>	Total Net Assets		<u>8,511</u>			
Financed By Fund Balances and Reserves						
Not Available for Use:						
4,212	Capital Adjustment Account		-			
<u>2,680</u>	Revaluation Reserve		<u>7,280</u>			
6,892			<u>7,280</u>			
Available for Use:						
<u>1,076</u>	Fund Balances		<u>1,231</u>			
<u>7,968</u>	Total Balances and Reserves		<u>8,511</u>			

NOTES TO THE CORE FINANCIAL STATEMENTS

FLEMING TRUST

Included in the expenditure shown above, the Fleming Trust incurred capital expenditure of £Nil financed from revenue in 2011/2012 (2010/2011 £nil). No capital receipts were received in 2011/2012 (2010/2011 £Nil).

NATURE AND PURPOSE OF VARIOUS FUNDS

The nature and purpose of the Fund 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 2012 was £8.031m (31 March 2011 £7.462m).

ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET

	<u>Balance Sheet at 31 March 2011</u>	<u>Gross Income £000</u>	<u>Gross Expenditure £000</u>	<u>Capital Expenditure/ Receipts & Transfers £000</u>	<u>Capital Accounting £000</u>	<u>Balance Sheet at 31 March 2012</u>
<u>Fleming Trust</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	6,892	-	-	-	388	7,280
Long Term Investments	-	-	-	-	-	-
Current Assets	690	283	(188)	-	-	785
Current Liabilities	(120)	-	86	-	-	(34)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>7,462</u>	<u>283</u>	<u>(102)</u>	<u>-</u>	<u>388</u>	<u>8,031</u>
Capital Adjustment Account	4,212	-	-	-	(4,212)	-
Revaluation Reserve	2,680	-	-	-	4,600	7,280
Fund Balance	<u>570</u>	<u>283</u>	<u>(102)</u>	<u>-</u>	<u>-</u>	<u>751</u>
	<u>7,462</u>	<u>283</u>	<u>(102)</u>	<u>-</u>	<u>388</u>	<u>8,031</u>
<u>Others</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	-	-	-	-	-	-
Long Term Investments	-	-	-	-	-	-
Current Assets	506	2	(28)	-	-	480
Current Liabilities	-	-	-	-	-	-
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>506</u>	<u>2</u>	<u>(28)</u>	<u>-</u>	<u>-</u>	<u>480</u>
Capital Adjustment Account	-	-	-	-	-	-
Revaluation Reserve	-	-	-	-	-	-
Fund Balance	<u>506</u>	<u>2</u>	<u>(28)</u>	<u>-</u>	<u>-</u>	<u>480</u>
	<u>506</u>	<u>2</u>	<u>(28)</u>	<u>-</u>	<u>-</u>	<u>480</u>
<u>Total</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	6,892	-	-	-	388	7,280
Long Term Investments	-	-	-	-	-	-
Current Assets	1,196	285	(216)	-	-	1,265
Current Liabilities	(120)	-	86	-	-	(34)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>7,968</u>	<u>285</u>	<u>(130)</u>	<u>-</u>	<u>388</u>	<u>8,511</u>
Capital Adjustment Account	4,212	-	-	-	(4,212)	-
Revaluation Reserve	2,680	-	-	-	4,600	7,280
Fund Balance	<u>1,076</u>	<u>285</u>	<u>(130)</u>	<u>-</u>	<u>-</u>	<u>1,231</u>
	<u>7,968</u>	<u>285</u>	<u>(130)</u>	<u>-</u>	<u>388</u>	<u>8,511</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

53 Heritage Assets

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which requires to be fully adopted in 2011/2012. The impact of the accounting change has been deemed not material and therefore no prior year adjustment has been required. As a result, the Council's heritage assets are accounted for from 2011/2012 only.

Tangible Heritage Assets			
	Museum & Art Gallery Collections	Other Heritage Assets	Total Assets
	£000	£000	£000
1 April 2011	-	-	-
Additions	-	473	473
Disposals	-	-	-
Revaluations	7,248	-	7,248
Reclassifications	-	393	393
Impairment Losses recognised in the Revaluation Reserve	-	-	-
Impairment Losses recognised in Surplus or Deficit on Provision of Services	-	-	-
31 March 2012	7,248	866	8,114

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 Fine Art 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 McKenzie photographic collection and Desperate Dan statue which were previously classified as Community assets, as well as Balgay Bridge which was previously classified as Infrastructure. Restoration works on Linlathen Bridge were completed in 2011/2012 and this asset is also classified as a heritage asset.

Additions & Disposals of Heritage Assets

Heritage assets additions in 2011/2012 relate to Linlathen Bridge (2010/2011 - none)

There were no disposals in 2011/2012 (2010/2011 - none)

54 Heritage Assets: Summary of Transactions

	2011/2012 £000
Cost of Acquisitions	
o Fine Art Collection	-
o Other Heritage Assets (Linlathen Bridge)	473
Total Cost of Purchases	473
Value of Acquisitions by Donations	
o Fine Art Collection	-
o Other Heritage Assets	-
Total Donations	-
Disposals	
Carrying Amount	-
Sale Proceeds	-

Note: The details provided above relate to the period since 1 April 2011, as it is not practicable to provide information prior to this date.

NOTES TO THE CORE FINANCIAL STATEMENTS

55 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 seven major collection groups are Archaeology, World Cultures, Numismatics, Human History, Natural Sciences, Fine Art & Decorative Art.

Archaeology

The Archaeology Collection consists of approximately 3,500 objects relating to Regional Archaeology and Foreign Archaeology.

World Cultures

The World Cultures collection consists of about 3000 items from Africa, Asia, North American and Oceania. The greater part is African, predominantly from Nigeria, Zaire, Uganda and South Africa. The North American collection is predominantly Inuit.

Numismatics

The Numismatics collection consists of some 6,000 objects relating to Dundee, Scotland, Britain and Europe, the Classical World, and other countries around the world. Examples include coins, trade tokens, communion tokens, and military medals the classical collection, the Paton Gloag collection being of particular note. The collection is believed to be of national importance.

Human History

The Human History collection is classified using the Social History and Industrial Classification (SHIC). The collection consists of approximately 26,000 objects, covering Community Life, Domestic & Family Life, Personal Life and Working Life as well as Oral History.

Natural Sciences Collection

Natural Sciences material is collected in the following categories:

- Botany
- Geology
- Invertebrate zoology
- Vertebrate zoology

Fine Art

Established in 1874, the City's permanent fine art collection comprises 5,500 items and spans four centuries of production by artists working in Britain and Europe. At its core is a fine collection of nineteenth and twentieth century Scottish painting which has formed the basis of our active collecting over the last forty years.

In recent years, there have been major changes in Dundee. The emergence of the internationally known visual arts organisations Dundee Contemporary Arts and Generator have changed the cultural landscape of the city, and their work will be reflected in the Council's acquisitions. Whilst the Council concentrates on collecting the best of Scottish art, it also endeavours - with funds from the National Collecting Scheme for Scotland - to acquire new works that put it in its international context.

From its inception until the 1960s, the art collection was built primarily through donations and bequests. During the 1960s a small acquisitions fund was established and curators were able to actively collect by purchasing work for the first time. With three major exceptions: the transfer of the entire Orchar Collection in 1987; the Council's successful bid for some 70 works from the Scottish Arts Council bequest in 1997; and the gift the photographic series 'Hawkhill: Death of a Living Community' in 2002, passive collecting by donations or bequests has virtually ceased.

NOTES TO THE CORE FINANCIAL STATEMENTS

Decorative Art

The City's permanent decorative art and craft collection is diverse and varied in quality, with much of it having been collected passively from bequests. The most significant items are areas which have been actively collected, mainly purchased, by curatorial initiatives.

At its core is a fine collection of historic Scottish silver, mainly made in Dundee but with excellent examples of Edinburgh and other Scottish Provincial silver. Historic Scottish Pottery was actively collected for a period and is a good display collection. Scottish studio ceramics have been purchased over the last 40 years while Contemporary Scottish glass has been collected since the 1980s. In the 1970s good quality display collections of Georgian glass and 18th century porcelain were purchased from Bond Street dealers to show the variety and development of the media in this period.

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

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 are the Lamb Collection, a unique resource of 450 archive boxes of ephemera, dating mainly from the latter part of the nineteenth century; a wide-ranging collection of works by and about William McGonagall; Mary Slessor Archive, sound recordings, letters books and bibles relating to Mary Slessor; Ivory Collection of Scientific Works, private collection of Sir James Ivory's scientific, philosophical and mathematical texts; Blaikie Manuscript; Biblia Sacra Latina; Good and Godlie Ballads; the Lawson Collection, a collection of sketches of mid 19th century Dundee.

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

www.leisureandculturaldundee.com/library/local_history

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 Museum Collecting and Disposal Policy 2007 - 2012 which is available at <http://www.dundee.gov.uk/reports/reports/31-2007.pdf> Expenditure which in the Council's view is required to preserve or prevent further deterioration of individual items is recognised in the Comprehensive Income and Expenditure Account. The Council aims to maintain the condition of these assets in a steady state of repair, subject to budgetary and operational constraints.

56 Other Long Term Liabilities

	31 March 2011 £000	31 March 2012 £000
Pension Liability	225,780	318,938
PPP Schools Liability	82,709	80,525
Finance Lease Liability	414	93
Burial Grounds Perpetuity Fund	-	1,926
Public Open Spaces	-	391
Total	308,903	401,873

COUNCIL TAX INCOME ACCOUNT

Local authorities raise taxes from its residents through the Council Tax – which is a property tax linked to property values. Each dwelling in a local authority area is placed into one of 8 valuation bands (A to H). The local authority determines the annual tax for a band D property and all other properties are charged a proportion of this, with lower valued properties (Bands A to C) paying less, and higher valued properties (D to F) paying more.

2010/2011 £000		2011/2012 £000
75,764	Gross Council Tax levied and contributions in lieu	75,767
(70)	Adjustments for prior years Council Tax and Community Charge	(60)
75,694		75,707
	Adjusted for:	
198	Council Tax Benefits (Net of Government Grants)	195
(16,590)	Other discounts and reductions	(16,298)
(1,601)	Provision for Non-collection	(2,051)
57,701		57,553
94	Community Charge recovered	46
57,795	Net Council Tax Income per the Comprehensive Income and Expenditure Statement	57,599

The calculation of the Council Tax Base 2011/2012:

	No of Dwellings	No of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	Total Dwellings	Ratio to Band D	Band D Equivalents
Band A	29,716	3,890	30	16,819	675	21,345	6/9	14,227
Band B	16,879	1,480	61	7,494	333	13,358	7/9	10,390
Band C	8,718	819	60	3,363	172	6,976	8/9	6,201
Band D	7,070	461	64	2,480	129	5,940	9/9	5,940
Band E	6,927	797	67	1,533	126	5,634	11/9	6,886
Band F	2,270	82	17	396	48	2,055	13/9	2,968
Band G	1,004	20	7	146	22	930	15/9	1,549
Band H	39	6	-	7	6	28	18/9	56
						TOTAL		48,217
						Provision for non-collection (3.2%)		(1,543)
						Council Tax Base		46,674

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 2011/2012 was £1,211.

Dundee City Council £ per year for 2011/2012:

Band A	£807.33	Band E	£1,480.11
Band B	£941.89	Band F	£1,749.22
Band C	£1,076.44	Band G	£2,018.33
Band D	£1,211.00	Band H	£2,422.00

NON-DOMESTIC RATE INCOME ACCOUNT

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.

The table below details the actual levels of NNDR collected by Dundee City Council, and the overall increase/decrease between the rates collected and the amount that the Council is entitled to receive under the National Pooling arrangement.

2010/2011 £000		2011/2012 £000
81,803	Gross rates levied and contributions in lieu	85,204
	Less:	
(19,146)	Reliefs and other deductions	(22,086)
(6)	Payments of interest	-
(8,619)	Provision of bad and doubtful debts	(3,040)
54,032	Net Non Domestic Rate Income	60,078
(1,666)	Adjustment for years prior to the introduction of the pool	(7,522)
52,366	Contribution to the National Non Domestic Rate pool	52,556
4,484	Net contribution to National (to)/from National Non Domestic Rate pool	8,574
52,526	Gross Non Domestic Rate Income to the Comprehensive Income and Expenditure Account	52,741
(160)	Discretionary relief above threshold not funded by national pool	(185)
56,850	Net NNDR Income per the Comprehensive Income and Expenditure Statement	61,130

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 2011/2012 was £0.426.

	2011/2012 £
Analyses of Rateable Values:	
Rateable Value at 1/4/2011	197,469,910
Running Roll (Full Year Rateable Value)	(2,963,738)
Rateable Value at 31/3/2012	194,506,172
Less: Wholly Exempt	n/a
Net Rateable Value at 31/03/2012	n/a
Dundee City Council's Rateable Values at 1 April 2011:	£000
Commercial	102,255
Industrial and Freight Transport	38,544
Public Undertakings	7,251
Others	49,399
Total	197,449

HOUSING REVENUE ACCOUNT MOVEMENT IN RESERVES STATEMENT

2010/2011 £000		Notes	2011/2012 £000
-	Balance on the HRA at the end of the Previous Year		-
(26,665)	Surplus or (Deficit) for the Year on HRA Income and Expenditure Statement		(30,171)
26,767	Adjustments between Accounting Basis and Funding Basis Under Statute	1	30,418
102	Net Increase or (Decrease) Before Transfers to or from Reserves		247
(102)	Transfers (to) or from Reserves	2	(247)
-	Increase or (Decrease) in Year on the HRA		-
-	Balance on the HRA at the end of the Current Year		-

HOUSING REVENUE ACCOUNT

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2010/2011 £000		Notes	2011/2012 £000
	Income		
39,795	Dwelling Rents		41,604
821	Non-dwelling Rents		737
246	Leasehold Service charges		214
2,867	Charges for Welfare Services		2,883
696	Hostels		520
2,319	Other Income		2,437
-	Sums Directed by the Scottish Government Minister that are income in accordance with IFRS		-
46,744	Total Income		48,395
	Expenditure		
(17,880)	Repairs and Maintenance		(19,531)
(11,377)	Supervision and Management		(11,385)
(34,373)	Depreciation and Impairment on Non-Current Assets		(39,975)
(505)	Movement in the Impairment of Debtors	5	(501)
(64,135)	Total Expenditure		(71,392)
(17,391)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(22,997)
(353)	HRA Services' Share of Corporate and Democratic Core		(294)
-	HRA Share of Other Amounts included in the Whole authority Net Cost of Services (but not Allocated to Specific Services)		-
(17,744)	Net Cost for HRA Services		(23,291)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(952)	Gain or (Loss) on Sale of HRA Non-Current Assets		(333)
(7,395)	Interest Payable and Similar Charges		(7,925)
-	Impairment of Assets Held for Sale		(40)
9	Interest and Investment Income		3
(641)	Pension Interest Cost and Expected Return on Pension Assets		357
58	Change in Fair Value of Investment Property		(113)
-	Capital Grants and Contributions Receivable		1,171
(26,665)	Surplus or (Deficit) for the Year on HRA Services		(30,171)

HOUSING REVENUE ACCOUNT DISCLOSURES

1 Adjustments between Accounting Basis and Funding Basis under Statute

2010/2011 £000		2011/2012 £000
952	Gain or loss on sale of HRA non-current assets	333
-	Impairment of Assets Held for Sale	40
(71)	Capital expenditure funded by the HRA	(1)
	Transfer to/from the Capital Adjustment Account:	
34,374	Depreciation and Impairment	39,975
-	Capital Grants and Contributions	(1,171)
(8,384)	Repayment of Debt	(8,738)
(58)	Change in Fair Value of Investment Property	113
(119)	HRA share of contributions to or from the Pensions Reserve	(198)
14	HRA Share of Transfer to/from the Financial Instruments Adjustment Account	83
59	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements (if any)	(18)
26,767	Total	30,418

2 Transfers (to) or from Reserves

2010/2011 £000		2011/2012 £000
-	Transfer to/from the General Fund	-
(102)	Transfer to/from the Renewal & Repair Fund	(247)
(102)	Total	(247)

3 Housing Stock

The Council's housing stock at 31 March 2012 was 13,157 (13,898 at 31 March 2011) in the following categories:

31 March 2011 Number		31 March 2012 Number
3,424	Houses	3,452
10,095	Flats	9,683
379	Maisonettes	307
13,898	Total	13,442

4 Rent Arrears

Rent Arrears at 31 March 2012 were £1.562m (£1.357m at 31 March 2011).

5 Impairment of Debtors

In 2011/2012 an impairment of £1.017m has been provided in the Balance Sheet for irrecoverable rents, an increase of £0.140m from the provision in 2010/2011.

6 Voids

The total value of uncollectable void rents was £1,164,245 (2010/2011 £1,547,269). This has been netted against rental income.

GROUP ACCOUNTS

INTRODUCTION

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires local authorities to consider all their interests in other organisations (including statutory bodies) and to prepare group financial statements where they have material interests in subsidiary and associated companies and joint ventures. The following Group Accounts are prepared on the basis of these requirements. The Local Authority Group is defined as the local authority 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 group financial statements comprise a Group Movement in Reserves Statement, Group Comprehensive Income & Expenditure Statement, Group Balance Sheet and Group Cash Flow Statement together with relevant supporting notes.

The results of the following organisations have been consolidated within the Council's Group Accounts:

Name of Combining Entity	Method of Accounting	Proportion of Results Consolidated
Common Good Fund	Subsidiary	100%
Fleming Trust	Subsidiary	100%
Tayside Joint Police Board	Associate	45.4%
Tayside Fire & Rescue Board	Associate	52%
Tayside Valuation Joint Board	Associate	33.39%
Dundee City Developments	Associate	28.57%
Leisure & Culture Dundee	Associate	46.15%
DERL	Associate	40%
Tayside Contracts Joint Committee – see below	Joint Arrangement Which Is Not An Entity	33%

Copies of the accounts for the above organisations can be obtained from the Director of Corporate Services, Dundee City Council, Floor 4, Dundee House, 50 North Lindsay Street, Dundee, DD1 1NZ.

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. The organisation is the commercial trading arm of the Councils of Dundee City, Angus and Perth & Kinross and employs approximately 2,500 staff operating out of in excess of 300 establishments. Tayside Contracts operates under a Joint Committee comprising of elected members from each constituent council. In terms of the City Council's Group Accounts, Tayside Contracts is accounted for as a "joint arrangement which is not an entity" and a proportion of their assets and liabilities (33% based on estimated value of works) have been added to the City Council's Balance Sheet prior to the consolidation of group entities. An additional Balance Sheet has been shown in the Group Accounts, being the adjusted Single Entity Balance Sheet following incorporation of the share of the assets and liabilities of Tayside Contracts. These items have been incorporated on a "line-by-line" basis. Tayside Contract's unaudited Balance Sheet at 31 March 2012 shows an overall net liability of £34.157m. An adjustment is made to eliminate any specific debtors or creditors held with Dundee City Council. The Council's share of the net liability is £11.272m, which has been incorporated into the adjusted Single Entity Balance Sheet.

BASIS OF CONSOLIDATION

The Group Accounts have been prepared using the "equity" method of consolidation, with appropriate summarisation of the Comprehensive Income & Expenditure Statement and Balance Sheet. This method of consolidation involves the following:

- bringing into the Group Comprehensive Income & Expenditure Statement the Council's share of the profits or losses of the group entities.
- bringing into the Group Balance Sheet the Council's share of the assets and liabilities of the group entities.

The Group Comprehensive Income & Expenditure Statement shows total net expenditure of £156.194m, a total increase in expenditure of £27.356m from the total reported in the Council's Comprehensive Income & Expenditure Statement. This is mainly due to incorporating the Council's share of the total expenditure shown in the Comprehensive Income & Expenditure Statements of the Police and Fire Boards.

GROUP ACCOUNTS

The impact of consolidation on the Balance Sheet is to decrease the net assets and reserves by £365.919m, when compared to the Council's adjusted Single Entity Balance Sheet. This is mainly due to the impact of consolidating the Council's share of the Balance Sheets of the Police and Fire Boards. These Boards' Balance Sheets show large deficits, mainly due to the effect of accounting for pension costs under International Accounting Standard 19 (Employee Benefits).

There is a divergence of accounting policy between DERL and the Group that requires to be disclosed. This relates to a 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 eliminate the Group's share of DERL's fixed assets, to leave a net liability of £2.289m which is included in the Group Accounts. There are no other material differences in the accounting policies employed by the Council and by its group entities which would necessitate an adjustment upon consolidation.

GROUP MOVEMENT IN RESERVES STATEMENT 2010/2011

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Renewal and Repair Fund £000	Insurance Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010	(15,006)	-	(404)	(19)	(8,152)	(2,959)	(889)	(27,429)	(26,657)	(54,086)
<u>Movement in reserves during 2010/11</u>										
(Surplus) or deficit on provision of services	(73,161)	26,661	-	-	-	-	-	(46,500)	-	(46,500)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	(159,366)	(159,366)
Total Comprehensive Expenditure and Income	(73,161)	26,661	-	-	-	-	-	(46,500)	(159,366)	(205,866)
Adjustments between Group Accounts and Authority Accounts	10,568	-	27	(12)	-	-	-	10,583	(16,634)	(6,051)
Net (Increase)/Decrease before Transfers	(62,593)	26,661	27	(12)	-	-	-	(35,917)	(176,000)	(211,917)
Adjustments between Accounting Basis and Funding Basis Under Regulations	65,583	(26,763)	-	-	3,285	-	-	42,105	(42,105)	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	2,990	(102)	27	(12)	3,285	-	-	6,188	(218,105)	(211,917)
Transfers to/(from) Earmarked Reserves	444	102	-	-	(34)	(1,015)	503	-	-	-
(Increase)/Decrease in 2010/11	3,434	-	27	(12)	3,251	(1,015)	503	6,188	(218,105)	(211,917)

GROUP MOVEMENT IN RESERVES STATEMENT 2011/2012

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Renewal and Repair Fund £000	Insurance Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2011 Carried Forward	(11,572)	-	(377)	(31)	(4,901)	(3,974)	(386)	(21,241)	(244,762)	(266,003)
<u>Movement in reserves during 2011/12</u>										
(Surplus) or deficit on provision of services	30,417	30,171	-	-	-	-	-	60,588	-	60,588
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	95,606	95,606
Total Comprehensive Expenditure and Income	30,417	30,171	-	-	-	-	-	60,588	95,606	156,194
Adjustments between Group Accounts and Authority Accounts	(22,928)	-	43	14	-	(5)	-	(22,876)	25,311	2,435
Net (Increase)/Decrease before Transfers	7,489	30,171	43	14	-	(5)	-	37,712	120,917	158,629
Adjustments between Accounting Basis and Funding Basis Under Regulations	(10,998)	(30,418)	-	(13,572)	1,396	-	-	(53,592)	53,592	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(3,509)	(247)	43	(13,558)	1,396	(5)	-	(15,880)	174,509	158,629
Transfers to/(from) Earmarked Reserves	490	247	-	-	679	(1,066)	(350)	-	-	-
(Increase)/Decrease in 2011/12	(3,019)	-	43	(13,558)	2,075	(1,071)	(350)	(15,880)	174,509	158,629
Balance at 31 March 2012 Carried Forward	(14,591)	-	(334)	(13,589)	(2,826)	(5,045)	(736)	(37,121)	(70,253)	(107,374)

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2010/2011			2011/2012		
Gross Expenditure	Gross Income	Net Expenditure / (Income)	Gross Expenditure	Gross Income	Net Expenditure/ Income
£000	£000	£000	£000	£000	£000
149,617	(7,213)	142,404	147,968	(7,576)	140,392
87,638	(71,408)	16,230	89,408	(73,555)	15,853
68,105	(50,714)	17,391	74,995	(51,999)	22,996
32,034	(3,159)	28,875	27,322	(2,026)	25,296
25,266	(4,036)	21,230	23,292	(3,768)	19,524
23,183	(7,783)	15,400	20,510	(7,270)	13,240
18,859	(10,443)	8,416	43,275	(8,729)	34,546
116,561	(22,351)	94,210	119,162	(24,067)	95,095
4,824	(110)	4,714	3,968	(97)	3,871
3,566	(82,160)	(78,594)	1,859	(51)	1,808
18,237	(6,856)	11,381	17,627	(6,891)	10,736
30,057	-	30,057	28,695	-	28,695
51	-	51	34	-	34
13,355	(263)	13,092	49,199	-	49,199
591,353	(266,496)	324,857	647,314	(186,029)	461,285
		543			2,720
		(223)			(230)
		31,741			18,877
		(7)			(31)
		24,486			20,909
		(380,562)			(395,879)
		(47,335)			(47,063)
		(46,500)			60,588
		(12,620)			(5,952)
		(63)			(24)
		-			(212)
		(100,217)			97,077
		(46,466)			4,717
		(159,366)			95,606
		(205,866)			156,194

GROUP BALANCE SHEET

Adjusted Single Entity 31 March 2011 £000	Group 31 March 2011 £000		Adjusted Single Entity 31 March 2012 £000	Group 31 March 2012 £000
1,288,203	1,295,095	Property, Plant & Equipment	1,265,346	1,272,626
-	-	Heritage Assets	8,114	8,114
21,198	21,198	Investment Property	19,360	19,360
1,137	1,137	Long Term Investments	1,159	1,159
-	259	Investments in Associates	-	254
10,672	10,672	Long Term Debtors	9,940	9,940
1,321,210	1,328,361	Long Term Assets	1,303,919	1,311,453
622	4,324	Short Term Investments	641	4,365
1,638	1,638	Inventories	1,841	1,841
43,396	43,678	Short Term Debtors	46,207	46,584
4,630	4,630	Cash and Cash Equivalents	-	-
2,320	2,320	Assets held for sale	2,482	2,482
52,606	56,590	Current Assets	51,171	55,272
(41,288)	(41,288)	Short Term Borrowing	(37,092)	(37,092)
(63,179)	(63,299)	Short Term Creditors	(59,382)	(59,417)
-	-	Cash and Cash Equivalents	(2,989)	(2,989)
(104,467)	(104,587)	Current Liabilities	(99,463)	(99,498)
(5,579)	(5,579)	Provisions	(4,454)	(4,454)
(327,593)	(327,593)	Long Term Borrowing	(362,656)	(362,656)
-	(352,047)	Liabilities in Associates	-	(377,519)
(316,302)	(316,302)	Other Long Term Liabilities	(414,096)	(414,096)
(12,840)	(12,840)	Capital Grants Receipts in Advance	(1,128)	(1,128)
(662,314)	(1,014,361)	Long Term Liabilities	(782,334)	(1,159,853)
607,035	266,003	Net Assets	473,293	107,374
16,249	21,241	Usable reserves	31,986	37,121
590,786	244,762	Unusable Reserves	441,307	70,253
607,035	266,003	Total Reserves	473,293	107,374

Marjory Stewart, FCCA, CPFA
Director of Corporate Services
Dundee City Council

The unaudited accounts were issued on 29 June 2012 and the audited accounts were authorised for issue on xx September 2012.

GROUP CASH FLOW STATEMENT

2010/2011 £000		2011/2012 £000
(49,007)	Net (surplus) or deficit on the provision of services	60,298
(9,494)	Adjust net (surplus) or deficit on the provision of services for non cash movements	(114,203)
<u>5,226</u>	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	<u>3,573</u>
(53,275)	Net cash flows from Operating Activities	(50,332)
74,142	Investing Activities	83,884
<u>(33,036)</u>	Financing Activities	<u>(25,997)</u>
(12,169)	Net (increase) or decrease in cash and cash equivalents	7,555
<u>(7,539)</u>	Cash and cash equivalents at the beginning of the reporting period	<u>4,566</u>
<u><u>4,630</u></u>	Cash and cash equivalents at the end of the reporting period (note 16)	<u><u>(2,989)</u></u>

NOTES TO THE GROUP ACCOUNTS

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 2012		
	Usable	Unusable	Total
	Reserves	Reserves	Reserves
	£000	£000	£000
Dundee City Council (Single Entity)	31,592	452,973	484,565
Tayside Contracts Joint Committee	394	(11,666)	(11,272)
DCC (Adjusted Single Entity)	31,986	441,307	473,293
Common Good Fund	3,189	127	3,316
Charitable Trust Fund	750	7,280	8,030
Tayside Joint Police Board	2,367	(274,438)	(272,071)
Tayside Fire & Rescue Board	311	(97,409)	(97,098)
Tayside Valuation Joint Board	34	(2,291)	(2,257)
Dundee City Developments Limited	347	(93)	254
Leisure & Culture Dundee	426	(4,230)	(3,804)
Dundee Energy Recycling Limited	(2,289)	-	(2,289)
Total per Group Balance Sheet	<u>37,121</u>	<u>70,253</u>	<u>107,374</u>

Group Entity	As at 31 March 2011		
	Usable	Unusable	Total
	Reserves	Reserves	Reserves
	£000	£000	£000
Dundee City Council (Single Entity)	15,949	597,454	613,403
Tayside Contracts Joint Committee	300	(6,668)	(6,368)
Dundee City Council (Adjusted Single Entity)	16,249	590,786	607,035
Common Good Fund	3,193	101	3,294
Charitable Trust Fund	570	6,892	7,462
Tayside Joint Police Board	2,313	(261,673)	(259,360)
Tayside Fire & Rescue Board	711	(89,049)	(88,338)
Tayside Valuation Joint Board	35	(1,373)	(1,338)
Dundee City Developments Limited	259	-	259
Leisure & Culture Dundee	33	(922)	(889)
Dundee Energy Recycling Limited	(2,122)	-	(2,122)
Total per Group Balance Sheet	<u>21,241</u>	<u>244,762</u>	<u>266,003</u>

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 March
	2012	2011
	£000	£000
Dundee City Council (Single Entity)	(2,238)	5,603
Tayside Contracts Joint Committee	(751)	(973)
Dundee City Council (Adjusted Single Entity)	(2,989)	4,630
Common Good Fund	-	-
Charitable Trust Fund	-	-
Tayside Joint Police Board *	-	-
Tayside Fire & Rescue Board *	-	-
Tayside Valuation Joint Board *	-	-
Dundee City Developments Limited *	-	-
Leisure & Culture Dundee *	-	-
DERL *	-	-
Total per Group Balance Sheet	<u>(2,989)</u>	<u>4,630</u>

* These entities are consolidated on an equity basis and the Council's share of cash and cash equivalents appears elsewhere in the Group Balance Sheet.

NOTES TO THE GROUP ACCOUNTS

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. 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

The Group Accounts consolidate the results of the Council with the following entities:

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 substance over form. 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 pages 104 to 105. Separate details of the Fleming Trust are included on pages 82 to 83.

Tayside Joint Police Board

Tayside Joint Police Board was established by Section 34 of the Local Government (Scotland) Act 1994 and the Tayside Combined Police Area Amalgamation Scheme Order 1995. This Order provided for Dundee City Council, Perth & Kinross Council and Angus Council becoming amalgamated for Police purposes into the Tayside Joint Police Board.

The Board consists of 18 Councillors appointed from the three Councils as follows: 7 members from Dundee City Council, 6 members from Perth & Kinross Council and 5 members from Angus Council. There has been no change to the overall composition of the Board from 2010/2011. The Board shares responsibility for Tayside Police with Scottish Ministers and the Chief Constable, who is responsible for operational matters. The Board is supported by two officers from Angus Council as officials to the Board. Dundee City Council has included the Tayside Joint Police Board in the Group Accounts as an associate in terms of the Code and accounted for it on a 'net equity' basis. The City Council's share is 45.4% based on the percentage of funding requisitions for the Board. The Board's accounting period is 31 March. For the purpose of consolidation and disclosure, unaudited statutory accounts for the year ended 31 March 2012 were used.

The Board's unaudited Comprehensive Income & Expenditure Statement for 2011/2012 shows total net expenditure of £28.000m, of which £12.711m (45.4%) has been included in the Group Accounts. The Board's unaudited Balance Sheet shows a net liability of £599.276m, of which £272.071m (45.4%) has been included in the Group Accounts.

Tayside Fire & Rescue Board

Tayside Fire & Rescue Board, as the combined Fire Authority for Tayside, has statutory responsibilities under the Fire Services Act 1947 and Fire Precautions Act 1971. The 'Board' is constituted by Order which provides for members from Dundee City Council, Perth & Kinross Council and Angus Council to be represented and to manage the financial affairs of the service.

The Board consists of 18 Councillors appointed from the three Councils as follows: 7 members from Dundee City Council, 6 members from Perth & Kinross Council and 5 members from Angus Council. There has been no change to the overall composition of the Board from 2010/2011. The Board is supported by two officers from Perth & Kinross Council as officials to the Board. Dundee City Council has included the Tayside Fire & Rescue Board in the Group Accounts as an associate in terms of the Code and accounted for it on a 'net equity' basis. The City Council's share is 52% based on the percentage of funding requisitions for the Board. The Board's accounting period is 31 March. For the purpose of consolidation and disclosure, unaudited statutory accounts for the year ended 31 March 2012 were used.

The Board's unaudited Comprehensive Income & Expenditure Statement for 2011/2012 shows total net expenditure of £16.845m, of which £8.759m (52%) has been included in the Group Accounts. The Board's unaudited Balance Sheet shows a net liability of £186.727m, of which £97.098m (52%) has been included in the Group Accounts.

NOTES TO THE GROUP ACCOUNTS

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.

The Board consists of 15 Councillors appointed from the three Councils as follows: 6 members from Dundee City Council, 5 members from Perth & Kinross Council and 4 members from Angus Council. There has been no change to the overall composition of the Board from 2010/2011. The Board is supported by two officers from Dundee City Council as officials to the Board. Dundee City Council has included the Tayside Valuation Joint Board in the Group Accounts as an associate in terms of the Code and accounted for it on a 'net equity' basis. The City Council's share is 33.39% based on the percentage of funding requisitions for the Board. The Board's accounting period is 31 March. For the purpose of consolidation and disclosure, unaudited statutory accounts to the year ended 31 March 2012 were used.

The Board's unaudited Comprehensive Income & Expenditure Statement for 2011/2012 shows total net expenditure of £2.783m of which £0.928m (33.39%) has been included in the Group Accounts. The Board's unaudited Balance Sheet shows a net liability of £6.759m, of which £2.257m (33.39%) has been included in the Group Accounts.

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. Dundee City Council has two officers on the Board of Dundee City Developments Limited (there can be up to ten other Board members). The company is limited by guarantee and the members liability is limited to a maximum amount of £1. Dundee City Council has included the company in the Group Accounts as an associate in terms of the Code. The percentage for consolidation is 28.57%, based on the actual board membership as at 30 April 2012 (28.57% at 30 April 2011). The company has been consolidated in the Group Accounts on a 'net equity' basis. DCD's accounting period is 30 April. For the purpose of consolidation and disclosure, unaudited Statutory Accounts to 30 April 2012 were used. The company's unaudited Profit & Loss Account shows a profit of £0.182m of which £0.052m has been included in the Group Accounts. The company's unaudited Balance Sheet shows a net asset of £0.891m of which £0.254m has been included in the Group Accounts.

Dundee Energy Recycling Limited

Dundee Energy Recycling Limited (DERL) is a special purpose company, established in order to construct and operate a Waste-to-Energy Plant at Baldovie, Dundee. 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 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 has 5,362,181 Deferred Shares of £1 par value in the company. As at 31 March 2012, a loan of £3.900m is in place to provide working capital and assist with cash flow. The carrying value of the investment in the company in the Council's Balance Sheet at 31 March 2012 is Nil (31 March 2011 Nil). The Council owned 40% of the £100 Ordinary Share Capital of DERL at 31 March 2012 (40% at 31 March 2011). Dundee City Council has two officers as Directors on the Board of DERL (maximum number of Directors is six). Dundee City Council has included the company in the Group Accounts as an associate in terms of the Code. The DERL project was developed under the Private Finance Initiative (PFI).

The company has been consolidated in the Group Accounts on a 'net equity' basis. DERL's accounting period is 31 December. For the purpose of consolidation and disclosure, figures from DERL's statutory accounts to 31 December 2011 have been used. The company's Profit & Loss Account shows a loss of £5.577m for the year to 31 December 2011, of which £2.231m (40%) has been included in the Group Accounts. The company's Balance Sheet shows a net liability of £4.233m. As a result of the divergence of accounting policy regarding the treatment of Property, Plant & Equipment, an adjustment is required upon consolidation to align the policies and eliminate the Group's share of DERL's fixed assets. This leaves a net liability of £2.289m, which is included in the Group Accounts.

Dundee Leisure Limited / Leisure and Culture Dundee

In March 2006, it was agreed that a Leisure Company with charitable status ("Dundee Leisure") would be established to manage and operate the Council's swimming and leisure facilities from 1 April 2006. A Management Agreement was agreed between the Council and the Company, together with building leases for five different leisure facilities. As part of the Management Agreement, 118 full-time equivalent staff transferred from the Council to the Company on existing terms and conditions of employment. In addition, it was agreed that from 1 April 2009, Dundee Leisure should manage and operate the community based Sports and Leisure facility at the new St Paul's RC Academy. The company was limited by guarantee and the members' liability

NOTES TO THE GROUP ACCOUNTS

was limited to a maximum amount of £1. The Council had five elected members and two officers appointed as Directors to the Board (total number of Directors was 18).

In February 2011, it was agreed to establish a charitable organisation to manage the leisure and cultural facilities owned by the Council. It was agreed that the legal form of the new charitable organisation would be a Scottish Charitable Incorporated Organisation (SCIO) and that the SCIO would be named Leisure and Culture Dundee. The constitution of Leisure and Culture Dundee was approved by the Policy & Resources Committee and an application to establish the SCIO was approved by OSCR on 29 June 2011. Leisure and Culture Dundee have been in operation from 1 July 2011. The Council has four elected members and two officers appointed as Directors to the Board (total number of Directors is 13).

Dundee City Council has included Dundee Leisure Limited and Leisure and Culture Dundee in the Group Accounts as associates in terms of the Code. These entities have been consolidated in the 2011/2012 Group Accounts on a "net equity" basis as follows:

Dundee Leisure Limited

Dundee Leisure Limited's final accounting period was the 16 months to 31 July 2011 and audited accounts are available for this period. For the purpose of consolidation and disclosure, figures for the 4 month period to 31 July 2011 have been calculated. The percentage for consolidation is 38.89%, based on the actual board membership as at 31 July 2011. For the 4 month period, a loss of £0.495m has been calculated, of which £0.194m (38.89%) has been included in the Group Accounts. All assets and liabilities of the company were transferred to Leisure and Culture Dundee as at 31 July 2011.

Leisure and Culture Dundee

Leisure and Culture Dundee initial accounting period was the 9 months to 31 March 2012 and unaudited accounts are available for this period. For the purpose of consolidation and disclosure, figures from the above accounts have been used. The percentage for consolidation is 46.15%, based on the actual board membership as at 31 March 2012. For the 9 month period, a deficit of £5.757m has been made, of which £2.657m (46.15%) has been included in the Group Accounts. The Balance Sheet shows a net liability of £8.243m, of which £3.804m (46.15%) has been included in the Group Accounts.

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 accounts.

There are three 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:

Dundee Ice Arena Limited

The Dundee Ice Arena Limited Company was established to operate the Ice Arena facilities in Dundee, which are owned by the Council. There is a lease agreement with the company for the occupation of the Ice Arena. 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 (total number of Directors is 14).

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).

NOTES TO THE GROUP ACCOUNTS

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 repayable by 31 March 2013 and as a result has increased its share of the Standard Security to 33% of the company's liquidated assets. As at 31 March 2012, £300,000 of this loan has been repaid to the Council. 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 City Council's Group Accounts on the basis that the Council does not have a financial interest or investment in the Board.

COMMON GOOD FUND ACCOUNT

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".

2010/2011 £000		2011/2012 £000
	<u>Income & Expenditure Account</u>	
	<u>Income</u>	
(12)	Interest on Loans	(13)
(15)	Dividends and Commission	(16)
<u>22</u>	Feu Duties	<u>-</u>
(5)		<u>(29)</u>
	<u>Expenditure</u>	
<u>51</u>	Other Expenditure	<u>34</u>
<u>51</u>		<u>34</u>
<u><u>46</u></u>	(Surplus)/Deficit for Year	<u><u>5</u></u>

2011 £000		2012 £000
	<u>Balance Sheet as at 31 March</u>	
	<u>Current Assets</u>	
3,294	Short Term Investments	3,316
<u>-</u>	Sundry Debtors	<u>-</u>
<u>3,294</u>		<u>3,316</u>
	<u>Current Liabilities</u>	
<u>-</u>	Sundry Creditors	<u>-</u>
<u>-</u>		<u>3,316</u>
<u>3,294</u>	Total Net Assets	<u>3,316</u>
	Financed By Fund Balances and Reserves	
	Not Available for Use:	
<u>101</u>	- Available-for-sale Financial Instruments Reserve	<u>127</u>
<u>101</u>		<u>127</u>
	Available for Use:	
3,193	- Common Good Balance	3,189
<u>3,294</u>	Total Balances and Reserves	<u>3,316</u>

**Marjory Stewart, FCCA, CPFA
Director of Corporate Services
Dundee City Council**

The unaudited accounts were issued on 29 June 2012 and the audited accounts were authorised for issue on xx September 2012.

NOTES TO THE COMMON GOOD FUND ACCOUNT

1 SHORT TERM INVESTMENTS

Included within the Short Term Investments figure of £3,316,000 shown above, £434,000 relates to marketable securities as at 31 March 2012 (31 March 2011 £3,294,000 and £407,000). These securities are valued at market value.

INDEPENDENT AUDITORS REPORT

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

We have audited the financial statements of Dundee City Council and its group for the year ended 31 March 2012 set out on pages 22 to 116. 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 2011-12 (the 2011-12 Code).

This report is made solely to the members of Dundee City Council and the Accounts Commission for Scotland, in accordance with Part VII of the Local Government (Scotland) Act 1973. Our audit work has been undertaken so that we might state to those two parties those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Dundee City Council and the Accounts Commission for Scotland, for this report, or the opinions we have formed.

Respective responsibilities of the Director of Corporate Services and auditor

As explained more fully in the Statement of Responsibilities on page 21, the Director of Corporate Services is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Corporate Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the statement of accounts to identify material misstatements or inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and of the body as at 31 March 2012 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government Scotland Act 2003.

Opinion on other matters prescribed by the Local Government (Scotland) Act 1973

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Foreword by the Director of Corporate Services for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS REPORT

Independent auditor's report to the members of Dundee City Council and the Accounts Commission for Scotland (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Local Government (Scotland) Act 1973 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Annual Governance Statement does not comply with Delivering Good Governance in Local Government; or
- there has been a failure to meet a prescribed financial objective.

S Reid

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Saltire Court

20 Castle Terrace

Edinburgh

EH1 2EG

28 September 2012