



Annual Accounts

As at 31 March 2020
Audited



Dundee City Council

Annual Accounts 2019/2020

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PART 1 - INTRODUCTION & BACKGROUND

Introduction

We are pleased to present the Audited Annual Accounts for Dundee City Council ("the Council") and its Group for the year ended 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020 ("the Code"). This management commentary provides context for the annual accounts, an analysis of financial and non-financial performance and an insight into the priorities and plans of the Council and the key developments during the period. The principal financial risks and uncertainties facing the Council are identified, together with the potential impact and actions being taken. The Council's response to the on-going Covid-19 epidemic is set out, together with the associated financial implications.

Service and Management Structures

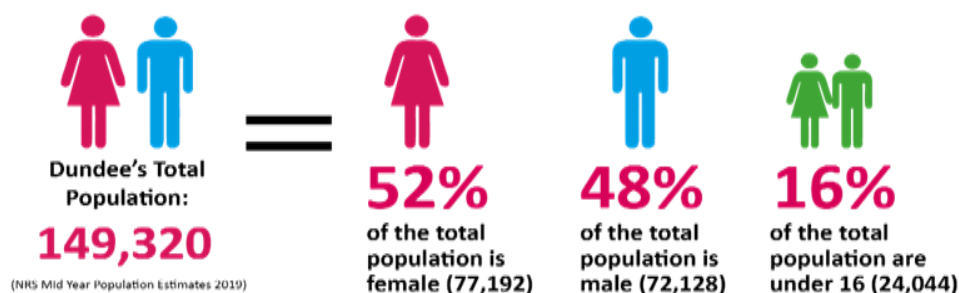
There were no significant changes to service and management structures during 2019/2020. The Council's five strategic service areas and two key partnerships (DHSCP and LACD) are:

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

The Council has agreed to create a formal partnership between Dundee City Council and Tayside Contracts for the delivery of Construction Services, which would allow Construction Services to be awarded or bid for work to a wider market including neighbouring or other Authorities. The partnership will also enable rationalisation of Dundee City Council depot facilities at Clepington Road and Marchbanks, and the ongoing development and implementation of improved IT systems which will assist with the management of repairs and facilitate partnership working.

Dundee City Council

Dundee is Scotland's fourth largest city, situated on the north coast of the Tay Estuary. The Dundee City Council area covers 60 square kilometres and is, geographically, the smallest local authority area in Scotland. Dundee is home to 149,320 people and is bordered by Perth and Kinross Council to the west and Angus Council to the north and east. Dundee continues to serve as the regional centre for this area and North-East Fife, with an estimated catchment population of some 490,000 people. Dundee has a sizeable student population, and is home to the University of Dundee, Abertay University and Dundee & Angus College. Dundee was Scotland's first Fair Trade City, the UK's first Living Wage City and the UK's first UNESCO City of Design.



PART 2 - IMPACT OF THE COVID-19 EPIDEMIC

The Council's Response to the Covid-19 Epidemic

The Covid-19 epidemic has impacted on all areas of society and on all aspects of normal daily life, particularly since the implementation of the national lockdown on 23 March 2020. These impacts have been severe and are likely to continue throughout the period of the current lockdown and beyond. All levels of government have taken action to support and protect our most vulnerable citizens, staff, local businesses, key suppliers and the third sector during this challenging and unprecedented time. These actions seek to maintain resilience during this crisis and ensure that people and organisations will emerge in the best possible shape when the emergency is over. The various actions and supports implemented by Dundee City Council include:

- the closure of all schools and nurseries for normal business, with eight community support centres established to provide a range of co-ordinated support to assist people during the crisis, including the provision of childcare for key workers and vulnerable children
- weekly payments to families in lieu of free school meals, financial support to local foodbanks and, together with our third sector partners, the provision of a community meals service
- face to face delivery of customer services, benefit delivery services and cash office services was ceased and replaced with online, telephone and email facilities
- the closure of household waste recycling centres, play areas and communal equipment, Council operated toilets and Council operated kennels
- only emergency or urgent repairs to Council houses being carried out
- separate food waste collections and bulky waste uplift service ceased to allow prioritisation of general waste collections
- free parking has been introduced at all of Dundee City Council's multi-storey & Shore Terrace surface car park to help key workers
- all Council meetings suspended, with essential committee business being dealt with under the established procedures for Urgent Matters Between Meetings
- closure of administrative offices with staff working from home where appropriate and with direct access to the Council's systems
- some income-generating staff have been furloughed and successful applications have been made for 80% grant support through the UK Government's Coronavirus Job Retention Scheme
- around 240 employees deployed to other roles, largely to support humanitarian effort and care and support
- various communication techniques used with staff and the public to ensure all parties are appropriately informed of any changes to Council services etc

The Council has played a key role in supporting local businesses through the administration of the Scottish Government's business support schemes. As at end-October 2020, the Council had paid 2,364 Business Support Grants totalling £26.735m, together with 183 Self Employed Hardship Grants totalling £366,000. The Council is also currently administering the Transitional Support Fund for Childcare Providers and the Covid-19 Break Restrictions Fund. These schemes are fully funded by the Scottish Government. The Council is also committed to supporting key suppliers during the Covid-19 epidemic, both to support continuity of service provision in the short-term (where appropriate) and also to ensure longer-term financial sustainability and service availability. The Council is, however, acutely aware of the need to demonstrate prudence and good financial governance in these difficult and unprecedented times, particularly where payments are continuing to be made for services that are not being provided. The Council is therefore following all relevant guidance, including Scottish Government - Scottish Procurement Policy Note 5 (SPPN 5) – Supplier Relief Due to Covid-19.

Financial Implications

The Covid-19 epidemic is having a huge impact on public services across the UK. Public sector organisations are responding to emerging issues on a daily basis. This response inevitably involves additional expenditure, often of an emergency nature. Ministers have given the commitment that reasonable expenditure incurred by Councils will be funded by the Scottish Government.

The Council has incurred significant additional costs in delivering its response to the Covid-19 epidemic and will continue to do so for the foreseeable future. Monitoring of the additional costs of responding to the Covid-19 epidemic is now embedded within the Council's established budget management processes. A report was submitted to the Policy and Resources Committee on 24 August 2020, setting out an update on the financial implications of the Council's response to the Covid-19 emergency and proposing a financial recovery plan containing a number of measures aimed at mitigating the increased costs in financial year 2020/21 to protect the Council's financial sustainability going forward. The report showed gross additional costs of £32.737m for financial year 2020/21, in respect of the Council's response to the Covid-19 emergency. This includes £5.490m for Leisure and Culture Dundee. It was assumed that the additional costs incurred by DHSCP in addressing the Covid-19 emergency would be funded in full by the Scottish Government. After taking into account confirmed additional government funding streams, the projected funding shortfall for 2020/21 was £19.558m. The financial recovery plan totalled £16.456m, leaving a projected deficit of £3.102m for 2020/21. Further reports will be brought forward to advise elected members of progress in aligning 2020/21 spend levels more closely with the funding available. An update report will be considered by the Policy and Resources Committee on 16 November 2020.

Recovery Plan

As we move out of lockdown the Council will play a vital role in re-establishing and re-shaping local services, with approved corporate and service Recovery Plans being implemented. The Council is following the Scottish Government's Framework for Decision Making, Scotland's Route Map Through and Out of the Crisis, which sets out how restrictions will be lifted carefully and gradually across four phases. Staff returned to Dundee schools on 15th June as preparations continued to welcome pupils back to the classroom on a full-time basis in August. Grounds maintenance services and the bulky waste uplift service have re-commenced and household waste recycling centres have re-opened.

PART 3 - FINANCIAL MATTERS

Review of the 2019/2020 Financial Year - Revenue Budget

The 2019/2020 General Services Revenue Budget was agreed at the meeting of the Policy & Resources Committee on 21 February 2019. The Council Tax was increased by 3%, after budget savings totalling £8.847m were approved (in addition to base budget savings of £8.192m). No amounts were taken from accumulated General Fund balances in setting the 2019/2020 budget. The 2019/2020 Housing Revenue Account Budget was agreed at the meeting of the Policy & Resources Committee on 28 January 2019 and it was also agreed that rent levels would increase on average by 3.75%. The Policy & Resources Committee received regular revenue monitoring reports during 2019/2020 in order to keep elected members fully appraised as to the projected outturn position.

The Consolidated Income & Expenditure Statement (page 62) shows a deficit on the provision of services of £53.575m for 2019/2020, measured on an accounting basis. This deficit is carried forward to the Movement in Reserves Statement (page 64), where adjustments totalling -£68.265m have been made to restate the accounting position to a funding basis. The overall increase in usable reserves is £14.690m on a funding basis. The Expenditure and Funding Analysis (page 58) provides a detailed reconciliation between the funding and accounting bases, with the former also providing a direct linkage back to the regular revenue monitoring reports to Committee.

Within the overall increase in usable reserves of £14.690m, the increase in the General Fund and Housing Revenue Account balances over the year was £2.655m. This was against a budgeted reduction in General Fund and Housing Revenue Account balances of £2.098m (due mainly to budget virements during financial year 2019/2020 for the carry forward of underspends from 2018/2019 and allocations from the Organisational Change Fund during 2019/2020). This represents an overall net underspend of £4.753m against the 2019/2020 Revenue Budget. The main components of the net underspend are as follows:

	(Under)/ Over Spend £m
Children & Families Services	(1.774)
Dundee Health & Social Care Partnership	0.680
City Development	2.586
Neighbourhood Services	(0.649)
Chief Executive	(0.534)
Corporate Services	(1.091)
DCS Construction	(1.716)
Housing Revenue Account	(0.689)
Other Miscellaneous Service Budgets	0.139
Net Underspend on Services	(3.048)
Financing & Investment Income & Expenditure	2.116
Taxation and Non Specific Grant Income	(1.336)
Net Underspend per Comprehensive Income & Expenditure Statement	(2.268)
Items in Movement in Reserves Statement:	
Pension Contributions	(0.603)
Loan Repayments & CFCR	(4.953)
Net Underspend Before Appropriations	(7.824)
Additional Contributions to / (from) Reserves:	
Surplus on Housing Revenue Account (transferred to Renewal & Repair Fund)	2.256
Repair & Renewal Fund	0.499
Insurance Fund	0.739
Capital Receipts Used to Fund Severance Costs (transferred from CG&R Unapplied Account)	(0.423)
Net Underspend After Appropriations	(4.753)

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

Overspends:	£m
Reflects higher than anticipated expenditure on housing repairs and relets due to current level of demand for these services. Also an increase in bad debt provision due to impact of Universal Credit. These overspends were partly offset by lower than anticipated expenditure on external cyclical maintenance.	0.486
Dundee City Council share of IJB overspend which is mainly due to increased level of demand for services and increased staff costs	1.021
LED Street lighting electricity savings not achieved and higher car park security costs	0.990
Under-recovery of fees and charges in relation to Advertising, Architect Services, Planning & Building warrants, ESF grant and reduced GAM funding	1.454
Property costs overspend in relation to repairs & maintenance	0.622
Reduction in car parking income in March due to Covid-19	0.149
Reduced income from disposal of recyclates & trade waste	0.150
Scientific Services loss of income from Angus, Fife and Perth & Kinross Councils	0.559
Some Council savings not directly achieved but contained within the overall resources of the Council	0.839
Overspend on Discretionary non-domestic rates	0.041
Increase in impairment allowance on trade debtors	0.659
Renewal & Repair Fund Transfer	0.500

Underspends:	£m
Net savings in staff costs across all services (excluding pension costs)	2.396
Pension contributions lower than budget	0.603
Capital Finance Cost Savings including Housing Revenue Account	4.203
Additional rental income from Council Houses	0.315
Additional Tayside Contracts surplus	0.276
Additional Dundee Construction Services surplus	1.716
In Children & Families - Energy Costs underspend	0.211
In Children & Families - Additional income from school meals	0.388
In Children & Families - Braeview carry forward not utilised in year	0.250
In City Development - various underspends in Third Party Payments	0.584
Net additional income from rental properties	0.080
Slow uptake of free sanitary products	0.152
Additional Income from Food Standards	0.162
Additional Grant income from DWP	0.014
Lower than anticipated spend on Rapid Rehousing Transition Plan	0.133
Adjustments in funding received in relation to Teachers' Pensions and Barclay Review	0.229
Additional income in relation to Capital Receipts used to fund Severance Costs	0.423
Business Rates Incentivisation Scheme Income	0.518
Additional Council Tax income	0.589

The General Fund balance has increased over the year by £2.655m, to £16.520m at 31 March 2020. Within this overall total it is estimated that £8.012m is uncommitted. This equates to 2.2% of annual budgeted net expenditure.

NET COST OF SERVICES 2019/2020 (£m)

Children & Families 163.898	Dundee Health & Social Care Partnership 83.139	City Development 70.607	Neighbourhood Services 30.580
Corporate Services 34.010	Chief Executive 11.724	Construction (2.400)	Housing Revenue Account 18.801
Discretionary NDR Relief 0.349	Tayside Valuation Joint Board 0.912	Miscellaneous Items 1.399	

The value of net assets shown in the Council's Balance Sheet (page 65) has decreased from £771.7m (at 31 March 2019) to £745.3m (at 31 March 2020) ie a decrease of £26.4m. The main reasons for this movement are an increase in Pension Liabilities (£5.2m), increases in Other Long Term Liabilities (£39.0m) and a reduction in Short Term Debtors (£10.0m), partly offset by an increase in Cash and Cash Equivalents (£12.3m), a reduction in Short Term Creditors (£4.9m) and reductions in Borrowing (£12.9m). The Cash Flow Statement (page 66) shows that cash and cash equivalents have increased by £12.3m over the period, with a closing net in balance of £21.869m.

Management of Reserves

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

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

The agreed protocol for the operation of the Council's Reserves states that the Executive Director of Corporate Services shall include a statement showing the movements in the Council's Reserves in the Annual Accounts. The following table shows the movements in the Council's available cash-backed reserves during 2019/2020.

	General Fund £m	Housing Revenue Account £m	Renewal & Repair Fund £m	Insurance Fund £m	Capital Fund £m	Total £m
Opening Balance 1 April 2019	13.865	-	6.621	2.573	0.626	23.685
Surplus / (Deficit) for the Year	3.605	1.806	(0.076)	0.739	0.006	6.080
Transfer of HRA Surplus	-	(2.256)	2.256	-	-	-
Transfer to Fund CFCR	(0.450)	0.450	-	-	-	-
General Reserve Transfers Under Delegated Powers	(0.500)	-	0.500	-	-	-
Closing Balance 31 March 2020	16.520	-	9.301	3.312	0.632	29.765

In addition to the above, £1.5m and £1.815m of capital receipts from asset sales during 2018/2019 and 2019/2020 respectively have been set aside to fund costs associated with future transformation projects. In 2019/2020, £0.423m was used to fund severance costs leaving a balance of £2.892m at 31 March 2020. In line with the statutory guidance set out in Local Government Finance Circular 4/2019, this sum is currently held in the Capital Grants & Receipts Unapplied Account pending its use.

Review of the 2019/2020 Financial Year - Capital Budget

On 10 December 2018, the Policy & Resources Committee approved a combined five year Capital Plan for General Services and Housing totalling £347.2m over the period 2019 to 2024 including £112.3m for later years. The gross capital budget for 2019/2020 totalled £124.406m. The Policy & Resources Committee received capital monitoring reports during 2019/2020 to keep elected members apprised of project cost to date, the projected outturn position and projected completion dates. Actual gross capital expenditure for the year was £73.738m. The following table compares the actual outturn position with budget for capital expenditure and the associated funding. The underspend against the original capital budget was due to slippage across a range of projects.

	Budget £m	Actual £m	Variance £m
Gross Capital Expenditure	124.406	73.738	(50.668)
<i>Funded by:</i>			
Borrowing	80.669	35.968	(44.701)
Capital Grants & Receipts	43.737	34.750	(8.987)
CFCR	-	3.020	3.020
	124.406	73.738	(50.668)

The main elements of slippage in the 2019/20 capital programme were as follows:

Project	Budget £000	Actual £000	Underspend £000	Explanation
Central Waterfront	1,776	15	1,761	The Digital Playpark is now being delivered as part of the Waterfront Place project, with the budget rephased to take account of the revised programme.
Waterfront Place	6,453	1,045	5,408	Works were originally programmed to commence in 2018/19, however, during the design process it was recognised that a café facility was no longer required and that re-locating the Digital Playpark from Slessor Gardens to Waterfront Place would provide additional benefits. The main works started on-site in January 2020.
Central Waterfront Plot 6 Hotel	16,600	686	15,914	The business model for the proposed development is currently being prepared. The Council's capital plan is reviewed regularly and the original capital allocation was provisional. The funding for this project has been rephased to allow for the preparation of a business case which will then be considered by elected members.
Coastal Protection Works	11,145	734	10,411	The Broughty Ferry Flood Protection Scheme had been anticipated to start in autumn 2019, however it was rephased and started early 2020. The programme has been revised due to ongoing design development through statutory and community consultation and consenting requirements. As such, the forecast of projected expenditure was reviewed to take account of this revised programme.
Increased Supply of Council Housing	11,715	4,919	6,796	The New Build Programme at Whitfield was delayed due to technical issues, design development, statutory constraints etc. There were also delays in the New Build Programme at Derby Street due to technical issues on site etc.
Free from Serious Disrepair	5,608	3,903	1,705	The windows and roofing programmes were reviewed during 2019/20 and the programme phasing for some projects was updated to reflect contractors resource availability, technical issues etc. As a result, some projects did not commence in 2019/20 and have slipped into 2020/21.

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



Capital Funding / Treasury Management

In terms of the funding of capital expenditure, borrowing has the effect of increasing the Council's overall indebtedness and the level of principal repayments and loan interest charges each year. Capital expenditure met directly from revenue resources (CFCR) increases total net revenue expenditure in that particular year but does not result in an increase in overall indebtedness. The Council uses these methods of funding capital expenditure as part of its long and short term capital financing strategy. The Council has several sources available to it in terms of borrowing to fund capital expenditure. The most significant of these is the Debt Management Office (an Executive Agency of HM Treasury), although the Council can also issue bonds and borrow from the money markets and the European Investment Bank. During 2019/2020 the Council's Capital Financing Requirement (CFR) increased by £35.4m, from £714.5m to £749.9m. 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, DBFM and Waste Project contracts, together with the sale and lease-back arrangement for Dundee House (financing arrangement). The Council manages its CFR level in line with the requirements of the Prudential Code. The Council's external debt was £723.6m at 31 March 2020 (£695.2m at 31 March 2019). The fact that this is below the CFR confirms the Council is not borrowing for revenue purposes and is partly funding its capital expenditure from existing resources.

In terms of treasury management, the Treasury Policy Statement sets out the policies and objectives of the Council's Treasury Management activities and the practices to be used to achieve these. There is a separate Treasury Management Risk Register which identifies the risks associated with Treasury Management Activity as well as the measures taken to minimise or mitigate these risks where possible. Whilst these risks are continuously monitored, the Risk Register is presented to the Policy & Resources Committee on a six monthly basis (in conjunction with Treasury Activity Reporting), and maintained within the Council's Risk Management system. The Treasury Management Strategy Statement and Annual Investment Strategy for 2019/2020, required by the Council's Treasury Policy Statement and the CIPFA Code of Practice on Treasury Management, stated that the 2019/2020 Revenue Budget had been set to include a provision of £22.747m for Capital Financing Costs, based on an average Loans Fund Interest rate of 3.8%. It identified a new net borrowing requirement in 2019/2020 of £59m which would be funded through phased borrowing during the year. During the financial year, long-term borrowing of £43m was undertaken, including repayments of existing loans totalling £11.1m. This net borrowing was low due to more use of short term borrowing and slippage within the capital programme. These loans had an average interest rate of 2.12% and an average term of 44.4 years.

The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 (the 2016 Regulations) came into force on 1 April 2016. These regulations changed the basis on which the Loans Fund is accounted for from a prescriptive basis on how repayment values are to be calculated, to a prudent one with each Local Authority now provided with the ability to determine what is prudent. These changes in regulations have brought in more flexibility for Authorities to apply a prudent provision and support changes to future payments to repay the outstanding loans fund advances over a different period, if it can be considered as prudent to do so.

On 21st February 2019, as part of the Revenue Budget and Council Tax 2019/20, the Council revised its policy on current and future debt charge repayment profiling in line with these new regulations (Article II of the Minute of Meeting of the Policy and Resources Committee of 21st February 2019, Report No 96-2019 refers). The objective of the revised policy is to support a prudent, sustainable and deliverable longer term revenue budget strategy, whilst ensuring that provision remains prudent and appropriate to the benefits that are provided to the community from the associated expenditure.

Subsequent to this change in policy, an independent review of the Council's loans portfolio was undertaken by Treasury Advisors, Link Asset Services (Report no. 279-2019, article VII of minute refers). Recommendations were to base the length of repayment for both general services and housing advances on long term estimations of pooled assets useful lives, with timeframes consistent with a prudent expectation of estimated benefit received over the life of the respective asset types. Furthermore, that a longer term average rate based on the pooled Loans Fund be used to calculate principal repayments. This change of methodology generated revenue savings of £3m for General Services, and £0.75m HRA in 2019/2020 whilst achieving a net present value of £13m.

Pension Liability (International Accounting Standard 19)

Under International Accounting Standard 19 (Employee Benefits) the Council is required to include figures in its Annual Accounts relating to the assets, liabilities, income and expenditure of the pension scheme for its employees. It has been estimated that the Council had a net pension liability of £168.6m as at 31 March 2020 (£163.4m at 31 March 2019). The increase in the liability was due to a number of factors: the Current Service Cost for 2019/20 was higher than the employer's pension contributions to the scheme, there was a negative return on plan assets and an actuarial gain arising from changes in financial assumptions.

Material Assets, Liabilities, Charges and Credits

During 2019/2020, Dundee House was sold to Canada Life with the Council then entering a 40 year lease with Canada Life for the continued occupation of Dundee House. The sale price was £23.8m, with a net revenue budget saving of £0.433m being generated in 2019/2020. In accounting terms, the transaction has been treated as a financing arrangement, with the asset continuing to be recognised in the Council's balance sheet. Further details are provided in note 23. There were no other material transactions in relation to assets, liabilities, charges or credits outwith the normal scale of activities of the Council during the 2019/2020 financial year, other than those already separately disclosed in the Accounts.

Provisions, Write-offs and Contingencies

Provisions for the non-collection of various types of debt totalled £34.783m at 31 March 2020, an increase of £1.088m from the previous year. The level of provisions is partly a reflection of the difficult economic climate and the resulting increased potential for debtors to default on payment, particularly in light of the economic impact of the Covid-19 epidemic. Full details of provisions are shown in note 34. The Council includes a prudent level of contingencies within its annual revenue budget and also carries a prudent level of uncommitted reserves. These provide a cushion against any items of unforeseen or emergency expenditure or shortfalls in income or savings targets.

Contingent Assets & Liabilities

Contingent liabilities have been disclosed in respect of Guaranteed Minimum Pension, the Goodwin Case and the Redress for Survivors (Historical Child Abuse in Care) (Scotland) Bill (see note 35).

Subsequent Events

The Council's response to the Covid-19 epidemic, and the associated financial implications, are set out in Section 2 above. It is considered that there have been no events occurring after 31 March 2020 that would have a material impact on the figures shown in the 2019/2020 Annual Accounts (ie no adjusting events). The levels of bad debt provisions at the balance sheet date do, however, take on board the likely economic impact of the Covid-19 epidemic.

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

The Accounting Policies set out the basis upon which the Annual Accounts have been prepared, and explain the accounting treatment of both general and specific items. There were no significant changes in the accounting policies shown in note 1 during 2019/2020. As part of its 2020/2021 budget setting process, the Council has agreed to change its existing accounting policies to enable the capitalisation of borrowing costs on qualifying assets during their construction. In March 2020, CIPFA advised that the implementation of IFRS 16 Leases had been deferred a year and will now come into the Accounting Code of Practice for 2021/2022 with a transition date of 1 April 2021.

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

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

Group Accounts

The Group Accounts on pages 138 to 148 bring together Dundee City Council and its interests in entities which would be regarded as its subsidiaries or associates or joint ventures if the local authority was subject to the Companies Act. The impact of consolidating group entities is shown on page 143.

Pension Fund Accounts

Dundee City Council is the administering authority for the Tayside Pension Fund. Further information can be found in the Tayside Pension Fund's Annual Report and Accounts which is available from the Fund's website (www.taysidepensionfund.org).

Financial Indicators

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

Category / Financial Indicator	2019/20	2018/19
<i>Reserves</i>		
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	2.25%	2.17%
Movement in the Uncommitted General Fund Balance	+£0.484m	+£0.519m
<i>Council Tax</i>		
In-year collection rate	94.2%	94.1%
Ratio of Council Tax Income to Overall Level of Funding	14.0%	13.6%
<i>Financial Management</i>		
Actual Outturn Net Service Expenditure compared to Budgeted Net Service Expenditure	99.3%	99.7%
Actual contribution to / from Unallocated General Fund Balance compared to Budget	-£0.484m	-£0.519m
<i>Debt / Long Term Borrowing</i>		
Capital Financing Requirement for the current year	£749.9m	£714.5m
External Debt Levels for the current year	£723.6m	£695.2m
Ratio of financing costs to net revenue stream – General Services	5.7%	6.7%
Ratio of financing costs to net revenue stream – HRA	36.6%	38.8%
Impact of Capital Investment on Weekly Rents	£1.48	(£0.05)

PART 4 - KEY DEVELOPMENTS DURING 2019/2020

The Council continued to take action on the social challenges which face Dundee:

- Following the report of the Independent Drugs Commission in August 2019, wide ranging actions are underway to tackle the number of drug deaths in the city. New initiatives already underway include rapid engagement with people who have suffered a non-fatal overdose; testing of options for same day prescribing and more assertive outreach work; and establishment of peer support to assist peoples' recovery. Further measures are included in an Action Plan to ensure those at greatest risk engage with services, strengthen the capacity of specialist drug services and implement a person-centred model of care.

- The Council has also committed to working with our partners in the NHS, Police and neighbouring Councils to address the need for improvement in mental health services recommended by a recent Independent Inquiry. Reports were presented to Dundee Integration Joint Board and Policy and Resources Committee on 27th August 2020 and 28th September 2020 respectively. The reports outlined the collective strategic partners' response to Trust and Respect, the Independent Inquiry into Mental Health Services in Tayside. Listen. Learn. Change, the action plan which addresses the recommendations arising from the Inquiry, was included with the reports. Listen. Learn. Change was submitted to Scottish Government on 31 July 2020. It is recognised that continued improvement within Mental Health Services requires both a Tayside-wide and a local focus. Dundee Mental Health and Wellbeing Strategic Plan 2019-2024 was approved by Dundee Integration Joint Board on 27th August 2019. The actions within this Plan, in conjunction with those within Listen. Learn. Change will ensure both local and Tayside-wide priorities are progressed.

- We have taken action to tackle the cost of the school day for families, including:-
 - cheaper uniforms and clothing swap schemes
 - free 'ready to learn' packs
 - non-stigmatising approaches to fundraising
 - more affordable residential trips
 - improved promotion of financial entitlements
 - innovative ways of providing breakfast

and evaluation by NHS Health Scotland has confirmed this is already having significant benefits for our children.

- The Chief Social Work Officer's annual report highlighted the ways in which the Council and Dundee Health and Social Care Partnership are working together to support some of the most vulnerable people in our city and manage increasingly integrated responses to health and social care needs. Highlights included a rise in the number of young people diverted from prosecution and the stabilisation of placements for looked after children.

- Over £5 million of Pupil Equity Funding has been used to give our children the best start, through initiatives including outdoor learning, digital learning, growth mind-set training and support for mental health and wellbeing and we've rolled out the supply of free sanitary products in schools and community facilities.

- The Council has continued a pioneering project which supports pupils who are at risk of exclusion or on the edge of going into care. Following a positive evaluation, the Raising Attainment Includem Project is now being funded by the Scottish Attainment Challenge following initial funding by the Robertson Trust. More than 120 young people with complex needs were offered intensive support in the first 2 years and they reported improved self-esteem and confidence as well as better family relationships.

The Council has continued to invest in improvements to the city which also boost the local economy, for example:

- Millions of pounds are being invested in new and refurbished nursery buildings as part of the preparations for the near doubling of entitlement to early learning and childcare.

- The redevelopment of Dundee Waterfront took a further step forward with approval of a £6 million plus project to create Waterfront Place next to the V & A, including landscaping, an urban beach, decorative water feature and a new active travel/low carbon hub. Plans were approved for a 5G testbed and public Wi-Fi network for the Waterfront and surrounding areas.

- Homes and businesses in Broughty Ferry will have greater protection from future flooding following a £15.5 million protection scheme.

- The new £13 million Menzieshill Community Hub was officially opened, including two sports halls, a library, a community centre with multi-purpose areas, and a cafe.

- More school grounds are now open for community use in the evenings and at weekends, and all new schools will now have community access built into the design process. Plans are being made for a new secondary school in the east of the city, subject to consultation on the merger of Braeview Academy and Craigie High School.

- The Council agreed its Local Housing Strategy for 2019-2024, setting out plans for housing and services to address homelessness, housing and support needs and fuel poverty. Among a huge programme of capital investment in housing, around £8 million is being invested in new fire and smoke detection systems. Improving the energy efficiency of our housing stock also remains a priority.

Action has been taken to secure and increase the number fairly paid jobs in the city:

- A flagship innovation centre - the Michelin-Scotland Innovation Parc - will be created on the site of the Michelin Factory at Baldovie, signalling a continued long-term commitment to Dundee by Michelin after it stops producing tyres on the site. The Parc will be an ambitious centre for innovation and skills where industry and academia come together with a focus on sustainable mobility, clean transport and low carbon energy.
- Dundee became the first city in the UK to be awarded recognition for its plan to become a Living Wage City. An alliance of prominent employers has signed up to an action plan aimed at increasing payment of the Living Wage by local businesses.

Dundee has become the place to visit:

- The value of tourism to Dundee's economy increased to a record-breaking £187 million in 2018 with more than a million visits. Tourism now supports the equivalent of over 3,000 jobs. Independent evaluation by the Dundee Tourism Action Group shows a 19.4% rise in visitors in the first half of 2019 compared to the same period in 2018, with tourism now worth well over £10 million a month to the city.
- Dundee was named the UK's City Staycation of the Year - officially the best place to enjoy a break without leaving the country, ahead of holiday hotspots such as York, Brighton and Bath. Dundee was also named 'Scotland's Best Place To Live' in the Sunday Times 2019 Best Place To Live Guide.
- V&A Dundee appeared on the cover of TIME magazine as it was named on the 100 'World's Greatest Places 2019' and had its millionth visitor in February 2020 - and it's not just tourists who are visiting Dundee. Delegates from around the world came here for the prestigious World Community Development Conference. More than 500 delegates came from 37 countries.

Tackling climate change and promoting sustainability continue to be high priorities:

- Dundee's Climate Action Plan was agreed, committing the Council and its partners to target net-zero greenhouse gas emissions for the city by 2045 or sooner. A Climate Change Conference will be held to review progress on the plan. A report on the Council's climate change duties shows improvements have already been made, including overall emissions down 13%, emissions from energy use in buildings down 17% and overall carbon footprint down by 40% from 2007/2008.
- A new Waste and Recycling strategy and action plan has been drawn up to further improve Dundee's recycling rates and make progress towards national targets. Internal recycling facilities are being installed at all of Dundee's schools to boost the city's recycling rate.
- Extensive consultation took place on Dundee's proposed Low Emission Zone, with householders and businesses urged to make their voices heard on the options for the LEZ, designed to improve air quality.
- Dundee remains at the forefront of the electric vehicles revolution, with charging infrastructure continuing to grow. Pop-up electric car chargers will be appearing in Dundee streets after smart city consultancy Urban Foresight were awarded £3 million from the Innovative UK scheme for a demonstrator project which will provide charging hubs which pop up to avoid street clutter and obstructions when not in use.
- The Council purchased two electric bin lorries - thought to be the first in Scotland - which will save around £23,000 a year in fuel costs and reduce carbon dioxide emissions by 60,500kg, as well as savings in servicing and maintenance.
- Council buildings across the city (including schools, libraries and multi-storey car parks) will benefit from £2.5 million of energy efficiency works designed to cut CO2 emissions by 700 tonnes every year. Works will include LED lighting upgrades, solar photovoltaic roof panels and modifications to heating, ventilation and cooling systems.
- A new Biodiversity Action Plan has been agreed, showing how the Council and its partners will work together over the next 10 years to protect, enhance and raise awareness of biodiversity.

The Council has continued to listen to people about their priorities:

- More tenants than ever took part in the Council's annual rent consultation, informing the decisions taken on rents and other housing charges. Targeted use of social media, face-to-face conversations and different ways of registering a preference boosted participation levels to the highest ever.
- Dundonians again had a chance to have their say on the Council's spending and priorities before the annual budget proposals were developed. Over 1,300 people took part in the consultation, an increase on the previous year.
- The Council has now been conducting its Annual Citizen survey, using a large sample and consistent methodology, for 22 years, and it is interesting to note how some of the results have changed over those years eg:
 - in 1997, the average satisfaction rating for telephone contacts was 76%, compared to 97% in 2019.
 - in 1997, the average 'public image profile' was 46%, compared to 64% in 2019.
 - in 1997, the rating for the Council providing 'value for money' was 39%, compared to 58% in 2019.

In addition to questions about the Council, the survey covers issues such as neighbourhoods, housing, community involvement, health, employment, community safety and money matters, and it highlights any variations between city-wide results and those for community regeneration areas.

A key indicator is quality of life with 98% of respondents saying they were very satisfied or satisfied with the quality of life in their neighbourhood. The % of respondents who said that the quality of life in their neighbourhood was very good was just 31% in 2008 when we started to use this question as a measure of building stronger communities. The Council, through its investment, has significantly contributed to doubling the amount of people over the past ten years who rate their neighbourhood as a very good place to live.

Welfare Reform

The Council continues to respond proactively and positively to the many challenges presented by welfare reform. Since Universal Credit (UC) Live Service was introduced in Dundee in November 2015 and migration to Full Service occurred on 8 November 2017 the demand for new claim support and digital support for customers has continued to be a significant factor affecting both Council Advice Services and rent arrears levels. Throughout 2019/20 mitigation in the form of assistance to make and manage a UC Full Service claim online was provided at the Central Library by way of a drop in service that sits alongside the new Citizens Advice Bureau service "Help to Claim" from April 2019. Customers can use the computers themselves or receive assistance from staff within the library. Personal Budgeting Support continues to be provided by services such as Connect and Dundee Money Action.

Council Advice Services (incorporating Welfare Rights, Dundee Money Action, Connect, DEEAP and Making Money Work) continues to offer advice and assistance to those affected by Welfare Reform. The Council's Single Point of Contact continues to address welfare reform and debt issues from the public via its dedicated email address and single access point number (01382 431188). Internal Council joint working has also allowed for increased income maximisation support for citizens of Dundee. Referrals from Corporate Debt and Benefit Delivery Team for income maximisation continue to increase and this, when combined with Council Advice Services continuous improvement model of working, has led to significant increases in benefits successfully claimed for customers. In 2019/2020 Council Advice Services successfully claimed £14.9 million in benefits and additional income for customers, up 21% from 2018/2019. Joint working in relation to the ability to check UC customer journal payment histories has helped to increase income maximisation effectiveness, especially for more vulnerable customers who are often unclear on their entitlements or the stage of their claims.

The GP practice co-located Welfare Rights Officer service, although not having increased its numbers of practice locations, is still available to 57,045 patients in 8 GP practices across Dundee. In all practices, officers use consensual access to patients' medical records to assist people with problems arising from welfare reform changes introduced for sick and disabled citizens. Council Advice Services have worked to support claimants making new PIP applications across the city and to ensure correct entitlements to benefits such as new style Employment and Support Allowance. Our practice locations alone generated £2.8million in gains in 2019/20 Help to make benefit claims continues to increase and we expect increased numbers throughout 2020 due to the impact of Covid-19 and the increase in UC claimants. Representation at appeal tribunals, having tripled in the 2 years up to April 2018, has sharply declined between 2018-2020 due in large part to Welfare Rights Officers having consensual access to medical records within our co-located surgery locations.

Partnership working continues with Social Security Scotland to promote the new and forthcoming devolved benefits such as Best Start Grant, Carer's Assistance and Funeral Expense Assistance as well as a proposal to jointly work with the new Social Security Scotland Advisers in relation to preparation for Disability Assistance. New models of working such as Macmillan benefit advisers co-locating in Oncology wards has also seen huge benefit gains for patients which will inform future working arrangements in connection with Disability Assistance roll out (£2.9 million generated in 2019/20).

Integration of Health and Social Care

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

Dundee Health and Social Care Partnership (DHSCP) is the integrated operational delivery service responsible for the implementation of the DCIJB's Strategic and Commissioning Plan which was revised at the beginning of the financial year. Over the course of 2019/20, DHSCP continued to re-shape community based health and social care services in line with the Strategic Plan and to meet growing demographic demand for services. During 2019/20, DHSCP implemented the review of care at home services and continued to progress the Reshaping Non-Acute Care for Older People programme while managing the challenges of reducing delayed discharges from hospital. The effectiveness of these measures are monitored by DCIJB's Performance & Audit Committee through a comprehensive suite of national and local performance indicators and summarised in the DCIJB's Annual Performance Report. DHSCP plays a crucial role in responding to the recommendations of the Dundee Drugs Commission and Trust and Respect: Final Report of the Independent Inquiry into Mental Health Services in Tayside which were both published during 2019/20.

The Dundee Health and Social Care Integration Joint Board is a key part of the Dundee Partnership and continued close working with Children and Families Services is crucial to delivering better outcomes for the people of Dundee.

Our People

The Our People Strategy was revised and relaunched as the Our People and Workforce Strategy with a refreshed action plan and details of each service workforce data, as we consider the demographics, size and shape of our workforce of the future. The links with the Digital Strategy have continued apace, with a growing number of Digital Champions helping to support change across services. The Council intranet OneDundee took a step forward and is now available to our whole workforce on their own devices as OneDundee on the Move. All employees now have access to a wide range of communications, surveys, conditions of service information, and all health and safety, health and wellbeing and learning, development and leadership information and opportunities.

Awards

The Council view scrutiny, including external inspection and self-assessment, as a means of identifying best practice and securing improvement. Best practice is showcased through national awards. During 2019/2020, the Council was externally recognised for some of our achievements including:

- The Dundee Humanitarian Protection Partnership won the 'silo buster' category in the Scottish Social Services Awards, recognising the way the city has welcomed and provided joined-up services for refugees.
- The Council won the Wright Sustainability Award from Beautiful Scotland, which praised Dundee's environmental responsibility, horticultural achievements and community participation. Beautiful Scotland commended the Council's partnership work on restoring the dunes on Broughty Ferry's coast, the use of land alongside railway lines and the annual planting of flowers around the city, along with work to promote sustainable travel and use of recycled materials in construction.
- Two Council projects made the final of COSLA's Excellence Awards and received Silver Awards - the redevelopment of the former multis site in Alexander Street and the use of a psychological approach to care planning - while our use of Digital Champions to take forward employee engagement in the Council's Digital Transformation Strategy made the final of the Scottish Public Services Awards.
- The campaign to generate a buzz about Dundee around the opening of the V&A Museum of Design picked up a prestigious international award for creativity and innovation in advertising, digital marketing and public relations at the HSMIA Awards in New York. There were more than 1,100 entries for the awards with all submissions eligible to win at Gold, Silver and Bronze levels. Gold winning entries which were judged to be exceptional received Platinum status, and that is what Dundee achieved for its submission 'The Comeback Kid: How Scotland's Fourth Largest City Became The King Of Cool' - fantastic recognition for the work done by 'Team Dundee' to put the city in the international spotlight.
- The McManus, Dundee's Art Gallery & Museum run by Leisure & Culture Dundee struck gold at the 2019/20 Thistle Awards National Final, winning the accolade of Best Visitor Attraction.

Sickness Absence

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

2018/2019	12.88 days
2019/2020	13.22 days

A key challenge for Council Services is improving employee attendance including ensuring our commitment to the agreed Health and Wellbeing - Promoting Attendance Policy. Services are provided with a detailed toolkit each month allowing analysis to be undertaken on each absent employee. Managers are also encouraged to attend development to ensure the approach to managing absence takes cognisance of mental health issues. Our Health and Safety weeks over the last 18 months have included a focus on mental health issues and we have developed links with MacMillan at Work to ensure support is there for managers and employees affected by cancer. Managers engaged in this activity. Our Health and Wellbeing Framework remains a focus, creating a safe and healthy working environment and culture, develop resilience within our culture, to improve physical, mental and emotional wellbeing, to encourage employees to develop and maintain a healthy lifestyle, to support employees with health issues to maintain attendance at work, and to improve employee satisfaction, recruitment and retention, reduce sickness absence and improve attendance, engagement and satisfaction.

Contract for the Disposal of Residual Waste

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

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

The contract is supporting jobs in the Dundee City Region, at present principally through the construction programme which has employed a range of local subcontractors in addition to the wider supply chain benefit. A combined Council construction oversight arrangement is currently in place to assist in ensuring adherence to the construction plan for the new facility. The ongoing plant operation will continue to support a number of permanent positions through the service delivery period. Since commencement in November 2017, the principal service objectives of the contract are being delivered satisfactorily, with the existing plant achieving a high level of performance in 2019/20. Contract management processes have been implemented to ensure effective delivery of the contractual obligations and commitments, including budget monitoring. Dundee City Council and Angus Council now have an appropriate delivery partner to ensure that all residual waste from the Councils is treated appropriately at a fixed cost and in compliance with all applicable regulations, with appropriate risk transfer to the contractor.

Climate Change and Sustainability

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

In June 2019, the Council's Policy and Resources Committee recognised the serious and accelerating environmental, social and economic challenges faced by climate change and declared a climate emergency. To respond to this challenge, Committee agreed a science-based target or working towards net-zero greenhouse gas emissions by 2045 or sooner for Dundee and committed to bring forward a partnership Climate Action Plan. The Climate Action Plan, published in November 2019 is the culmination of a years' worth of collaborative work, led by the Council and co-designed with public, private and community organisations, recognising the fact that a concerted city-wide effort is required to reduce emissions. The Plan has been informed by a Baseline Emissions Inventory, Climate Risk & Vulnerability Assessment, statutory Strategic Environmental Assessment, partnership workshops and public consultation. The Plan includes four themes of Energy, Transport, Waste and Resilience with each theme including an initial set of 64 ambitious actions in a long-term pathway to reduce emissions or adapt to a changing climate, taking into account existing projects, stakeholder priorities and national initiatives.

The Council has demonstrated its commitment to the UN's Sustainable Development Goals by setting out 51 actions that it is taking across the 17 goals to support Scotland's efforts in ending extreme poverty, fighting inequality and tackling climate change. Climate change reporting is now mandatory across the public sector in Scotland, reflecting the expectation that the public sector will lead by example in tackling climate change. The introduction of a new standard reporting regime aims to improve the quality of climate change information being reported and ensure that a consistent approach is adopted across the public sector in Scotland. Required reporting focusses on corporate emissions arising from organisational operations and service delivery, as well as key information on: Organisational Profile; Governance, Management and Strategy; Adaptation; Procurement; and Validation.

The Council's latest Public Bodies Climate Change Duties (PBCCD) Report is available to view at: <https://www.dundee.gov.uk/reports/reports/362-2019.pdf>

Brexit Preparations

During the year, elected members continued to be kept apprised of the latest political developments with Brexit and further work was carried out within the Council and with partners to prepare for the impact of the UK leaving the EU on the Council and city. Preparations included:

- Citizens' Rights - the Council helped to publicise the 'settled status' scheme for EU citizens, including signposting people to advice and support (eg through the Brexit page on our website) and working with local advice agencies, in particular to try to reach vulnerable groups. Central Library is a location for the Assisted Digital Scheme for those needing help to make online applications. Home Office statistics showed a relatively high % of applications from EU nationals in Dundee compared to other local authority areas.
- Local Economy - we encouraged local businesses to use Scottish Enterprise's Toolkit to help them prepare for Brexit, and promoted the Scottish Government's grant scheme to support business preparations. The Council continued to liaise with Dundee and Angus Chamber of Commerce and the Business Gateway to promote resources and events.
- Funding - a detailed analysis of the projects and staffing supported by EU funding was carried out. The UK Government has still to begin its consultation on the proposed UK Shared Prosperity Fund, and decisions on priorities will be required if the amount of money currently received from EU structural funds is not replicated from this source.
- Lobbying/Engagement - letters have been sent to the UK and Scottish Governments on topics such as the UK Shared Prosperity Fund, participation in Interreg, Post-Study Visas, Funding for Colleges and Universities, and immigration policy.
- Workforce - the Council continues to engage with and re-assure EU nationals in its workforce and signpost them to information and support. While we continue to seek fuller information on the number of EU nationals employed, particularly in fields such as teaching and social care, the likely impact of any changes to the workforce on service delivery has been assessed as low.
- Procurement - the impact of leaving the EU on contracts is being assessed on an ongoing basis, as well as any issues about the resilience of supply chains necessary to deliver Council services.
- Communications - the Brexit page on the Council's website has continued to be updated to keep our citizens and businesses apprised of developments and support available, and considerable use has been made of social media.
- Resilience - during the year, the extension to the date scheduled for the UK to leave the EU, then the subsequent agreement to leave on 31 January 2020 with a withdrawal deal, meant there was less focus on resilience planning for a 'no deal' Brexit than in the previous year. Some of the previous planning may need to be revisited depending on the outcome of negotiations on the future relationship between the UK and EU.
- Two groups - an officers' Brexit Advisory Team and a Cross Party European Group of Councillors, MSPs and MPs - continue to meet to consider the risks facing the Council and the city and take any mitigating action which is possible. These groups are also looking to understand and capitalise on any opportunities that may also arise as a result of Brexit.

Due to the current Covid-19 situation and its impact on the economy it is looking increasingly unlikely that the Council will be able to separately quantify the impacts of Brexit on the Council's income, expenditure, assets and liabilities.

PART 5 - PLANS, PRIORITIES & RISKS

Strategic Planning

The Dundee Partnership has held true to a longstanding vision for the city, framed around jobs, social inclusion and quality of life.



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

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

The Council's Transformation Programme, Changing for the Future is in its 5th phase, known as C2022, which runs from 2018 to 2022, a time period which will see further change to the landscape for the public sector in Scotland, the UK and Europe. The current programme is closely aligned to key plans and corporate strategies including, but not limited to: the City Plan 2017-2026, the Council Plan 2017-2022, short, medium and long-term Financial Strategy (Revenue and Capital), Our People Strategy, Digital & IT Strategies and the Tay Cities Deal.

The Council also recognises that there is still a way to go and have never shied away from the challenges around deprivation and inequality, our strategic plans set out how the Council would deliver a step change in prosperity and fairness over the next decade. The Council has further underpinned its commitment to Social Inclusion through the Fairness and Drugs Commissions, and is addressing the Climate Change Emergency through Sustainable Dundee and the Strategic Energy and Climate Change Action Plan.

The Annual Progress Report on the Council Plan and City Plan was presented to the Policy and Resources Committee on 24 August 2020 and showed significant progress having been made, but since 31 March 2020, many of our priorities and targets will have been adversely impacted by the Covid-19 pandemic and subsequent lockdown. A full review of our strategic plans will be required, but an Interim Recovery plan for the City was developed and agreed.

Management of Risk

The Council has continued to face significant challenges and risks, at a national and a local level, during 2019/20 at the same time as operating within a continually evolving environment where demand for services is increasing at the same time as resources are being constrained. Notwithstanding this, significant progress has been made throughout the year in embedding risk management processes and procedures within the organisation, developing risk registers across all service areas and recording these on Pentana, the Council's risk and performance management application, for management and monitoring purposes. Arrangements for the governance of risk are now embedded, with the Corporate Risk Management Working Group, chaired by the Executive Director of Corporate Services as Senior Responsible Officer for risk, meeting on a quarterly basis, and risk management being reported to the Council Management Team, Policy and Resources Committee and Scrutiny Committee in line with the Risk Management Policy and Strategy.

Risk continues to evolve within the Council. Development of the service level risk registers has helped facilitate a more holistic approach, with consideration being given to how service level risks and their control frameworks correlate with one another and with the Council's strategic risks. Further work is planned for the 2020/21 year to develop more detailed operational level risk registers and mapping those against how they can be effectively managed and monitored, as well as levels and sources of assurance.

Covid-19 impacted towards the end of the financial year, adding a further layer of risk complexity and challenge across all areas of the Council, its partners, the City and beyond. Whilst the impact of this pandemic has been harder, faster, deeper and has impacted in ways which could not have been anticipated, advance pandemic / resilience planning has assisted in weathering the storm. The Council has approved a Covid-19 Recovery Risk Register to help manage the risks to recovery and provide a framework for identifying future Covid-19 recover risks and mitigating actions.

Performance

The Council's Performance Management Framework sets out the framework for our continuous improvement journey. This framework supports continuous improvement and measures delivery of the Council's Vision, Priorities and Outcomes. The Council set challenging targets and measures performance against this for a wide range of services. This is supported by our performance management system which analyses data, tracks progress and summarises actions for improvement.

Regular reporting at City, Corporate and Service level keeps our key stakeholders, including our communities, elected members and partners up to date on our performance. This is key to ensuring informed judgements are made about our services, to support effective decision making and to challenge performance. Additionally, in February 2020 a Best Value Self-Assessment was taken to Committee. The self-assessment shows the Council has a good range of strengths balanced with learning from other Council's approaches to Best Value and identifies 14 areas for improvement. This report also set out the timeline for the Council's Best Value Assurance report process. The audit was completed and a report considered by the Accounts Commission on 20 September with the final report and findings published 29 September.

The third annual report was presented to Policy and Resources Committee on 24 August 2020 and to Scrutiny Committee on 23 September 2020 for consideration. This report combined both Council and City Plans to allow all elected members to read an integrated report on progress. The Dundee Health and Social Care Partnership and Leisure and Culture Dundee have updates included in our annual progress report too.

The Council Plan 2017- 2022 has 98 Key Performance Indicators (KPIs). A snapshot was taken on 31 March 2020 and where the data is available 59% of those are the same or better than the previous year. Overall 32 indicators in the Council Plan have achieved the year 3 target and 63% of the indicators have improved since the 2017 baseline.

Some notable performance includes the tariff score for school leaver's attainment improved this year and the percentage of school leavers going on to positive destinations has surpassed the three year target. There has been significant improvement in key attainment targets in P7 and school leaver literacy and numeracy. During the year the Children and Families PSIF report was approved and building on that the service has developed a single service plan for the next 3 years. The number of living wage accredited employers based or headquarters in Dundee increased from 51 in 2018/19 to 70 in 2019/20 and has exceeded its year 3 target of 63.

The City Plan 2017-2026 has 70 Key Performance Indicators (KPIs) with targets up to 2027. A snapshot was taken on 31 March 2020 and where the data is available 67% of those are the same or better than the previous year. The targets set in the plan in 2017 to be reached by year 3 were set based on these being ambitious and 27 targets set for 2020 have already been met. These include improvements in measures relating to services for looked after children, tourism, the numbers participating in drug and alcohol recovery groups, reduced reconviction rates, reduced fire related casualties, and high levels of citizen satisfaction with a range of 'quality of life' issues in communities including influencing decisions, in light of the climate emergency, the reduction in CO2 emissions in Dundee surpassing the 2020 target.

Benchmarking is also used to compare the Council's performance with other organisations to support the improvement journey. The Local Government Benchmarking Framework (LGBF) provides performance data for all 32 local authorities in Scotland and is now in its ninth year. It therefore provides valuable trend based insights as well as robust comparisons. It provides a comparison of 89 performance indicators across all strategic service areas. For most of the services covered by the framework there is a measure of efficiency/productivity (cost per output), service outcome and customer satisfaction.

The Council Plan 2017 – 2022 includes a target for the Council to finish in the top half of performances of its peer authorities (Family Group) for 55% of the Local Government Benchmarking Framework indicators. In 2018/2019, the Council obtained an overall performance rate of 47% which is an improvement compared to the previous year's performance of 44%. Three strategic service areas have already exceeded this target. These service are Neighbourhood Services (63%), City Development (63%) and Culture and Leisure (66%). Performance across all strategic service areas is displayed in the table below:

Strategic Service Area	Top Half	Total Measures	%
Children and Families	7	30	23%
Health and Social Care Partnership	5	11	45%
Neighbourhood Services	10	16	63%
City Development	10	16	63%
Culture and Leisure	4	6	66%
Corporate Services	4	9	44%
TOTAL	40	88	47%

*The table above is based on all the indicators including where the latest data is from an earlier year, which relates to the 3 in Children and Families and 4 indicators in Health and Social Care.

The overall aim of a benchmarking process is continuous improvement. In the last two years 50 (59%) of Dundee's LGBF measures have improved. Another benchmark the Council uses to measure performance is the long term performance trend. Latest data has been compared with the oldest available, which for most but not all is 2010/11. This reveals that over the eight year period to March 2019, the Council has improved performance for 53 out of 85 measures (62%) of the Local Government Benchmarking Framework indicators. The table below highlights where the improvement has been by more than 5%, which is the case for 47% of the measures.

Strategic Service Area	Total Measures	Improved Measures last two years	Improved by >5% since base year	% Long Term Improvement
Children and Families	27	19	16	59%
Health and Social Care Partnership	11	4	4	36%
Neighbourhood Services	16	11	7	50%
City Development	16	9	6	38%
Culture and Leisure	6	3	2	33%
Corporate Services	9	4	5	55%
TOTAL	85	50	40	47%

*There are four new measures in Children and Families with no trend

**There are three new measures introduced in Health and Social Care and for which trend data is available

[Dundee Performs](#) on the Council's website is kept up to date with the latest performance and progress reports on the Council and includes easy to use graphs on a wide range of the key performance areas and benchmarking data to compare Dundee with the other Councils in Scotland.

PART 6 - LOOKING TO THE FUTURE

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

On 19 August 2019, the Policy & Resources Committee considered report 274-2019 on the long-term financial outlook and financial strategy for the ten year period 2020-2030. The report reflected on the macro-economic outlook (for economic growth, inflation, interest rates, earnings growth etc), together with the local demographic context. It was concluded that savings and efficiencies totalling £78.1m may be required over the next ten financial years in order to achieve a balanced budget. The key assumptions underpinning these projections were as follows:

- flat cash grant settlements and no adjustment for the impact of distributional changes within the grant settlement process
- a 2% annual allowance for pay awards for all categories of staff
- allowances for price inflation on specific budget heads
- services to accommodate recurring cost pressures within their overall annual budget allocations
- additional costs arising from new statutory requirements or from government policy initiatives will be covered by additional funding and will therefore be cost-neutral
- a 1% per annum increase in the Council Tax base
- no reserves available to help address the projected budget shortfalls
- no increase in the level of the Council Tax charge

There are risks and uncertainties implicit within all of these assumptions and the report therefore included a sensitivity analysis that showed the potential financial impact of variations against the key budget assumptions.

As part of the report, a Long-Term Financial Strategy was approved as follows:

- the Council's corporate approach to identifying savings and efficiencies will be coordinated through the Changing for the Future transformational change programme (C2022) as agreed by Committee on 25 June 2018 (Article V of the minute of meeting of the Policy and Resources Committee of 25th June, 2018, Report 223-2018 refers).
- the Organisational Change Fund, together with any capital receipts set aside to fund costs associated with future transformation projects, will help support and resource, on a spend-to-save basis, the organisational transformation that will be needed to deliver the required savings and efficiencies. This may include costs associated with VERs / VRs however if no balances are available then the initial costs associated with VERs / VRs will normally be met from service revenue budgets. On-going staff costs savings from VERs / VRs will be reflected in service revenue budgets.
- the Council will set annual balanced budgets, taking on board the prevailing constraints e.g. limits on Council Tax increases, reducing grant settlements, unavailability of balances etc.
- the Council will seek to achieve an overall outturn position each year in line with or below budget.
- the minimum uncommitted element of the General Fund balance will be the lower of £7 million or 2% of budgeted revenue expenditure but, ideally, a higher level will be held for operational purposes.
- services will be expected to operate within the limits of their overall revenue budget allocation. Cost pressures which emerge in-year should, where possible, be accommodated within the relevant service revenue budgets. The General Contingency should normally be used to fund items of a non-recurring or emergency nature. Expenditure of a recurring nature should normally be funded from within service revenue budgets.
- allocation of resources will be informed by a thematic approach designed to reflect the strategic priorities of the Council.
- budget provision will be made for estimated pay awards and, in limited circumstances, for areas of specific price inflation. The costs of incremental progression for staff will be funded from service revenue budgets.
- demographic growth will not be funded given the scale of the financial challenge. All services are expected to redesign services and work in partnership with other bodies to meet the cost of additional pressures.
- the reduction of grant that the Council receives after providing for new responsibilities will be shared by all directly provided and commissioned services, including Health and Social Care, Leisure & Culture Dundee and the Third Sector.
- Council Tax levels are planned to be increased by at least 3% per annum, but annual increases may be higher if allowed under the terms of the local government finance settlement.
- a review of resources within the Council will be undertaken to look at ways to deliver services more efficiently and effectively. Given employee costs currently account for around 65% of the net revenue budget, there is likely to be a significant reduction in the workforce of the Council.
- the Council's Capital Plan will be prudent, sustainable and affordable. In particular, affordability will be assessed with reference to the level of loan charges and additional running costs (including lifecycle maintenance) that can be reasonably included within future revenue budgets.
- the Council's immediate planning horizon for revenue expenditure will be three years and a rolling three year revenue budget will be prepared annually and submitted to the Policy & Resources Committee as part of the budget approval process. In addition, projections covering a rolling ten year period will be maintained and submitted, as necessary, to the Policy & Resources Committee.
- proposals for service re-design and service development will be underpinned by a comprehensive and robust business case, including options appraisal.

Following the Scottish Government announcements on the 2020/2021 local government finance settlement, a further report was submitted to the Policy & Resources Committee on 24 February 2020. The 2020/2021 Revenue Budget and Council Tax was agreed by the Policy & Resources Committee on 5 March 2020. A three year Revenue Budget was presented, as part of the Council's continuing commitment to improving medium and longer-term financial planning. The covering budget report identified the following savings requirements over the period 2020 to 2023, based on assumed flat cash grant settlements and no adjustment for the impact of distributional changes within the grant settlement process:

	Cumulative Savings Required (£m)
2020/2021	7.5
2021/2022	16.6
2022/2023	23.6

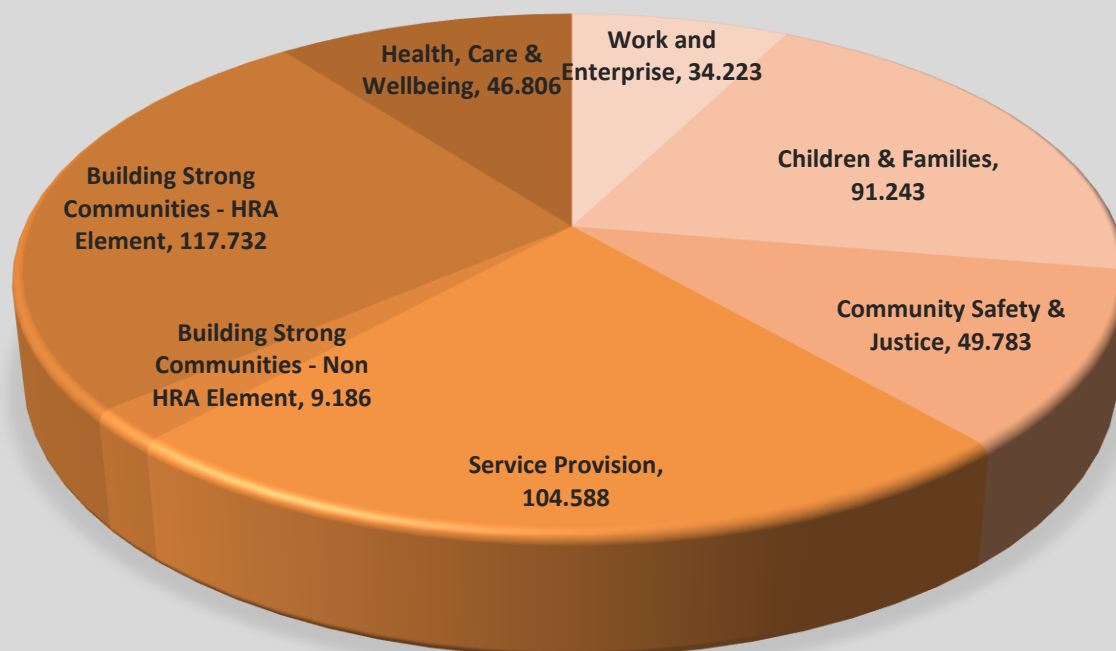
In setting the 2020/2021 Revenue Budget savings totalling £6.266m were agreed (in addition to base budget savings of £7.792m), together with additional expenditure proposals of £1.312m. A 4.8% increase in the Council Tax level was also agreed, generating net additional income of £2.547m.

The national response to the Covid-19 epidemic has seen the UK Government incur unprecedented levels of expenditure, both in terms of measures to contain and fight the spread of the virus and to deal with the impact on the economy. The devastating economic impact has seen a record fall in GDP levels, leading to significant reductions in taxation revenues which in turn has necessitated record levels of government borrowing. This position is clearly unsustainable into the medium / longer term, where the resultant level of government debt will require to be addressed and managed down. This will be an enormous challenge for the public finances and is likely to have significant implications for the levels of government grant support that are available to Councils. This will be at a time when vital Council services will be required to deal with the social and economic aftermath of the epidemic, and when other sources of income available to Councils will be under severe pressure. The Council's longer-term financial projections and strategies will require to be revisited and updated to reflect the post-Covid situation and reports will be brought forward to the Policy & Resources Committee once more clarity emerges.

Future Developments – Capital Plan

Despite the problematic macro-economic situation, the Council is confident that it is well placed to tackle the challenges that lie ahead. In February 2020, the Policy & Resources Committee approved a combined five year Capital Plan for General Services and Housing totalling £453.5m over the period 2020 to 2025 which includes £78.5m for later years. In developing the five year Capital Plan, there has again been a focus on a thematic approach which highlights the Council's strategic priorities.

PLANNED CAPITAL EXPENDITURE 2020-2025 BY THEME (£M)



Our Capital Plan for 2020-2025 sets out a £375 million building programme for the next five years for General Services & Housing HRA. The Plan updates for movements to projects since the Updated Capital Plan 19-24 was approved at committee in August 2019. It also includes new projects which reflect new and existing strategic priorities of the Council. This includes projects such as the creation of a new merged school from the closure of Braeview Academy and Craigie High School, the Low Carbon Transport Initiative that will invest in hydrogen fuel cell electric buses, and the associated infrastructure, flood defence measures at Broughty Ferry, electric vehicle and infrastructure investment, a depot rationalisation programme and further investment in installing energy conservation measures.

The Housing HRA element of the Plan is focused on delivering the following priorities: maintaining the housing stock at Scottish Housing Quality Standard level ; delivering energy efficiency measures such as External Wall Insulation to meet the Energy Efficiency Standard in Social Housing; tackling fuel poverty and providing new council housing to meet housing need within Dundee. As part of the new build programme we are prioritising the provision of wheelchair housing and in partnership with Health and Social Care, meeting the needs for community care.

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

An update to the 2020-2025 Capital Plan was approved by the Policy and Resources Committee in September 2020.

In January 2019, the Policy & Resources Committee approved the Council's first annual Capital Strategy. The Capital Strategy covers capital expenditure, investments, liabilities and treasury management and sets out a framework for the self-management of capital finance.

Tay Cities Deal

The Tay Cities Deals Heads of Terms was agreed in November 2018. The Heads of Terms sets out the scope of a City Region Deal that seeks to transform the regional economy by delivering inclusive growth: raising the productivity of the region and increasing the participation of its workforce. Its themes reflect the regional strategy and focus on inclusion, industry, innovation, internationalisation and empowerment. The Heads of Terms commits the UK Government and the Scottish Government to work collaboratively with the regional partners to deliver a Deal that will transform the regional economy. The Scottish Government and the UK Government will each invest up to £150 million in the Deal over 10-15 years, subject to final approval of robust business cases (with an additional £50 million from Scottish Government). The deal anticipates that Councils and their partners will lever an additional £400 million. Throughout 2019/2020 significant work has been undertaken to prepare all the necessary documentation for a full deal and to develop outline and full business cases for the underpinning projects and programmes. The four Councils in the Tay Cities Region (Dundee City, Angus, Perth & Kinross and Fife) continue to work with UK and Scottish Government to agree a full deal.

CIPFA Financial Management Code

The CIPFA Financial Management Code (FM Code) was issued in October 2019. The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code therefore for the first time sets the standards of financial management for local authorities. The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:

- financially manage the short, medium and long-term finances of a local authority
- manage financial resilience to meet unforeseen demands on services
- manage unexpected shocks in their financial circumstances.

The first full year of compliance with the FM Code will be 2021/22. This reflects the recognition that organisations will need time to reflect on the contents of the code and can use 2020/21 to demonstrate how they are working towards compliance.

PART 7 - CONCLUSION & ACKNOWLEDGMENTS

Conclusion

Throughout 2019/2020 the Council continued to deliver high quality services to the people of Dundee and demonstrate sound governance and prudent financial management. Where pressures emerge, as with services delivered on behalf of the Health and Social Care Partnership, corrective action is taken. This is achieved through effective collaborative working within the Council and across Partnerships. Significant challenges continue to be faced due to the high levels of deprivation in some of our communities, economic and demographic pressures, legislative and regulatory changes, increasing demands and expectations from our communities.

However, these challenges have been further impacted as the financial year was coming to an end due to the Covid-19 pandemic and subsequent lockdown. Council and partner services across the City have had to go into emergency response and adapt dramatically at pace to respond to this crisis and put in place supports for many of our citizens. Whilst the Council continues to be ambitious, innovative and committed to delivering the best possible services with the resources it has, the financial and wider impacts of the pandemic and lockdown are being assessed now to shape the City's recovery plan.

Acknowledgements

We would like to thank Bailie Willie Sawers, the Senior Councillor with responsibility for Finance, all other elected members and officers of the Council for their active support and co-operation in the effective management of the Council's finances during another challenging year. Finally, we would conclude this report by thanking the Corporate Finance Team who contributed to the management and control of the Council's finances and to the finalisation of the Council's 2019/2020 Annual Accounts.



Gregory Colgan BAcc (Hons), ACMA, CGMA
Executive Director of Corporate Services
Dundee City Council
18 November 2020



David Martin
Chief Executive
Dundee City Council
18 November 2020



Councillor John Alexander
Leader
Dundee City Council
18 November 2020

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 duties Elected Members and senior officers are responsible for implementing effective arrangements for governing the Council's affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

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

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

The Council's Governance Framework

The governance framework comprises the system processes, cultures and values by which the Council is directed and controlled. It also describes the way it engages with, account to and leads the local community. It enables the Council to monitor the achievement of its planned objectives and outcomes and to consider whether those objectives and outcomes 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 altogether or detected within a timely period. It is based on a framework of regular management information, financial regulations, administrative procedures and management supervision and checking.

The overall control arrangements include:

- Identifying the Council's objectives in the Council Plan, Community Plan and Local Outcomes Improvement Plan (City Plan).
- Monitoring of achievement of those objectives and outcomes 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, including temporary arrangements during the Covid 19 emergency.
- A Monitoring Officer to ensure compliance with laws and regulations.
- A Scrutiny Committee and individual Service Committees.
- Approved anti-fraud and corruption strategies including "whistle-blowing" arrangements under the Public Interest Disclosure Act 1998.
- Ethical Values Framework.
- An Integrity Group.
- A Serious Organised Crime Group.
- Senior officer Resilience Group.
- Council Management Team and each Service's Senior Management Teams.
- Participating in National Fraud Initiative strategy for sharing and cross-matching data.

- Formal project appraisal techniques and project management disciplines.
- Setting targets to measure financial and service performance.
- Long-term Financial Outlook and Financial Strategy 2020 - 2030.
- Formal revenue and capital budgetary control systems and procedures.
- Clearly defined capital expenditure guidelines.
- A Capital Governance Group consisting senior officers from across Council services and chaired by the Executive Director of Corporate Services.
- The Council, together with NHS Tayside have established an Integrated Health and Social Care Partnership (HSCP). The HSCP has established a governance structure and an integrated senior management structure to support delivery of its key objectives and outcomes.
- An Our People and Workforce Strategy is in place to support delivery of the Council Plan and its strategic priorities.
- A Risk Management Policy and Strategy, Corporate and Service Risk Registers, Risk Management Improvement Plan, and Covid 19 Recovery Risk Register.
- Corporate Risk Management Working Group, chaired by the Executive Director of Corporate Services as Senior Responsible Officer.
- Corporate Governance Assurance Statement Group.
- Strategic GDPR (General Data Protection Regulation) Group.
- Data Protection Policy and Data Breach Management Procedure.
- The assurances provided by internal audit through their independent review work of the Council's governance, risk management and control framework.
- Chief Social Work Officer governance arrangements.
- Recovery Plan from Covid 19 emergency for the Council and its Services.

Review of Effectiveness

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

The effectiveness of the governance framework is reviewed annually by a working group of senior officers. The 2019/2020 review of governance arrangements against the Local Code of Corporate Governance has identified the Council as being 96% (2018/2019: 96%) compliant with the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government.

In addition Executive Directors from each service have made a self-assessment, in conjunction with their senior management teams, of their own governance, risk management and internal control arrangements. This involved the completion of a 55-point checklist covering seven key governance areas of Service Planning and Performance Management, Internal Control Environment; Fraud Prevention and Detection; Budgeting, Accounting and Financial Control; Risk Management and Business Continuity; Asset Management; and Partnerships. This again indicated a high level of compliance, with an overall score above 92% (2018/2019: 89%).

The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and reports functionally to the Scrutiny Committee. Conformance with the PSIAS has been confirmed independently, through the completion of a formal External Quality Assurance process. Internal Audit undertakes an annual programme of work, which is reported to the Scrutiny Committee. The Senior Manager – Internal Audit provides an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. The overall audit opinion, based on the above, is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year to 31 March 2020.

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

Impact of Coronavirus Pandemic on Corporate Governance

The Covid-19 emergency has impacted on all areas of society and on all aspects of normal daily life, particularly since the implementation of the national lock-down on 23 March 2020. These impacts have been severe and are likely to continue through-out the period of the current lock-down and beyond. All levels of government have taken action to support and protect our most vulnerable citizens, local businesses, key suppliers and the third sector during this challenging and unprecedented time. This action seeks to maintain resilience during this crisis and ensure that people and organisations emerge from the crisis in the best possible shape.

Conducting the Annual Governance Review during the Coronavirus Pandemic

With significant organisational disruption, including new emergency responsibilities, increased staff absence and also staff working remotely, conducting a review in the normal way has been challenging. The following have been used to ensure a meaningful but focused review:

- The annual self-assessment review conducted by each Council Service was incomplete for the initial review of the Annual Governance Statement in the Unaudited Accounts. This process will be updated before the final review of the Annual Governance Statement in the Audited Accounts. For the incomplete areas there was a focus on any key gaps and risk areas with assurance over core corporate areas sought from appropriate lead officers and where possible existing performance and exception reports were used rather than requesting new evidence; and
- Using existing reports, reviews and assessments where possible to provide assurance.

The annual self-assessment review conducted by each Council Service has been completed and progress has been updated for this final review of the Annual Governance Statement (AGS).

Reflecting the challenges from Coronavirus in the Annual Governance Statement

The Annual Governance Statement (AGS) assesses the governance arrangements in place for 2019/2020. Whilst the majority of the financial year was unaffected by coronavirus and the conclusion on whether or not governance is fit for purpose should reflect normal operations the AGS is required to reflect the circumstances at the time of publication and therefore, it should be recognised that coronavirus has impacted on governance arrangements since March 2020.

Decision Making Processes

The impact of the coronavirus affected the governance arrangements of the Council and its services, and there will be some aspects experienced by all service areas, for example changes to decision-making arrangements and the conduct of meetings were introduced in March 2020 following a meeting with senior Elected Members on 19 March whereby the following procedures were implemented for Council Committee business with immediate effect:

- All non-essential Committee business was deferred to ensure that all Elected Members and all Officers could concentrate the maximum possible time and effort on supporting the City through the Coronavirus period;
- Referring to the Council's existing Scheme of Delegation of Powers to Officers Standing Orders (pages 153-199) in order to ensure that Services acted in accordance with the powers which the Council had already delegated; and
- All essential Committee business which was not covered by the Scheme of Delegation of Powers to Officers would be dealt with as Urgent Matters Arising Between Meetings (i.e. by the Chief Executive / relevant Executive Director, in consultation with the nominated Member of the Administration Group, nominated Members of the Labour Group, Conservative Group and Liberal Democrat Group, the Independent Member and the Lord Provost).

- To facilitate the conduct of the Council's business over the Summer period as the City of Dundee continued to respond to COVID-19 and gradually exits Lockdown, a Recovery Sub-Committee of the Council was established in June 2020 to deal with matters of an urgent nature which the Chief Executive or Head of Democratic and Legal Services were of the opinion could not wait for the next ordinary meeting of the Committee concerned and that its operating arrangements were as follows:
 - Membership - seven members of the Administration, four members of the Labour Group, one member of the Conservative Group and one member of the Liberal Democrat Group. In terms of Standing Order 45(3) substitutions will be permitted;
 - Chair - Leader of the Administration or nominee;
 - Quorum - five members;
 - Dates - to be arranged for Mondays at 6pm when required (in person or remotely as appropriate);
 - Remit - to deal with any urgent business arising during the Summer period; and
 - Powers - full delegated powers to deal with all business laid before it.

Alternative governance arrangements for full committee meetings were implemented as soon as practical with the introduction of virtual council committee meetings. The first example being the Scrutiny Committee in June 2020.

A return to the scheduled timetable of the full committee meetings occurred during August 2020. Essential Council business items that were dealt with as Urgent Matters Arising Between Meetings were reported for noting by the relevant committees.

Local Response and Risk Management Arrangements

Other aspects affected by the coronavirus crisis reflected changes to the organisation's priorities and programmes. These fall into the following broad categories:

- Impact on business as usual in the delivery of services;
- Increased demand for certain Council services such as crisis grants;
- New areas of activity as part of the national response to coronavirus and any governance issues arising, e.g. implementation of new policies and processes, and emergency assistance such as Business Support Grants and Self-Employed Hardship Fund;
- The funding and logistical consequences of delivering the local government response, e.g. changes to decision-making arrangements, new collaborative arrangements, funding and cash flow challenges. In April 2020 a report by the Executive Director of Corporate Services advised Elected Members of the various actions implemented by the Council and the Scottish and UK Governments in response to the on-going Covid-19 emergency, and set out the associated financial implications ([Report 144-2020](#));
- The financial position around the Council's response to the Covid-19 emergency is being closely and regularly monitored and an updated report on the financial implications as well as the financial recovery plan was reported to committee in August 2020 ([Report 198-2020](#)); and
- Assessment of the longer-term disruption and consequences arising from the coronavirus pandemic, e.g. some existing projects and programmes may have been put on hold, new priorities and objectives introduced, new risks identified or existing risks escalated. The Council has formulated a Recovery Risk Register ([Report 193-2020](#)) and
- a Recovery Plan ([Report 185-2020](#)) and will continue to review and update these regularly in response to changing circumstances; and
- A report detailing the Council's response to the Covid 19 emergency was also reported to committee in August 2020 ([Report 189-2020](#)) This report provided an overview of the Council's response to date, demonstrating both the scale and breadth of the work undertaken by staff in collaboration with partners and local communities.

By the time the crisis is over the Council may have conducted or be in the process of reviewing lessons learned from its response. This review has been added as a suitable area for inclusion as one of the organisation's significant governance issues and has been included as an improvement area.

Dundee City Council is working closely with partners across the city to deal with the impact of Coronavirus. Officers are monitoring the local situation daily and following the advice given by Scottish Government, UK Government (where appropriate) and NHS public health experts. The Council continues to consider appropriate actions based on the national guidance.

Leadership

A corporate level Incident Management Team (IMT) was established at the outset to consider the challenges and the Council's responses, including instigating the corporate level business continuity plan, supported by individual project and service level plans. At the start of the emergency the IMT communicated daily briefing updates to employees but as the situation has progressed the frequency of communications to staff has reduced accordingly. In addition service area management team meetings were held regularly with further detailed communications to service employees providing updates on the situation and details of the actions being taken and guidance for safe working practices. Regular briefing meetings were also held with political group leaders to ensure they have been kept up to date with the impact and response to the crisis.

In a very short space of time the Council had to move rapidly to support an environment whereby the majority of its staff required to immediately change working practices and work from home or from alternative premises. In the space of a few days the Council moved from a position where 25% of IT consuming staff worked remotely to having 75% of those working remotely. This access has been achieved with no degradation in performance and, crucially, no weakening of security whilst maintaining the same method of operation for staff they would experience in the office. This was again highlighted by the Council's response to the Covid crisis. Having a reliable IT platform which immediately enabled remote working allowed the council to respond to the new requirements of the Covid response in quickly deploying resources.

Continuous Improvement Agenda

The Council's progress against the Continuous Improvement Agenda items for 2019/2020 is detailed in table 1. Several items are still in progress and have been carried forward to be actioned in 2020/2021. Additional areas for improvement have also been identified by the Council's Corporate Governance Assurance Statement Working Group and these are included, along with the areas for improvement carried forward, on table 2 and form the Continuous Improvement Action Plan for 2020/2021. These were identified by Executive Directors and Heads of Services in the self-assessment checklists that were completed as part of the Council's assurance gathering process. The Council's Governance structure is also detailed.

Group Entities

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

- Annual Governance Statements included in the respective financial statements of the Joint Boards and Tayside Contracts Joint Committee.
- Assurances from company directors and/or the other senior company officials.
- The work of the relevant bodies respective external auditors (and where relevant internal audit function) and other interim reports.
- Completion of self-assessment checklists.

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

Work has been undertaken to develop a Governance Principles Framework to strengthen the governance arrangements associated with health and social care integration across the whole of the Tayside region. To ensure that these governance principles reflect the Dundee health and social care environment both the Council and NHS Tayside will work together to agree on these principles as they apply to their relationship with DCIJB.

There have been three occasions during the year when a Performance and Audit Committee (PAC) meeting has not taken place. These were the July 2019 meeting due to no urgent business, the February 2020 meeting due to not being quorate, and the March 2020 meeting due to the Covid 19 crisis. Whilst this is significant, the PAC terms of reference notes that it will meet at least three times per year, therefore it met its minimum requirements.

The response to the Covid-19 pandemic is a significant event which has impacted on the internal control environment but is currently managed in line with business continuity plans. There has been significant disruption to service delivery arrangements for the Health and Social Care Partnership (HSCP) with the response to this reflected in the HSCP's mobilisation plan with future service arrangements being considered as part of the HSCP's recovery plan.

The Covid-19 crisis has resulted in the Integration Joint Board stepping down its formal meetings, including the PAC and applying its delegated authority arrangements for decision making as set out within the DCIJB's Standing Orders and Scheme of Delegation. Weekly briefings have been held with voting members of the DCIJB to ensure they have been kept up to date with the impact and response to the crisis.

Conclusion

The annual review demonstrates sufficient evidence that the code's principles of delivering good governance in local government operated effectively and the Council complies with the Local Code of Corporate Governance in all significant respects for 2019/2020. It is proposed over 2020/2021 steps are taken to address the items identified in the Continuous Improvement Agenda to further enhance the Council's governance arrangements.



David R Martin
Chief Executive, Dundee City Council
18 November 2020



John Alexander
Leader of the Council
18 November 2020

CONTINUOUS IMPROVEMENT AGENDA FOR 2019/2020 - WITH PROGRESS UPDATES

The Council's Corporate Governance working group identified the following areas for improvement to be taken forward during 2019/2020. Full details are included in:

The Local Code of Corporate Governance: <https://www.dundee.gov.uk/reports/reports/202-2019.pdf>

and the 2018/2019 Annual Governance Statement: <https://www.dundee.gov.uk/reports/reports/224-2019.pdf>

TABLE 1:

ORIGINAL IMPROVEMENT AGENDA ON 2018/2019 LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT REPORTS						PROGRESS UPDATES	
	Improvement	Source	Details	Responsible Officer	Target Completion Date	Actual Completion Date	Comments (e.g. Estimated Completion Date, Reasons for delays, etc.)
1	Develop Ethical Values Framework	Local Code of Corporate Governance 2017/2018. (Principle A: Integrity and Ethics). Report 223-2017	Carried forward from 2018/2019. In progress.	Head of Democratic and Legal Services	30/09/2019	13/03/2020	Approved at Corporate Services Management Team (CSMT) on 10/1/2020. Circulated to all staff on 13/3/2020.
2	Update Corporate Asset Management Strategy	Local Code of Corporate Governance 2017/2018. (Principle E: Developing the Entity). Report 223-2017	Carried forward from 2018/2019. In progress.	Executive Director of Corporate Services.	31/03/2020		Likely to be delayed until 31/12/2020.* Property Asset Management Plan was approved at City Development Committee on 27/1/2020 Report 37-2020
3	Develop Risk Management Framework	Local Code of Corporate Governance 2017/2018. (Principle F: Managing Risk). Report 223-2017	Carried forward from 2018/2019. In progress.	Executive Director of Corporate Services	30/09/2019	30/11/2019	A comprehensive Risk Management Framework is in place. This includes: <ul style="list-style-type: none"> • a revised Risk Management Policy & Strategy which incorporates governance / reporting arrangements, corporate risk appetite and risk assessment scoring matrix. • Corporate Risk Register in place and reported to Elected Members. • a Risk Management Working Group (RMWG) which meets quarterly – this includes a Risk Management Champion from each Service, other members of senior management and is chaired by the Executive Director of Corporate Services. • Risk management procedural guidelines. • Formal adoption of Pentana risk management software to enable effective monitoring of the council's risks.

TABLE 1 (continued):

4	Continue to develop Business Continuity Strategy	Local Code of Corporate Governance 2017/2018. (Principle F: Managing Risk). Report 223-2017	Carried forward from 2018/2019. In progress.	Service Manager - Community Safety and Resilience	31/03/2020		Two full day training sessions for Services organised and delivered during 2019. Services were originally required to submit their completed BCP's by 31 March 2020. Item was discussed at Senior Officer Resilience Group on 24 January 2020 with reminders sent out to attendees at the Business Continuity Workshops. These will require to be revisited in response to the Covid 19 crisis and will likely require to change from being neatly documented and allocated against defined events as the industry standard will swing far more to assurance around leadership, delegation, built-in flexibility in organisations, and defining capabilities. *
5	Launch a new Social Media Policy	Local Code of Corporate Governance 2018/2019. (Principle E: Openness and Engagement). Report 190-2018	Carried forward from 2018/2019. In progress. Source: Corporate Communication Strategy 2018-2021.	Service Manager Communications	30/09/2019	12/09/2019	Social media policy and supporting handbook issued to employees.
6	Develop programme for consideration of the suitability of key Operational IT systems	Annual Governance Statement 2018/2019. (SAC: Internal Control Environment section). Report 214-2018	Carried forward from 2018/2019. In progress.	Head of IT & Customer Services	31/12/2019		The Council has developed an IT Strategy which will include this action to review the suitability of organisational systems. Revised target date of 31/12/2020. *
7	Re-launch Anti-Money Laundering Policy and Guidance	Annual Governance Statement 2018/2019. (SAC: Fraud Prevention and Detection section). Report 214-2018	Carried forward from 2018/2019. In progress.	Financial Services & Investment Manager	31/05/2019		In progress. Expected to complete by end of March 2020 but delayed due to Covid 19 crisis. Revised target date of 31/12/2020. *

TABLE 1 (continued):

8	Develop Service level Risk Registers	Annual Governance Statement 2018/2019. (SAC: Risk Management and Business Continuity section). Report 214-2018	Carried forward from 2018/2019. In progress.	CMT	30/09/2019	30/11/2019	Service level risk registers have been developed from a series of comprehensive workshops and follow-up actions across all service areas. These have now largely reached 'business as usual' stage, and further discussions and monitoring will be ongoing on this basis. Risk register development has now extended to more granular risk registers in relation to specific areas of higher risk and this will also be ongoing.
9	Develop a Serious Organised Crime Guide.	Serious Organised Crime Newsletter, June 2018. Issue 1		Head of Corporate Finance.	31/03/2020		Work ongoing with Public Relations on awareness raising. Expected to be complete by 31/3/2020, but delayed due to Covid 19 crisis. Revised target date of 31/12/2020. * In Dec 2019, Police Scotland's "Spotting Signs of SOC" material on Intranet and Awareness Raising sessions were held.
10	Replace Construction Services' Costing System.			Head of Construction and Head of IT and Customer Services.	31/03/2020		In progress. Work has been done to establish that the Total Repairs software purchased to support the Repairs & Maintenance operations will suffice as a contract costing system for all of Construction operations. Recently, the Total Mobile Group has acquired Cloud Dialogs, a provider of cloud-based Repairs Management solutions, which will supersede the Total Repairs product. An assessment of the feasibility of transitioning to Cloud Dialogs is planned. Currently in discussions with the provider to re-plan the implementation, likely 'go live' date will be no later than 31/3/2021. *
11	Develop further the Governance Arrangements in place with significant partnerships.		Further consideration to be given to Health and Social Care and Tay Cities Deal (TCRJC also mentioned in IA 2019/2020 Audit Plan).	Executive Director of Corporate Services.	31/03/2020		Governance arrangements will be reviewed for significant partnerships with the Head of Democratic and Legal Services to determine whether current arrangements are appropriate. Revised target date of 31/12/2020. *

TABLE 1 (continued):

12	Develop further the Governance Arrangements in place with significant partnerships.		Adoption / Formalising of the Property, Housing and Construction Services Partnership is key action for 2019.	Executive Director of Neighbourhood Services, City Development, and Corporate Services.	31/03/2020		Oversight arrangements for joint working between Housing, Property and Construction have been refined throughout 2019/2020 and a Steering Group and an Executive Group are in place. Personnel changes in various key positions within the partner services have delayed us in terms of formalising the existing partnership working but this will be prioritised over the remainder of the financial year. *
13	Develop Data Protection Policy.	Internal Audit section (Ref 2012/36).		Information Governance Manager.	31/12/2019	30/09/2019	Signed off as per new procedures by CSMT. Email on 5 Nov 2019 to Senior Management to cascade. Added to external website: https://www.dundee.gov.uk/service-area/corporate-services/democratic-and-legal-services/data-protection and One Dundee: https://onedundee.dundee.gov.uk/local-government-employees-lge/data-protection
14	Develop Reportable Incidents Policy.	Internal Audit section (Ref 2012/36).		Information Governance Manager.	31/12/2019	30/09/2019	Signed off as per new procedures by CSMT. Email on 5 Nov 2019 to Senior Management to cascade. Added to One Dundee: https://onedundee.dundee.gov.uk/local-government-employees-lge/data-protection

TABLE 1 (continued):

15	Revise Corporate Fraud Policy.	Internal Audit section (Ref 2014/08).		Senior Manager - Internal Audit.	31/03/2020	<p>Update on planned improvements to the Corporate Fraud and Corruption Policy: The Council's Fraud Governance Internal Audit Report (No. 2018/21) details that, from a review of the document, it could be enhanced in view of good practice policy documents by either introducing/ incorporating the following or improving on what already exists:</p> <ul style="list-style-type: none"> • Statement of intent – from senior executive. • Defining fraudulent activity properly – giving examples in sufficient detail. • A detailed fraud risk register is maintained, which is refreshed regularly and updated if there is a material change in the Council which impacts on fraud risk. • How does the policy apply to Council staff – Making it more relevant; roles and responsibilities section could be more fraud specific. • The organisation's obligations under the policy, and the team's; what red flags are and what to do to report suspicions. <p>• Checklist of what to do and not to do when fraud is suspected.</p> <ul style="list-style-type: none"> • Reference to Public Interest Disclosure Act. • Confidentiality - including a statement, in the fraud policy, ensuring that confidentiality will be maintained (where possible). • If proven / if not proven – what will happen. • The policy should refer to the current fraud governance and reporting arrangements. • Links to intranet, with up to date contact details. • Links to other relevant policies. <p>A comprehensive Corporate Fraud Risk Register is currently being developed, which should also help inform the content of the policy.</p> <p>The revised Corporate Fraud Policy has been drafted and is awaiting review before it can be finalised. *</p>
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TABLE 1 (continued):

16	Formally map out all Emergency Planning duties & responsibilities.	Internal Audit Report 2016/27. Report 44-2018		Executive Director of Neighbourhood Services.	31/03/2020	30/11/2019	Duties and responsibilities mapped out in renewed Generic Emergency Plan and through working paper produced for Senior Officer Resilience Group.
17	Develop Service Area Scorecards in the Corporate Performance Management system.	Internal Audit Report 2017/22, 23 and 24. Report 374-2018		Transformation and Performance Manager	31/03/2020		In progress. Service Area Scorecards are being developed, continued training on Corporate Performance Management System is being provided and scorecards set up for Executive Directors to discuss with their teams that incorporate the key priority targets, actions and risks. *
18	Develop a new Workforce Strategy.	Council Plan 2017-2022 Progress Report. Report 251-2018		Head of Human Resources and Business Support.	31/03/2020	30/09/2019	Our People and Workforce Strategy was approved by P&R Committee on 30 September 2019.
19	Develop Long-Term Financial Planning for Revenue Resources.	External Audit Annual Audit Report 2017/2018 Report 308-2018 and Audit Scotland's Local Government in Scotland: Challenges and Performance 2019 Report 166-2019		Executive Director of Corporate Services.	31/12/2019	19/08/2019	Long-Term Financial Outlook and Financial Strategy 2020-2030 approved at Policy & Resources Committee.

*Carried forward items have been included in Table 2 with new target completion dates.

CONTINUOUS IMPROVEMENT AGENDA FOR 2020/2021

The Council's Corporate Governance working group has identified the following areas for improvement, full details are included in the Council's Local Code of Corporate Governance, to be taken forward during 2020/2021:

TABLE 2

	Improvement	Source	Details	Responsible Officer	Target Completion Date
1	Update Corporate Asset Management Strategy.	Local Code of Corporate Governance 2017/2018. (Principle E: Developing the Entity). Report 223-2017	Carried forward from 2019/2020. In progress.	Executive Director of City Development.	31/12/2020
2	Continue to develop Business Continuity Strategy.	Local Code of Corporate Governance 2017/2018. (Principle F: Managing Risk). Report 223-2017	Carried forward from 2019/2020. In progress.	Service Manager - Community Safety and Resilience.	31/03/2021
3	Develop programme for consideration of the suitability of key Operational IT systems.	Annual Governance Statement 2018/2019. (Self-Assessment Checklist (SAC): Internal Control Environment section). Report 214-2018	Carried forward from 2019/2020. In progress.	Head of IT and Customer Services.	31/12/2020
4	Re-launch Anti-Money Laundering Policy and Guidance.	Annual Governance Statement 2018/2019. (SAC: Fraud Prevention & Detection section). Report 214-2018	Carried forward from 2019/2020. In progress.	Financial Services and Investment Manager.	31/12/2020
5	Develop a Serious Organised Crime Guide.	Serious Organised Crime Newsletter, June 2018. Issue 1	Carried forward from 2019/2020. In progress.	Head of Corporate Finance.	31/12/2020
6	Replace Construction Services' Costing System.		Carried forward from 2019/2020. In progress.	Head of Construction and Head of IT and Customer Services.	31/03/2021
7	Develop further the Governance Arrangements in place with significant partnerships.		Carried forward from 2019/2020. In progress. Further consideration to be given to Health and Social Care and Tay Cities Deal (TCRJC also mentioned in Internal Audit 2019/2020 Audit Plan).	Executive Director of Corporate Services.	31/12/2020
8	Develop further the Governance Arrangements in place with significant partnerships.		Carried forward from 2018/2019. In progress. Adoption / Formalising of the Property, Housing and Construction Services Partnership is key action for 2020.	Executive Director of Neighbourhood Services, City Development, and Corporate Services.	31/12/2020

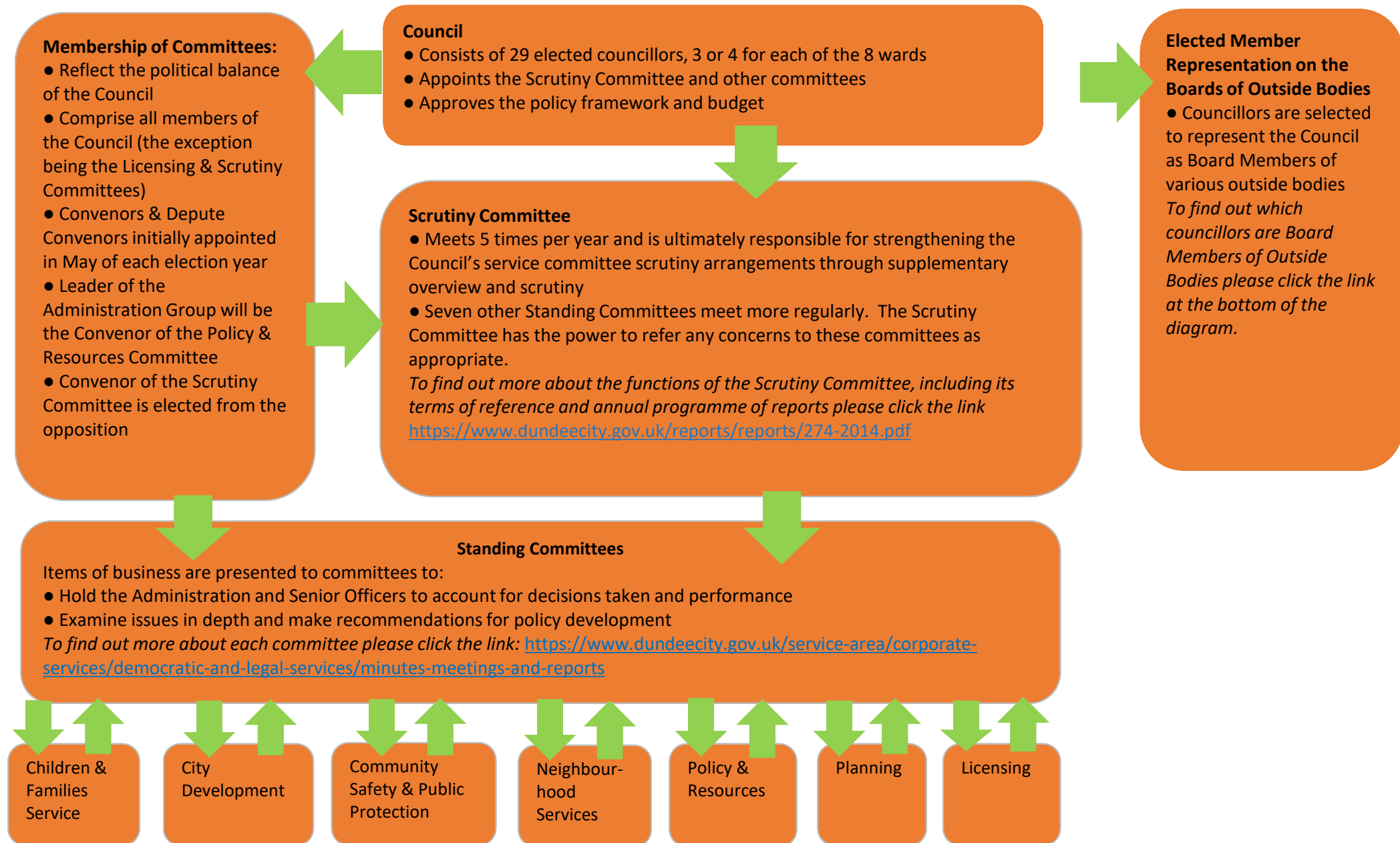
TABLE 2 (continued):

9	Revise Corporate Fraud Policy.	Internal Audit section (Ref 2014/08).	Carried forward from 2019/2020. In progress.	Senior Manager - Internal Audit.	31/12/2020
10	Develop Service Area Scorecards in the Corporate Performance Management system.	Internal Audit Report 2017/22, 23 and 24. Report 374-2018	Carried forward from 2019/2020. In progress.	Transformation and Performance Manager	31/12/2020
11	Engage with Elected Members on proposals for future personal development and maximise their opportunity to participate.	Local Government in Scotland: Challenges and Performance 2019 Report 166-2019 External Audit Report to Members on the Audit of DCC's 2018/2019 Accounts Report 338-2019	Support the development and tracking of individual personal development plans. Explore opportunities to learn from best practice elsewhere.	Head of Democratic and Legal Services / Head of Human Resources and Business Support.	31/03/2021
		Best Value Self-Assessment Report 68-2020			
12	Develop a future needs analysis and workforce plan within each service area for the short, medium and long term in line with the Our People and Workforce Strategy.	Best Value Self-Assessment Report 68-2020	To ensure staff skills match service delivery requirements and align workforce and strategic planning to ensure citizen's needs are being met in accordance with agreed priorities and statutory duties.	Head of Human Resources and Business Support.	31/03/2021
13	Strengthen the arrangements around capital projects.	Best Value Self-Assessment Report 68-2020	Ensure that robust business cases and regular and consistent Gateway reviews and post-project evaluations are undertaken for significant capital project.	Executive Director of Corporate Services.	31/03/2021
14	Address recurring areas for improvement in public protection in external scrutiny reports and internal self-evaluation activities.	Best Value Self-Assessment Report 68-2020		CMT	31/03/2021
15	Continue to improve Community Empowerment.	Best Value Self-Assessment Report 68-2020	Maintain the momentum gained from the Engage Dundee programme, this included the CoSLA award winning participatory budget process "Dundee Decides".	Service Manager - Communities.	31/03/2021

TABLE 2 (continued):

16	Embed regular monitoring and reporting on progress towards the UN sustainable development goals within performance reporting.	Best Value Self-Assessment Report 68-2020	The City-Wide Climate Change Action Plan is reported to Committee and this process needs to include wider sustainability goals.	Transformation and Performance Manager	31/03/2021
17	Continue to embed a culture of improvement across the organisation.	Best Value Self-Assessment Report 68-2020	Managers and Leaders will ensure employees contribution to continuous improvement is supported, managed and reviewed.	Transformation and Performance Manager	31/03/2021
18	Assess and report on the potential impacts of Brexit, including the development and implementation of a comprehensive contingency plan.	Local Government in Scotland Financial Overview 2018/2019 Report 54-2020		Head of Chief Executives Service.	31/12/2020
19	Embed Information Governance Assurance checklist in annual corporate governance assurance process.	Corporate Governance Assurance Statement Group's review of Annual Governance process.	Ensure results are reflected in 2020/2021 Annual Governance Statement.	Information Governance Manager / Head of Corporate Finance.	31/03/2021
20	Review the Council's response to Covid 19 crisis.		Including lessons learned, good practice, and areas for improvement.	Chief Executive / Executive Director of Corporate Services.	31/03/2021

Dundee City Council's Governance Structure:



<https://www.dundee.gov.uk/sites/default/files/publications/electedmembersrepres22aug.doc>

ANNUAL REMUNERATION REPORT

INTRODUCTION

The Council is required to prepare and publish within its Annual Accounts an annual Remuneration Report under the Local Authority Accounts (Scotland) Regulations 2014. The report sets out the remuneration and accrued pension benefits of the Senior Councillors and Senior Employees of the Council. The report also provides information on the number of Council Employees (including Senior Employees) whose total actual remuneration was £50,000 or more, this information being disclosed in salary bandings of £5,000 above £50,000. The following report has been prepared in accordance with the aforementioned Regulations. The Remuneration Report also provides details of Termination Benefits and Exit Packages for staff. The Council's External Auditor is required to audit certain parts of the Remuneration Report and give a separate opinion in their report on the Annual Accounts as to whether the Remuneration Report has been properly prepared in accordance with the Regulations and other relevant guidance. All the tables in this report are subject to audit except the table on page 47 relating to Councillors Allowances and Expenses.

REMUNERATION ARRANGEMENTS

Senior Councillors

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

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2019/2020 the salary for the Leader of Dundee City Council was £34,944. 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 (£26,208). The Regulations allow the Civic Head to incur expenditure of up to £3,000 on expenses associated with the position. During 2019/2020, the Council's Lord Provost did not incur 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 £345,064 and the number of Senior Councillors shall not exceed 15. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. Following the Local Government elections on 4 May 2017 the Council's arrangements in this area were agreed, for 2017/2018 onwards, at the meeting of the City Council on 22 May 2017 and were to be effective from that date.

With effect from 22 May 2017, Dundee City Council has had 15 Senior Councillors including the Leader and Civic Head. The remuneration payable to these Councillors in a full financial year totals £345,064, incorporating the effect of 0.4% and 2.8% pay increases from 1 April 2018 and 1 April 2019 respectively. The actual remuneration paid to Senior Councillors in 2019/2020 was £345,064. 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.

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.

	2019/2020	2018/2019
	£	£
Salaries	592,536	574,624
Mileage, Travel & Subsistence etc	3,635	4,918
Training & Conferences	885	585
Telephone Expenses	2,760	2,616
	599,816	582,743
Provision of Council Cars	42,546	40,283
Total	642,362	623,026

The full Annual Return of Councillors Salaries & Expenses for 2019/2020 is available on the Council's website (www.dundee.gov.uk/sites/default/files/publications/electedmembers20.pdf).

Senior Employees of the Council

The salary of Senior Employees is set by reference to national agreements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/144 sets the amount of salary for the Chief Executive of Dundee City Council for the period 2008 to 2011 and continued to apply in the 2019/2020 financial year. The salaries of the Executive Directors and Heads of Service are determined with reference to the Chief Executive's salary taking into account the duties and responsibilities of their posts. The Council's Policy & Resources Committee is responsible for agreeing the salaries of Executive Directors and Heads of Service. As part of the revised service and management structures agreed in June 2015, the Council adopted a single pay and grading structure for all employees, other than those on SNCT conditions of service.

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

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

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

The Council has determined that 7 employees (6 posts) meet the criteria for designation as a Senior Employee in 2019/2020, with all 7 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:

Remuneration Bands	No of	No of
	Employees	Employees
	2019/2020	2018/2019
£50,000 - £54,999	199	75
£55,000 - £59,999	72	67
£60,000 - £64,999	54	22
£65,000 - £69,999	43	8
£70,000 - £74,999	8	7
£75,000 - £79,999	6	5
£80,000 - £84,999	4	5
£85,000 - £89,999	6	3
£90,000 - £94,999	8	8
£95,000 - £99,999	2	-
£100,000 - £104,999	-	1
£110,000 - £114,999	1	3
£115,000 - £119,999	3	-
£140,000 - £144,999	-	1
£150,000 - £154,999	1	-
Total	407	205

ACCRUED PENSION BENEFITS

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

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

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

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009, contribution rates were set at 6% for all non-manual employees. The members contribution rates for 2019/2020 remain at the 2009/2010 rates, however the pay bandings have been updated from 2018/2019. The tiers and contribution rates are as follows:

Whole Time Pay	Contribution Rate 2019/2020
On earnings up to and including £21,800	5.5%
On earnings above £21,801 and up to £26,700	7.25%
On earnings above £26,701 and up to £36,600	8.5%
On earnings above £36,601 and up to £48,800	9.5%
On earnings above £48,800	12%

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

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

Senior Councillors

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

Senior Employees of the Council

The accrued pension benefits for Senior Employees are set out in Table 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 2019/2020, the scheme member contribution rate for Senior Councillors was in the range of 3.25% to 5.6% (2018/2019 5.5% to 6.4%) of pensionable pay and for Senior Employees was in the range of 5.2% to 10% (2018/2019 5.2% to 10.0%) of pensionable pay. In 2019/2020, the employer contribution rate was 17.0% (2018/2019 17.0%) of pensionable pay for both Senior Councillors and Senior Employees.

TERMINATION BENEFITS & EXIT PACKAGES

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



David Martin
Chief Executive, Dundee City Council
18 November 2020



Councillor John Alexander
Leader of the Council
18 November 2020

TABLE 1a – REMUNERATION OF SENIOR COUNCILLORS

Councillor Name	Responsibility	Salary, Fees & Allowances £	Taxable Expenses £	Non-cash Expenses & Benefits -in-Kind £	Total Remuneration 2019/2020 £	Total Remuneration 2018/2019 £
Willie Sawers	Depute Convener, Policy & Resources	23,205	-	-	23,205	22,573
Stewart Hunter	Convener, Children & Families Services (wef 21/8/18)	23,205	-	-	23,205	13,835
Ken Lynn	Lead Member for Health & Social Care	23,205	-	-	23,205	22,573
Will Dawson	Convener, Planning	23,205	-	-	23,205	22,573
John Alexander	Leader	34,944	-	-	34,944	33,992
Kevin Keenan	Convener, Scrutiny and Leader of the Major Opposition Group	23,205	-	-	23,205	22,573
Alan Ross	Convener, Community Safety & Public Protection (until 24/6/19) and Convener, City Development (wef 25/6/19)	23,205	-	-	23,205	22,573
Bill Campbell	Depute Lord Provost	19,654	-	-	19,654	19,119
Kevin Cordell	Convener, Neighbourhood Services (until 24/6/19) and Convener, Community Safety & Public Protection (wef 25/6/19)	23,205	-	-	23,205	22,573
Ian Borthwick	Lord Provost	26,208	-	-	26,208	25,494
Lynne Short	Convener, City Development (until 24/6/19)	5,415	-	-	5,415	22,573
Mark Flynn	Depute Convener, City Development	19,654	-	-	19,654	19,119
Anne Rendall	Depute Convener, Neighbourhood Services (until 24/6/19) and Convener, Neighbourhood Services (wef 25/6/19)	22,376	-	-	22,376	19,119
Steven Rome	Depute Convener, Neighbourhood Services (wef 25/6/19)	15,068	-	-	15,068	-
Roisin Smith	Depute Convener, Children & Families Services	19,654	-	-	19,654	19,119
Total		325,408	-	-	325,408	307,808

TABLE 1a NOTES

1 Councillor Lynne Short was remunerated as Convener of Tay Road Bridge Joint Board with effect from 25/6/19 (see Table 1b below).

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

Councillor Name	Responsibility	Salary, Fees & Allowances £	Taxable Expenses £	Expenses & Benefits-in-Kind £	Total Remuneration 2019/2020 £	Total Remuneration 2018/2019 £
Lynne Short	Chairperson, Tay Road Bridge Joint Board (wef 25/6/19)	16,744	-	-	16,744	-
Christina Roberts	Vice Convener, Tayside Valuation Joint Board	20,748	-	-	20,748	20,183
Total		37,492	-	-	37,492	20,183

Note

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

	2019/2020 £	2018/2019 £
Tay Road Bridge Joint Board	1,640	1,645
Tayside Valuation Joint Board	1,094	1,064
Total	2,734	2,709

TABLE 1b NOTES

- The figures for Salary, Fees and Allowances represents total remuneration for the year including payment for being a Councillor, together with the additional payment for being a Convener or Vice Convener of a Joint Board. Councillor Christina Roberts also held the Senior Councillor post of Deputy Convener of Planning Committee during financial year 2019/20.

TABLE 2 – REMUNERATION OF SENIOR EMPLOYEES OF THE COUNCIL

Employee Name	Post Title	Salary, Fees & Allowances £	Bonuses £	Taxable Expenses £	Compensation for Loss of Employment £	Benefits Other Than in Cash £	Total Remuneration 2019/2020 £	Total Remuneration 2018/2019 £
David Martin	Chief Executive (see note 1)	154,989	-	-	-	-	154,989	143,353
Gregory Colgan	Executive Director of Corporate Services (see note 2)	118,659	-	-	-	-	118,659	110,895
Paul Clancy	Executive Director of Children & Families	117,609	-	-	-	-	117,609	114,194
Robin Presswood	Executive Director of City Development (wef 1/10/18)	114,214	-	-	-	-	114,214	53,846
Elaine Zwirlein	Executive Director of Neighbourhood Services	117,609	-	-	-	-	117,609	114,194
Stewart Murdoch	Director of Leisure & Culture Dundee (until 31/12/19) (full year equivalent salary £104,606)	78,454	-	-	-	-	78,454	101,558
Judy Dobbie	Director of Leisure & Culture Dundee (wef 1/12/19) (full year equivalent salary £98,644)	32,881	-	-	-	-	32,881	-
Total		734,415	-	-	-	-	734,415	638,040

TABLE 2 NOTES

- 1 The Total Remuneration 2019/2020 figure for David Martin, Chief Executive, includes £8,933 for election duties (2018/2019: £1,551).
- 2 The Total Remuneration 2019/2020 figure for Gregory Colgan, Executive Director of Corporate Services, includes £1,050 for election duties (2018/2019: £nil).

TABLE 3 – SENIOR COUNCILLORS ACCRUED PENSION BENEFITS

Councillor Name	Responsibility	Pension as at 31 March 2020 £000	Pension Difference from 31 March 2019 £000	Lump Sum as at 31 March 2020 £000	Lump Sum Difference from 31 March 2019 £000	Pension Contribution 2019/2020 £	Pension Contribution 2018/2019 £
Willie Sawers	Depute Convener, Policy & Resources	5.4	0.6	1.8	0.1	3,945	3,837
Stewart Hunter	Convener, Children & Families Services (wef 21/8/18)	5.3	0.7	1.7	0.1	3,945	3,750
Ken Lynn	Lead Member for Health & Social Care	0.3	0.3	0.0	0.0	2,301	0
Will Dawson	Convener, Planning	5.4	0.6	1.7	0.0	3,945	3,837
John Alexander	Leader	4.0	0.5	0.0	0.0	5,198	4,816
Kevin Keenan	Convener, Scrutiny and Leader of the Major Opposition Group	5.8	0.6	2.0	0.0	3,945	3,837
Alan Ross	Convener, Community Safety & Public Protection (until 24/6/19) and Convener, City Development (wef 25/6/19)	4.9	0.6	1.1	0.0	3,945	3,837
Bill Campbell	Depute Lord Provost	3.0	0.4	0.0	0.0	3,341	3,250
Kevin Cordell	Convener, Neighbourhood Services (until 24/6/19) and Convener, Community Safety & Public Protection (wef 25/6/19)	3.3	0.6	0.0	0.0	3,945	3,837
Lynne Short	Convener, City Development (until 24/6/19)	1.8	0.5	0.0	0.0	3,767	3,837
Mark Flynn	Depute Convener, City Development	1.2	0.4	0.0	0.0	3,341	3,250
Anne Rendall	Depute Convener, Neighbourhood Services (until 24/6/19) and Convener, Neighbourhood Resources (wef 25/6/19)	1.2	0.4	0.0	0.0	3,804	3,250
Steven Rome	Depute Convener, Neighbourhood Services (wef 25/6/19)	0.4	0.4	0.0	0.0	2,562	0
Roisin Smith	Depute Convener, Children & Families Services	1.2	0.4	0.0	0.0	3,341	3,250
Total		43.2	7.0	8.3	0.2	51,325	44,588

TABLE 3 NOTES

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

TABLE 4 – SENIOR EMPLOYEES OF THE COUNCIL ACCRUED PENSION BENEFITS

Employee Name	Post Title	Pension as at 31 March 2020 £000	Pension Difference from 31 March 2019 £000	Lump Sum as at 31 March 2020 £000	Lump Sum Difference from 31 March 2019 £000	Pension Contribution 2019/2020 £	Pension Contribution 2018/2019 £
David Martin	Chief Executive (see note 1)	70	3	135	4	25,314	24,370
Gregory Colgan	Executive Director of Corporate Services	21	3	-	-	19,994	18,852
Paul Clancy	Executive Director of Children & Families	64	4	125	4	19,994	19,413
Robin Presswood	Executive Director of City Development (wef 1/10/18) (see note 2)	3	2	-	-	19,416	9,154
Elaine Zwirlein	Executive Director of Neighbourhood Services	57	4	100	3	19,994	19,413
Stewart Murdoch	Director of Leisure & Culture Dundee (until 31/12/19)	n/a	n/a	n/a	n/a	13,337	17,265
Judy Dobbie	Director of Leisure & Culture Dundee (wef 1/12/19)	33	n/a	57	n/a	5,590	-
Total		248	16	417	11	123,639	108,467

TABLE 4 NOTES

- ¹ The Pension Contribution 2019/2020 figure for David Martin, Chief Executive, includes £1,519 contributions payable on fees for election duties (2018/2019: £264).
- ² The pension figures for Robin Presswood, Executive Director of City Development, relate solely to benefits accrued during employment with Dundee City Council.

TABLE 5 – TERMINATION BENEFITS & EXIT PACKAGES

Exit Package Cost Band	Number of Compulsory Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£000)	
	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020
£0 - £20,000	-	-	7	26	7	26	50	303
£20,001 - £40,000	-	-	8	7	8	7	235	189
£40,001 - £60,000	-	-	4	1	4	1	184	54
£60,001 - £80,000	-	-	1	2	1	2	69	139
£80,001 - £100,000	-	-	1	2	1	2	94	185
£100,001 - £150,000	-	-	1	-	1	-	127	-
Total	-	-	22	38	22	38	759	870

TABLE 5 NOTES

- 1 The above table includes costs of termination benefits associated with voluntary redundancy payments to employees that left during 2019/20. Under the terms of the Council's severance schemes for non-teaching staff, employees can elect to receive a statutory voluntary redundancy payment. During 2019/2020, a total of 25 employees received voluntary redundancy payments (2018/2019 9 employees) for which the Council incurred one-off redundancy costs of £257,000 (2018/2019 £86,000).
- 2 The costs shown in the above table have been calculated on an actuarial basis by the Council's appointed actuary (Barnett Waddingham), in accordance with IAS 19 Employee Benefits. The actual costs incurred by the Council in 2019/20, in terms of payments to pension schemes and to individuals, were £0.496 m (2018/2019 £0.260m). The average pay-back period for exit packages in 2019/20 was 0.40 years (2018/2019 0.30 years). The pay-back period represents the time taken for the costs of the exit package to be recovered by the subsequent saving in salary costs, including oncosts.

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Executive Director of Corporate Services.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014 and the Coronavirus (Scotland) Act 2020), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Scrutiny Committee at its meeting on 18 November 2020.

Signed on behalf of Dundee City Council

Councillor John Alexander
Leader of the Council
18 November 2020

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

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

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

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

The Executive Director of Corporate Services has also:

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

I certify that the financial statements give a true and fair view of the financial position of the local authority (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2020.

Gregory Colgan BAcc (Hons), ACMA, CGMA
Executive Director of Corporate Services
Dundee City Council
18 November 2020



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

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

2018/2019			2019/2020		
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis (see below/MIRS) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis (see below/MIRS) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
150,253	5,590	155,843	156,387	7,511	163,898
74,004	4,241	78,245	78,289	4,850	83,139
18,000	81,021	99,021	15,133	55,474	70,607
26,258	4,599	30,857	24,994	5,586	30,580
11,734	281	12,015	11,397	327	11,724
27,664	5,323	32,987	28,080	5,930	34,010
(3,366)	1,344	(2,022)	(4,151)	1,751	(2,400)
(81)	14,300	14,219	(2,256)	21,057	18,801
299	-	299	349	-	349
904	-	904	912	-	912
(863)	10,906	10,043	(1,063)	2,462	1,399
304,806	127,605	432,411	308,071	104,948	413,019
(306,586)	(55,160)	(361,746)	(313,728)	(45,716)	(359,444)
(1,780)	72,445	70,665	(5,657)	59,232	53,575
13,846		Opening General Fund and HRA Balance	13,865		
1,780		Less / Add Surplus or (Deficit) on General Fund and HRA Balance in Year	5,657		
(1,761)		Transfers to / from Other Reserves	(3,002)		
13,865		Closing General Fund and HRA Balance at 31 March *	16,520		

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

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

Expenditure and Funding Analysis (cont)

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

Adjustments between Funding and Accounting Basis

2018/2019				2019/2020				
Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
10	5,559	21	5,590	Children & Families Services	3	7,189	319	7,511
				Dundee Health & Social Care Partnership				4,850
4	4,413	(176)	4,241	City Development	5	5,257	(412)	55,474
80,380	1,808	(1,167)	81,021	Neighbourhood Services	54,612	2,108	(1,246)	5,586
1,824	2,940	(165)	4,599	Chief Executive	2,138	3,555	(107)	327
-	286	(5)	281	Corporate Services	-	334	(7)	5,930
1,658	3,704	(39)	5,323	Construction	1,688	4,310	(68)	1,751
-	1,731	(387)	1,344	Housing Revenue Account	-	2,152	(401)	21,057
21,167	682	(7,549)	14,300	Miscellaneous Items	27,527	793	(7,263)	2,462
-	9,046	1,860	10,906		-	588	1,874	
105,043	30,169	(7,607)	127,605	Cost Of Services	85,973	26,286	(7,311)	104,948
				Other income and expenditure from the Expenditure and Funding Analysis				
(63,887)	1,097	7,630	(55,160)		(54,711)	1,375	7,620	(45,716)
				Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services				
41,156	31,266	23	72,445		31,262	27,661	309	59,232

Notes

1) Adjustments for capital purposes - this column adds in depreciation and impairment and revaluation gains and losses in the services line and for:

Other operating expenditure - adjustments for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure - the statutory charges for capital financing ie loan repayments and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For **services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES.

3) Other differences between amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payable /receivable to be recognised under statute:

For services this represents the inclusion of a charge for short-term accumulating compensating absences, mainly relating to accrued annual leave entitlement. Allocations of insurance costs and impairment allowances on trade debtors have been included.

For Financing and investment income and expenditure - the other differences column recognises adjustments to the General Fund for the re-measurement of the revenue costs / income associated with financial instruments.

For Financing and investment income and expenditure - the other differences column recognises interest payable / receivable on the Housing Revenue Account being reclassified as a corporate cost.

Subjective Analysis of Surplus or Deficit on the Provision of Services

2018/2019 £000		2019/2020 £000
267,207	Employee benefit expenses	273,480
348,233	Other service expenses	351,780
2,900	Support service recharges	2,920
117,022	Depreciation, amortisation and impairment	97,274
27,819	Interest payments	28,211
904	Precepts and levies	912
764,085	Total Expenditure	754,577
(195,134)	Fees, charges and other service income	(198,487)
(1,116)	Interest and investment income	(1,076)
(52,831)	Income from Council Tax	(54,505)
(442,990)	Government grants and contributions	(446,858)
(1,349)	Gain on disposal of non-current assets	(76)
(693,420)	Total Income	(701,002)
70,665	(Surplus) or Deficit on the Provision of Services	53,575

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

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

2018/2019				2019/2020			
Gross Expend £000	Gross Income £000	Net Expend / (Income) £000		Gross Expend £000	Gross Income £000	Net Expend / (Income) £000	Unaudited 2019/2020 Budgeted Net Expenditure/ (Income) £000
178,997	(23,154)	155,843	Children & Families Services	189,858	(25,960)	163,898	165,672
196,386	(118,141)	78,245	Dundee Health & Social Care Partnership	205,780	(122,641)	83,139	82,459
115,962	(16,941)	99,021	City Development	89,656	(19,049)	70,607	68,021
39,376	(8,519)	30,857	Neighbourhood Services	38,711	(8,131)	30,580	31,229
13,274	(1,259)	12,015	Chief Executive	13,144	(1,420)	11,724	12,258
98,998	(66,011)	32,987	Corporate Services	93,774	(59,764)	34,010	35,101
10,764	(12,786)	(2,022)	Construction	14,659	(17,059)	(2,400)	(684)
65,706	(51,487)	14,219	Housing Revenue Account	72,567	(53,766)	18,801	19,490
299	-	299	Discretionary NDR Relief	349	-	349	308
904	-	904	Tayside Valuation Joint Board	912	-	912	912
10,772	(729)	10,043	Miscellaneous Items	2,091	(692)	1,399	1,301
731,438	(299,027)	432,411	Cost Of Services	721,501	(308,482)	413,019	416,067
		(1,349)	Other Operating Expenditure (note 5)			(76)	(76)
		27,464	Financing and Investment Income and Expenditure (note 6)			29,453	27,337
		(387,861)	Taxation and Non-Specific Grant Income (note 7)			(388,821)	(387,935)
		70,665	Deficit on Provision of Services			53,575	55,393
		(118,821)	(Surplus) or Deficit on revaluation of non-current assets			(8,355)	(8,355)
		3,280	Impairment losses on non-current assets charged to the Revaluation Reserve			3,390	3,390
		44	(Surplus) or Deficit on financial assets measured at fair value through other comprehensive income			276	276
		(6,420)	Remeasurements of the net defined benefit liability (asset)			(22,452)	(22,452)
		(121,917)	Other Comprehensive (Income) / Expenditure			(27,141)	(27,141)
		(51,252)	Total Comprehensive (Income) / Expenditure			26,434	28,252

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

Movement in Reserves Statement

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

2018/2019	Revenue Reserves				Capital Reserves		Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Renewal & Repair Fund £000	Insurance Fund £000	Capital Grants & Receipts Unapplied Account £000	Capital Fund £000			
Balance at 31 March 2018	(13,846)	-	(5,850)	(1,563)	(3,393)	(2,110)	(26,762)	(693,699)	(720,461)
Movement in Reserves During 2018/2019									
Total Comprehensive Income & Expenditure	56,655	14,010	-	-	-	-	70,665	(121,917)	(51,252)
Adjustments Between Accounting Basis & Funding Basis Under Regulations (note 9/EFA)	(58,354)	(14,091)	-	-	218	1,500	(70,727)	70,727	-
Net (Increase)/ Decrease before Transfers to Earmarked Reserves	(1,699)	(81)	-	-	218	1,500	(62)	(51,190)	(51,252)
Transfers to/(from) Earmarked Reserves	1,680	81	(771)	(1,010)	36	(16)	-	-	-
(Increase)/ Decrease in 2018/2019	(19)	-	(771)	(1,010)	254	1,484	(62)	(51,190)	(51,252)
Balance at 31 March 2019 carried forward	(13,865)	-	(6,621)	(2,573)	(3,139)	(626)	(26,824)	(744,889)	(771,713)

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

2019/2020	Revenue Reserves				Capital Reserves		Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Renewal & Repair Fund £000	Insurance Fund £000	Capital Grants & Receipts Unapplied Account £000	Capital Fund £000			
Balance at 31 March 2019 brought forward	(13,865)	-	(6,621)	(2,573)	(3,139)	(626)	(26,824)	(744,889)	(771,713)
Movement in Reserves during 2019/2020									
Total Comprehensive Income & Expenditure	27,683	25,892	-	-	-	-	53,575	(27,141)	26,434
Adjustments Between Accounting Basis & Funding Basis Under Regulations (note 9/EFA)	(31,534)	(27,698)	-	-	(9,033)	-	(68,265)	68,265	-
Net (Increase)/ Decrease before Transfers to Earmarked Reserves	(3,851)	(1,806)	-	-	(9,033)	-	(14,690)	41,124	26,434
Transfers to/(from) Earmarked Reserves	1,196	1,806	(2,680)	(739)	423	(6)	-	-	-
(Increase)/ Decrease in 2019/2020	(2,655)	-	(2,680)	(739)	(8,610)	(6)	(14,690)	41,124	26,434
Balance at 31 March 2020 carried forward	(16,520)	-	(9,301)	(3,312)	(11,749)	(632)	(41,514)	(703,765)	(745,279)

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

31 March 2019 £000		Note	31 March 2020 £000
1,611,185	Property, Plant & Equipment	27	1,613,055
8,382	Heritage Assets	42/43	8,382
20,370	Investment Property	24	15,232
980	Intangible Assets	25	712
29	Long Term Investments	38	29
11,724	Long Term Debtors	38/45	13,181
1,652,670	Long Term Assets		1,650,591
4,482	Short Term Investments	38	3,761
1,241	Inventories	31	1,194
62,939	Short Term Debtors	32	52,920
9,615	Cash and Cash Equivalents	16	21,869
4,403	Assets held for sale	30	8,012
82,680	Current Assets		87,756
(140,239)	Short Term Borrowing	38	(97,410)
(73,774)	Short Term Creditors	33/38	(68,876)
(214,013)	Current Liabilities		(166,286)
(3,340)	Provisions	34	(3,251)
(466,983)	Long Term Borrowing	38	(496,945)
(163,393)	Pension Liability	12/20	(168,602)
(114,449)	Other Long Term Liabilities	44	(153,473)
(1,459)	Grants Receipts in Advance	37	(4,511)
(749,624)	Long Term Liabilities		(826,782)
771,713	Net Assets		745,279
26,824	Usable Reserves	11	41,514
744,889	Unusable Reserves	12	703,765
771,713	Total Reserves		745,279



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

The unaudited accounts were issued on 24 June 2020 and the audited accounts were authorised for issue on 18 November 2020.

The notes on pages 67 to 132 form part of the financial statements.

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

2018/2019		2019/2020
£000		£000
70,665	Net deficit on the provision of services	53,575
(143,468)	Adjust net (surplus) on the provision of services for non cash movements	(143,646)
4,211	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	4,519
(68,592)	Net cash flows from Operating Activities	(85,552)
112,361	Investing Activities (note 14)	77,895
(56,469)	Financing Activities (note 15)	(4,597)
(12,700)	Net (increase)/decrease in cash and cash equivalents	(12,254)
(3,085)	Cash and cash equivalents at the beginning of the reporting period	9,615
9,615	Cash and cash equivalents at the end of the reporting period (note 16)	21,869

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1 Accounting Policies

A General Principles

The Annual Accounts summarise the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare Annual Accounts by The Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires that they be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and the Service Reporting Code of Practice 2019/20, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act. The accounts have been prepared on a going concern basis. The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

B Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

C Cash and Cash Equivalents

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

D Changes in Accounting Policies and Estimates and Errors

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

E Charges to Revenue for Non-Current Assets

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

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

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

F 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 for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

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 in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

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

- o quoted securities - current bid price
- o unquoted securities - professional estimate
- o unlisted securities - current bid price
- o property - market value
- The change in the net pensions liability is analysed into the following components:

Service Cost comprising:

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

Remeasurements comprising:

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers 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.

G Events After the Reporting Period

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

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

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

H Financial Liabilities

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

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

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

I Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, 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.

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.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value Through Profit or Loss

Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

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

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

J 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 in the form of 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 & Receipts Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants & Receipts Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

K Heritage Assets

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

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

Museum and Art Gallery Collections

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

Other Heritage Assets

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

Heritage Assets Not Recognised in the Balance Sheet

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

Heritage Assets - Impairment

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

L Interests in Companies and Other Entities

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

M Inventories and Long Term Contracts

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. Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

N Investment Properties

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

O Leases

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

The Council as Lessee

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

Sale and Leaseback Transaction - where an analysis under SIC 27 (Standards Interpretation Committee 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*) indicates that the arrangement is not, in substance, a sale and leaseback but instead is a financing arrangement, the leasing requirements of the Code are not applied. Instead, the sale proceeds transferred are treated as the advance of a loan and the subsequent lease payments are treated as repayments of that loan. The loan is recognised and measured in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. The underlying asset is not derecognised by the seller/lessee.

The Council as Lessor

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

P Overheads and Support Services

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

Q Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

Impairment

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

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

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

Assets Held for Sale / Disposals

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

R 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.

S Provisions, Contingent Liabilities and Contingent Assets**Provisions - General**

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

Contingent Liabilities

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

Contingent Assets

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

T Reserves

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

U 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.

V Intangible Assets

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

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

W Fair Value Measurement

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

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

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

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

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

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

The deferral of implementation of IFRS 16 Leases to the 2021/22 Code of Practice has meant that the 2020/21 Code has not yet completed its full due process. Subject to formal approval, the following accounting changes will be introduced in the 2020/21 Code of Practice:

Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures

Annual Improvements to IFRS Standards 2015–2017 Cycle

Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

The Council will be required to reflect these changes, as necessary, in its 2020/2021 Annual Accounts. It is not anticipated that these accounting changes will have a significant impact on the Council.

3 Critical Judgements in Applying Accounting Policies

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

- There is a continuing high degree of uncertainty about future levels of funding for local government, particularly in light of the longer-term economic impact of the Covid-19 epidemic. Other than recognition within debtor impairment allowances, 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. It should be noted that the Council's valuer has provided a Material Uncertainty Note along with the Valuation Certificate (see note 27).
- 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 £105.9m as at 31 March 2020) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- The Council is deemed to control the services provided under the DBFM contract with Hub East Central (Baldragon) Limited to construct, maintain and facilities-manage a new secondary schools in the city. The Council is also deemed to control the residual value of the school at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the school (valued at £24.7m as at 31 March 2020) is recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- The Council is deemed to control the services provided under the long term waste disposal contract with MVV Environment Baldovie Limited (MEB). The existing DERL plant is being utilised by MEB to deliver the contractual requirements during a 3 year interim service period, whilst a new plant is constructed on an adjacent site. The new plant is being constructed by MEB and will also be maintained by them. The Council is also deemed to control the residual value of the new plant at the end of the contract. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the plant (valued at £50.0m as at 31 March 2020) is recognised as Assets Under Construction on the Council's Balance Sheet.
- During 2019/2020, Dundee House (an administrative building) was sold to Canada Life with the Council then entering into a 40 year lease with Canada Life for the continued occupation of Dundee House. The sale price was £23.8m. In accounting terms, the transaction has been treated as a financing arrangement, with the asset continuing to be recognised in the Council's balance sheet and a long-term liability equivalent to the sale price less financing repayments also being recognised.

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

The Annual Accounts contain 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £1.6m for every year that useful lives had to be reduced.
Provisions	The Council has made provisions for certain liabilities where there is a degree of uncertainty as to the amount and / or timing of settlement. Detailed information on provisions is provided in note 34.	The total value of provisions in the Council's balance sheet at 31 March 2020 is £3.251m. If eventual settlement of the related liabilities is higher than the amounts currently provided for, then an additional charge would require to be made.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £26.3m. However, the assumptions interact in complex ways. During 2019/2020, the Council's actuaries advised that the net pensions liability had increased by £5.2m. The increase was due to a number of factors: the Current Service Cost for 2019/2020 was higher than the employer's pension contributions to the scheme, there was a negative return on plan assets and an actuarial gain arising from changes in financial assumptions.
Debtors / Non-collection Provisions	At 31 March 2020, the Council has a gross balance for short-term sundry debtors of £87.703m, including local taxation and housing rent debtors. A review of the different categories of debt has concluded that an overall allowance for impairment of £34.783m is appropriate. However, while representing our best estimate, in the current economic climate it is not certain that these allowances would be sufficient particularly given the economic impact of the Covid-19 epidemic. Detailed information on debtor impairment allowances is provided in note 34.	If collection rates were to deteriorate, an increase in the amount provided for doubtful debts would require to be charged.

5 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2018/2019		2019/2020
£000		£000
(1,349)	(Gains) / losses on the disposal of non current assets	(76)
-	Impairment of Assets Held for Sale	-
(1,349)	Total	(76)

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

2018/2019		2019/2020
£000		£000
27,819	Interest payable and similar charges	28,211
3,801	Net interest on the net defined benefit liability (asset)	4,086
(759)	Interest receivable and similar income	(828)
350	Changes in the fair value of investment properties	-
(357)	Net income from investment properties	(248)
(443)	Share of Tayside Contracts surplus	(572)
(1,989)	Scottish Government contribution to DBFM interest costs	(1,975)
677	Trade Debtors Impairment Allowance	779
(1,635)	Receipt from Dundee City Developments Ltd	-
27,464	Total	29,453

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

2018/2019		2019/2020
£000		£000
(52,831)	Council Tax Income	(54,505)
(55,553)	Contribution from national non domestic rates pool	(64,825)
(232,996)	Non-ring-fenced government grants	(230,227)
(46,481)	Capital grants and contributions	(39,264)
(387,861)	Total	(388,821)

Non-domestic rate income as reported under taxation and non-specific grant income and expenditure comprises income assigned by the Scottish Government from the national non-domestic rates pool, as well as non-domestic rate income which is not submitted to the national pool but is retained by the Council.

	31 March 2019 £000	31 March 2020 £000
Distribution from non-domestic rate pool	55,553	64,307
Non-domestic rate income retained by authority (BRIS)	-	518
Non-domestic rate income credited to the comprehensive income and expenditure statement	55,553	64,825

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

There were no material items of income or expense in 2019/2020 that are not already disclosed on the face of the Consolidated Income and Expenditure Statement or elsewhere in the notes to the accounts.

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

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

	Usable Reserves					Movement in Unusable Reserves £000	Total 2018/ 2019 £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants & Receipts Unapplied Account £000	Capital Fund £000		
2018/2019							
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	(83,876)	(32,796)	-	-	-	116,672	-
Movements in the market value of Investment Properties & Assets Held for Sale	(350)	-	-	-	-	350	-
Capital grants and contributions that have been applied to capital financing	38,247	7,257	-	-	-	(45,504)	-
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	(1,827)	(1,035)	-	-	-	2,862	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment	14,884	11,629	-	-	-	(26,513)	-
Capital expenditure charged against the General Fund and HRA balances	1,523	-	-	-	-	(1,523)	-
Adjustments involving the Capital Receipts Reserve and Capital Fund:							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,618	1,593	(4,211)	-	-	-	-
Use of the Capital Receipts Reserve & Capital Fund to finance new capital expenditure	-	-	2,711	-	1,500	(4,211)	-
Capital receipts set-aside to fund future modernisation projects	-	-	1,500	(1,500)	-	-	-

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

	Usable Reserves					Movement in Unusable Reserves £000	Total 2018/ 2019 £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants & Receipts Unapplied Account £000	Capital Fund £000		
2018/2019 (continued)							
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to CIES	977	-	-	(977)	-	-	-
Capital grants and contributions applied to finance new capital expenditure				2,695		(2,695)	
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	216	102	-	-	-	(318)	-
Adjustments involving the Pensions Reserve:							
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 20)	(53,023)	(1,698)	-	-	-	54,721	-
Employer's pensions contributions & direct payments to pensioners payable in the year	22,591	864	-	-	-	(23,455)	-
Adjustments involving the Accumulating Compensated Absences Adjustment Account:							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(334)	(7)	-	-	-	341	-
Total Adjustments 2018/2019	(58,354)	(14,091)	-	218	1,500	70,727	-

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

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

	Usable Reserves				Capital Fund	Movement in Unusable Reserves	Total 2019/ 2020
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants & Receipts Unapplied Account			
2019/2020	£000	£000	£000	£000	£000	£000	£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	(58,446)	(38,829)	-	-	-	97,275	-
Capital grants and contributions that have been applied to capital financing	30,852	98	-	-	-	(30,950)	-
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	(3,508)	(935)	-	-	-	4,443	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment	12,351	11,302	-	-	-	(23,653)	-
Capital expenditure charged against the General Fund and HRA balances	2,570	450	-	-	-	(3,020)	-
Adjustments involving the Capital Receipts Reserve and Capital Fund:							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,453	1,066	(4,519)	-	-	-	-
Use of the Capital Receipts Reserve & Capital Fund to finance new capital expenditure	-	-	2,704	-	-	(2,704)	-
Capital receipts set-aside to fund future modernisation projects	-	-	1,815	(1,815)	-	-	-

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

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

	Usable Reserves					Movement in Unusable Reserves £000	Total 2019/ 2020 £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants & Receipts Unapplied Account £000	Capital Fund £000		
2019/2020 (continued)							
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to CIES	8,314	-	-	(8,314)	-	-	-
Capital grants and contributions applied to finance new capital expenditure	-	-	-	1,096	-	(1,096)	-
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	220	99	-	-	-	(319)	-
Adjustments involving the Pensions Reserve:							
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 20)	(50,003)	(1,735)	-	-	-	51,738	-
Employer's pensions contributions & direct payments to pensioners payable in the year	23,287	790	-	-	-	(24,077)	-
Adjustments involving the Accumulating Compensated Absences Adjustment Account:							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(624)	(4)	-	-	-	628	-
Total Adjustments 2019/2020	(31,534)	(27,698)	-	(9,033)	-	68,265	-

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

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

	Balance at 1 April 2019 £000	Transfers Out 2019/2020 £000	Transfers In 2019/2020 £000	Balance at 31 March 2020 £000	Purpose of the Earmarked Reserve
2019/2020					
General Fund					
Car Parking Balances	(351)	258	-	(93)	To fund future car parking projects
Empty Properties etc Discount Reduction	(1,024)	450	(518)	(1,092)	To fund new social housing
Organisational Change Fund	(1,411)	261	(1,900)	(3,050)	To fund service transformation initiatives
2018/19 Carry Forwards	(1,801)	1,801	(2,375)	(2,375)	To fund underspends carried forward from previous year
Dundee Partnership Festivals & Events Fund	-	-	(84)	(84)	To fund future events
Regional Performance Centre	-	-	(64)	(64)	To fund asset replacements
Sale of DERL - Warranties	(1,750)	-	-	(1,750)	To fund any future liabilities arising
Total - Earmarked Balances	(6,337)	2,770	(4,941)	(8,508)	
Uncommitted General Fund Balances	(7,528)	-	(484)	(8,012)	To fund unforeseen / emergency expenditure
Total - General Fund Balances	(13,865)	2,770	(5,425)	(16,520)	

	Balance at 1 April 2018 £000	Transfers Out 2018/2019 £000	Transfers In 2018/2019 £000	Balance at 31 March 2019 £000	Purpose of the Earmarked Reserve
2018/2019					
General Fund					
Car Parking Balances	(368)	17	-	(351)	To fund future car parking projects
Empty Properties etc Discount Reduction	(501)	-	(523)	(1,024)	To fund new social housing
Organisational Change Fund	(1,682)	271	-	(1,411)	To fund service transformation initiatives
2017/18 Carry Forwards	(2,536)	2,536	(1,801)	(1,801)	To fund underspends carried forward from previous yr
Sale of DERL - Warranties	(1,750)	-	-	(1,750)	To fund any future liabilities arising
Total - Earmarked Balances	(6,837)	2,824	(2,324)	(6,337)	
Uncommitted General Fund Balances	(7,009)	-	(519)	(7,528)	To fund unforeseen / emergency expenditure
Total - General Fund Balances	(13,846)	2,824	(2,843)	(13,865)	

11 Balance Sheet – Usable Reserves

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

12 Balance Sheet – Unusable Reserves

31 March 2019		31 March 2020
£000		£000
(631,628)	Revaluation Reserve	(610,350)
(271)	Financial Instruments Revaluation Reserve	5
(301,206)	Capital Adjustment Account	(287,154)
13,523	Financial Instruments Adjustment Account	13,204
163,393	Pensions Reserve	168,602
11,300	Accumulating Compensated Absences Adjustment Account	11,928
(744,889)	Total Unusable Reserves	(703,765)

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.

2018/2019		2019/2020
£000		£000
(538,738)	Balance at 1 April	(631,628)
(165,477)	Upward revaluation of assets	(26,868)
49,936	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	21,903
(115,541)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(4,965)
20,583	Difference between fair value depreciation and historical cost depreciation	24,328
2,068	Accumulated gains on assets sold or scrapped	1,915
-	Depreciation adjustment on previously impaired assets	-
22,651	Amount written off to the Capital Adjustment Account	26,243
(631,628)	Balance at 31 March	(610,350)

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation 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

2018/2019		2019/2020
£000		£000
(315)	Balance at 1 April	(271)
(16)	Upward revaluation of investments	-
60	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	276
44		276
(271)	Balance at 31 March	5

Capital Adjustment Account

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

2018/2019 £000		2019/2020 £000
(317,993)	Balance at 1 April	(301,206)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
116,672	Charges for depreciation and impairment of non current assets	97,275
2,862	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	4,443
119,534		101,718
(22,651)	Adjusting amounts written out of the Revaluation Reserve	(26,243)
96,883	Net written out amount of the cost of non current assets consumed in the year	75,475
	Capital financing applied in the year:	
(2,711)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,704)
(1,500)	Use of Capital Fund to finance new capital expenditure	-
(45,504)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(30,950)
(2,695)	Application of grants to capital financing from the Capital Grants Unapplied Account	(1,096)
(26,513)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(23,653)
(1,523)	Capital expenditure charged against the General Fund and HRA balances	(3,020)
(80,446)		(61,423)
350	Movements in the market value of Investment Properties and Assets Held for Sale debited or credited to the Comprehensive Income and Expenditure Statement	-
-	Provision against long-term debtor where advance from Consolidated Loans Fund has already been repaid to the value of the provision	-
(301,206)	Balance at 31 March	(287,154)

Financial Instruments Adjustment Account

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

2018/2019 £000		2019/2020 £000
13,841	Balance at 1 April	13,523
(306)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(306)
(12)	Difference in interest on stepped rate loans (existing 31 March 2007)	(13)
	- Difference in interest on soft loans (existing at 31 March 2007)	-
(318)	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	(319)
13,523	Balance at 31 March	13,204

Pensions Reserve

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

2018/2019 £000		2019/2020 £000
138,547	Balance at 1 April	163,393
(6,629)	Actuarial (gains) or losses on pensions assets and liabilities	(22,491)
209	Difference between actuarial pensions contribution figure and actual pensions contribution figure	39
54,721	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	51,738
(23,455)	Employer's pensions contributions and direct payments to pensioners payable in the year	(24,077)
163,393	Balance at 31 March	168,602

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.

2018/2019		2019/2020
£000		£000
10,959	Balance at 1 April	11,300
(10,959)	Settlement or cancellation of accrual made at the end of the preceding year	(11,300)
11,300	Amounts accrued at the end of the current year	11,928
341	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	628
11,300	Balance at 31 March	11,928

13 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2018/2019		2019/2020
£000		£000
(715)	Interest received	(748)
28,270	Interest paid	28,510
(141)	Dividends received	(144)

14 Cash Flow Statement – Investing Activities

2018/2019		2019/2020
£000		£000
117,396	Purchase of property, plant and equipment, investment property and intangible assets	81,077
1,322	Other payments for investing activities	3,118
(4,211)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,519)
(2,146)	Other receipts from investing activities	(1,781)
112,361	Net cash flows from investing activities	77,895

15 Cash Flow Statement – Financing Activities

2018/2019		2019/2020
£000		£000
(71,656)	Cash receipts of short and long-term borrowing	(43,000)
-	Other Receipts from Financing Activities - Financing Arrangement	(23,800)
5,697	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	6,620
9,490	Repayments of short- and long-term borrowing	55,583
(56,469)	Net cash flows from financing activities	(4,597)

Reconciliation of Liabilities Arising from Financing Activities

	1 April 2019 £000	Financing		31 March 2020 £000	
		Cash Flows £000	Non-cash Changes Acquisition £000		Other £000
Long-term Borrowings	(466,983)	(43,000)	-	13,038	(496,945)
Short-term Borrowings	(140,239)	55,583	-	(12,754)	(97,410)
Financing Arrangement Liabilities	-	(23,542)	-	-	(23,542)
On Balance Sheet PFI Liabilities	(120,054)	6,362	-	(23,092)	(136,784)
Total Liabilities from Financing	(727,276)	(4,597)	-	(22,808)	(754,681)

16 Cash Flow Statement – Cash and Cash Equivalents

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

31 March 2019 £000		31 March 2020 £000
110	Cash held by the Council	140
(14,193)	Bank current accounts	(1,281)
23,698	Short-term deposits with banks and building societies	23,010
9,615	Total cash and cash equivalents	21,869

17 Agency Services

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

	2018/2019 (Income) £000	2018/2019 Expenditure £000	2019/2020 (Income) £000	2019/2020 Expenditure £000
Special Education services to Various Local Authorities	(1,081)	1,081	(761)	761
Scottish Water Income	(574)	-	(574)	-
Improvement Service - Implementation of National Entitlement Card	(994)	994	(1,250)	1,250
	(2,649)	2,075	(2,585)	2,011

18 External Audit Costs

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

	2018/2019 £000	2019/2020 £000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	349	356
Total	349	356

19 Pensions Schemes Accounted for as Defined Contribution Schemes

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

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

In 2019/20, the Council paid £18.1m to Teachers' Pensions in respect of teachers' retirement benefits, representing 28.9% of pensionable pay. The figures for 2018/19 were £14.2m and 25.4%. There were no contributions remaining payable at the year-end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and included in note 20.

The total contributions expected to be made to the Scottish Public Pensions Agency by the Council in the year to 31 March 2021 are £20m.

20 Defined Benefit Pension Schemes

Participation in pension schemes

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

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

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

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

Transactions relating to post employment benefits

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

	Local Government Pension Scheme and Discretionary Benefits Arrangements	
	2018/2019	2019/2020
	£000	£000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
<i>Service cost comprising:</i>		
• current service cost	41,874	46,991
• past service costs	8,781	207
• (Gains)/Losses on settlements and curtailments	265	454
<i>Financing and Investment Income and Expenditure</i>		
• net interest on the defined liability	3,245	3,646
• administration expenses	556	440
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	54,721	51,738
<i>Other Post Employment Benefit Charged to the CIES</i>		
<i>Remeasurement gains or (losses) against net defined benefit liability comprising:</i>		
• Return on plan assets (excluding the amount included in the net interest expense)	26,750	(101,675)
• Changes in demographic assumptions	47,604	-
• Changes in financial assumptions	(67,725)	124,166
• Difference between actuarial pensions contribution figure and actual pensions contribution figure	(209)	(39)
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	48,301	29,286
<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	54,721	51,738
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
• employers' contributions payable to scheme	23,455	24,077
Reconciliation of opening and closing balances of the present value of the defined benefit obligation (scheme liabilities):		
	Year to 31 March 2019 £000	Year to 31 March 2020 £000
Opening defined benefit obligation	1,399,472	1,469,258
Current service cost	41,874	46,991
Interest cost	35,231	34,826
Contributions by scheme participants	7,392	7,805
<i>Remeasurement (gains) and losses:</i>		
• Changes in financial assumptions	67,725	(124,166)
• Changes in demographic assumptions	(47,604)	-
Curtailments	265	454
Benefits paid	(41,307)	(42,711)
Past service costs	8,781	207
Unfunded pension payments	(2,571)	(2,605)
Closing defined benefit obligation	1,469,258	1,390,059

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

	Year to 31 March 2019 £000	Year to 31 March 2020 £000
Opening fair value of fund assets	1,260,925	1,305,865
Interest	31,986	31,180
Remeasurement gains and (losses):		
• Return on plan assets, excluding the amount included in the net interest expense	26,750	(101,675)
Employer contributions	23,246	24,038
Administration Expenses	(556)	(440)
Contributions by scheme participants	7,392	7,805
Benefits paid	(43,878)	(45,316)
Closing fair value of fund assets	1,305,865	1,221,457

Local Government Pension Scheme Assets

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

	31 March 2019		31 March 2020	
	£000	%	£000	%
Equities				
Consumer	131,845	10	85,069	7
Manufacturing	43,078	3	23,963	2
Energy and Utilities	63,964	5	29,954	3
Financial Institutions	163,174	13	116,220	9
Health and Care	77,018	6	55,115	5
Information Technology	84,851	6	89,861	7
Investment Funds Unit Trusts	151,426	12	279,168	23
Others	186,671	14	128,202	11
	902,027	69	807,552	67
Gilts				
Government Bonds	18,698	1	16,944	1
	18,698	1	16,944	1
Other Bonds				
Corporate Bonds (Investment Grade)	151,112	12	168,691	13
Investment Funds Unit Trusts	29,454	2	34,731	3
Others	15,367	1	12,404	1
	195,933	15	215,826	17
Property				
UK Property	163,022	13	148,932	12
Overseas Property	-	-	1,306	-
	163,022	13	150,238	12
Cash				
Cash and Cash Equivalents	23,071	2	32,000	3
Foreign Exchange	3,114	-	(1,103)	-
	26,185	2	30,897	3
Totals	1,305,865	100	1,221,457	100

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

	31 March 2019			31 March 2020		
	Quoted %	Unquoted %	Total %	Quoted %	Unquoted %	Total %
Equities	58	11	69	43	23	66
Gilts	1	-	1	1	-	1
Other Bonds	13	2	15	15	3	18
Property	13	-	13	12	-	12
Cash etc	2	-	2	3	-	3
Total	87	13	100	74	26	100

Basis for estimating assets and liabilities

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

	31 March 2019	31 March 2020
Life expectancy (years) from age 65 for current pensioners i.e. those retiring today:		
Men	19.6	19.7
Women	21.6	21.7
Life expectancy (years) from age 65 for future pensioners i.e. those retiring in 20 years time:		
Men	21.3	21.4
Women	23.4	23.5
Rate of inflation (RPI)	3.4%	2.7%
Rate of inflation (CPI)	2.4%	1.9%
Rate of increase in salaries	3.4%	2.9%
Rate of increase in pensions	2.4%	1.9%
Rate for discounting scheme liabilities	2.4%	2.35%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

Sensitivity Analysis

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

	Increase in Assumption £000	Decrease in Assumption £000
Life expectancy (increase or decrease by 1 year)	62,274	(59,415)
Rate of increase in salaries (increase or decrease by 0.1%)	3,587	(3,560)
Rate of increase in pensions (increase or decrease by 0.1%)	23,378	(22,918)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(26,337)	26,872

Impact on Future Cash Flows

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 are £21.407m. The weighted average duration of the defined benefit obligation for scheme members is 20 years (2018/2019: 20 years)

Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2021 are £2.741m.

21 Events After the Reporting Period

The Council's response to the Covid-19 epidemic, and the associated financial implications, are set out in Section 1 of the Management Commentary on page 3. It is considered that there have been no events occurring between 1 April 2020 and 18 November 2020 that would require adjustments to the 2019/2020 Annual Accounts (ie no adjusting events). The latter date is the date on which the audited accounts were authorised for issue by the Executive Director of Corporate Services. The levels of bad debt provisions at the balance sheet date do, however, take on board the likely economic impact of the Covid-19 epidemic.

22 Related Parties

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

Central Government

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in the Expenditure and Funding Analysis on amounts reported to decision makers. Details of central government grants transactions are shown in note 37.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid and further details of senior members' remuneration are included in the Remuneration Report (page 46). 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 elected members, does not raise any issue of declaration of interest in regard to Council business. In terms of any other relevant parties, those members with declarations of interest did not take part in any discussion or decisions relating to transactions with these parties. A copy of the Register of Members Interest can be obtained from the Council's website www.dundee.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 46). Officers have the responsibility to adhere to a Code of Conduct, which requires them to declare an interest in matters that directly or indirectly may influence, or be thought to influence their judgement or decisions taken during the course of their work. In terms of any relevant parties, officers with declarations of interest did not take part in any discussion or decisions relating to transactions with these parties.

Pension Fund

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

During 2018/2019		As at 31 March 2019			During 2019/2020		As at 31 March 2020	
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
1,065	-	-	4,029	Tayside Pension Fund	1,157	9	-	3,052

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

Other Entities Controlled or Significantly Influenced by the Council

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

During 2018/2019		As at 31 March 2019			During 2019/2020		As at 31 March 2020	
Charges To £000	Charges From £000	Amounts Due From £000	Amounts Due To £000		Charges To £000	Charges From £000	Amounts Due From £000	Amounts Due To £000
58	-	1,486	-	Broughty Ferry NHT 2011 LLP	58	-	1,457	-
-	177	-	-	Design Dundee Ltd	-	438	88	-
-	11,669	-	-	Discovery Education PLC	-	11,961	-	-
222	848	225	7	Dovetail Enterprises (1993) Ltd	200	806	144	-
1,635	-	-	-	Dundee City Developments Ltd	-	-	-	-
18	273	52	1	Dundee Contemporary Arts Ltd	10	212	94	41
78,458	82,088	-	950	Dundee Health & Social Care Integration Joint Board	109,436	83,575	5,077	1,302
30	2,965	300	-	Hub East Central (Baldragon) Ltd	39	2,631	300	-
331	8,236	685	184	Leisure and Culture Dundee	309	8,967	574	56
-	-	-	-	Tay Cities Joint Committee	38	-	224	-
173	32	64	32	Tay Road Bridge Joint Board	201	27	-	65
8	1	-	280	Tayplan (SDPA)	7	1	-	83
4,455	28,514	9,195	2,522	Tayside Contracts Joint Committee	3,763	26,423	10,664	937
63	908	139	5	Tayside Valuation Joint Board	62	919	89	6

23 LeasesCouncil as Lessee*Finance Leases and Financing Arrangements*

During 2019/2020 the Council entered into a sale and leaseback arrangement which resulted in one asset, an administration building, being acquired under a 40 year financing arrangement. The asset acquired under this financing arrangement continues to be carried as property, plant and equipment in the balance sheet at the following net amounts:

	31 March 2019	31 March 2020
	£000	£000
Operational Building	-	22,803
Land	-	670
Total	-	23,473

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

	31 March 2019	31 March 2020
	£000	£000
Financing Arrangement Liabilities (net present value of minimum financing arrangement payments):		
Current	-	330
Non-Current	-	1,434
Finance Costs payable in future years	-	21,778
Total Minimum Financing Arrangement Payments	-	23,542

The minimum financing arrangement payments will be payable over the following periods:

	Minimum Financing Arrangement Payments		Financing Arrangement Liabilities	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£000	£000	£000	£000
Not later than one year	-	725	-	395
Later than one year and not later than five years	-	2,956	-	1,523
Later than five years	-	29,179	-	7,400
	-	32,860	-	9,318

The minimum financing arrangement payments include annual rent increases of 2.75%.

The Council has sub-let some of the administration building held under this financing arrangement. At 31 March 2020 the minimum payments expected to be received under non-cancellable sub-leases was £0.267m (£0.525m at 31 March 2019).

Operating Leases

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

	31 March 2019	31 March 2020
	£000	£000
Not later than one year	358	224
Later than one year and not later than five years	406	360
Later than five years	-	-
	764	584

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:

	2018/2019	2019/2020
	£000	£000
Minimum lease payments	616	605
Less Employers Contributions	(133)	(91)
	483	514

Council as Lessor

Finance Leases

In 2017/2018 the Council entered into a twenty-eight year agreement for equipment assets with the company operating the existing waste-to-energy plant. This is in the form of a finance lease. There will be no consideration received by the Council over the period of the agreement and there is a nil balance in the Council's Balance Sheet. There were no further finance leases entered into during 2019/2020.

Operating Leases

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

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

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

	2018/2019	2019/2020
	£000	£000
Not later than one year	5,598	5,791
Later than one year and not later than five years	14,164	13,905
Later than five years	81,008	81,123
	100,770	100,819

24 Investment Properties

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

	2018/2019	2019/2020
	£000	£000
Rental income from investment property	394	274
Direct operating expenses arising from investment property	(37)	(26)
Net gain/(loss)	357	248

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

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

	2018/2019 £000	2019/2020 £000
Balance at start of the year	21,034	20,370
Disposals	-	(3,199)
Net gains/(losses) from fair value adjustments	(350)	-
Transfers:		
- (to)/from Property, Plant and Equipment	(314)	(1,939)
Balance at end of the year	20,370	15,232

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

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2020 are as follows:

	Quoted prices in active markets for identical assets Level 1 £000	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair Value as at 31 March 2020 £000
Recurring Fair Value measurements using:				
Assets held for Capital Appreciation	-	7,747	-	7,747
Office Units	-	135	-	135
Commercial Units	-	7,350	-	7,350
Total	-	15,232	-	15,232

2019 Comparative Figures:

	Quoted prices in active markets for identical assets Level 1 £000	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair Value as at 31 March 2019 £000
Recurring Fair Value measurements				
Assets held for Capital Appreciation	-	12,160	-	12,160
Office Units	-	135	-	135
Commercial Units	-	8,074	-	8,074
Total	-	20,369	-	20,369

Fair Value Hierarchy

Level 1 - Quoted prices in active markets for identical assets

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

Level 2 - Significant Observable Inputs

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

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

Level 3 - Significant Unobservable Inputs

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

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

Transfers between levels of the Fair Value Hierarchy

There were no transfers between hierarchy levels in the year.

Highest and Best Use of Investment Properties

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

Valuation Techniques and Process

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

25 Intangible Assets

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

	2018/2019	2019/2020
	£000	£000
Opening Gross Book Value	1,546	1,658
Additions	112	-
Closing Gross Book Value	1,658	1,658
Opening Accumulated Amortisation	432	678
Amortisation Charge for the Year	246	268
Closing Accumulated Amortisation	678	946
Closing Net Book Value	980	712

26 Impairment Losses

Impairment losses charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement during 2019/2020 totalled £38.443m (2018/2019 £62.548m).

Of this total, £27.667m (2018/2019 £22.762m) relates to expenditure in the year which did not add value to assets. £18.647m (2018/2019 £13.506m) relates to expenditure on Council Houses, £1.741m (2018/2019 £1.892m) relates to expenditure on schools and the remaining £7.279m (2018/2019 £7.364m) relates to expenditure on other Council land & buildings.

The remaining £10.776m (2018/2019 £39.786m) 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.

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

27 Property, Plant and Equipment

Movements in 2019/2020:

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra- structure Assets £000	Comm- unity Assets £000	Surplus Assets £000	Assets Under Con- struction £000	Total Property, Plant & Equipment £000	PPP Assets Included in Property, Plant & Equipment £000	DBFM Assets Included in Property, Plant & Equipment £000	SCA Assets Included in Property, Plant & Equipment £000
Cost or Valuation											
At 1 April 2019	540,604	814,140	103,784	273,184	6,493	3,850	88,590	1,830,645	113,100	26,080	26,955
Additions	18,647	11,833	3,645	16,154	-	205	46,345	96,829	7	386	23,092
Revaluation inc/(dec) recognised in the Revaluation Reserve	-	(1,824)	-	-	-	162	-	(1,662)	-	-	-
Revaluation inc/(dec) recognised in the Surplus / Deficit on the Provision of Services	(18,647)	(24,015)	-	(563)	-	(68)	-	(43,293)	(7)	(386)	-
Disposals	(550)	-	(760)	-	-	-	-	(1,310)	-	-	-
Reclassification within PPE	-	45,557	-	-	-	-	(45,557)	-	-	-	-
(To)/from Assets Held for Sale	-	(5,512)	-	-	-	1,261	-	(4,251)	-	-	-
(To)/from Investment Properties	-	-	-	-	-	1,939	-	1,939	-	-	-
At 31 March 2020	540,054	840,179	106,669	288,775	6,493	7,349	89,378	1,878,897	113,100	26,080	50,047
Accumulated Depreciation and Impairment											
At 1 April 2019	-	(26,854)	(86,212)	(106,394)	-	-	-	(219,460)	(3,587)	(709)	-
Depreciation charge	(18,869)	(26,319)	(3,828)	(9,547)	-	-	-	(58,563)	(3,587)	(709)	-
Depreciation written out to the Revaluation Reserve	-	6,626	-	-	-	-	-	6,626	-	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	4,849	-	-	-	-	-	4,849	-	-	-
Disposals	13	-	693	-	-	-	-	706	-	-	-
At 31 March 2020	(18,856)	(41,698)	(89,347)	(115,941)	-	-	-	(265,842)	(7,174)	(1,418)	-
Net Book Value:											
At 31 March 2020	521,198	798,481	17,322	172,834	6,493	7,349	89,378	1,613,055	105,926	24,662	50,047
At 31 March 2019	540,604	787,286	17,572	166,790	6,493	3,850	88,590	1,611,185	109,513	25,371	26,955

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

Comparative Movements in 2018/2019:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Comm-unity Assets £000	Surplus Assets £000	Assets Under Con-struction £000	Total Property, Plant & Equipment £000	PPP Assets Included in Property, Plant & Equipment £000	DBFM Assets Included in Property, Plant & Equipment £000	SCA Assets Included in Property, Plant & Equipment £000
Cost or Valuation											
At 1 April 2018	538,655	703,015	100,896	255,920	6,493	2,784	154,001	1,761,764	113,100	26,080	-
Additions	12,361	11,884	4,371	17,823	-	271	94,600	141,310	7	386	26,955
Revaluation inc/(dec) recognised in the Revaluation Reserve	4,309	(6,951)	-	-	-	1,229	-	(1,413)	-	-	-
Revaluation inc/(dec) recognised in the Surplus / Deficit on the Provision of Services	(16,252)	(49,379)	-	(559)	-	(104)	-	(66,294)	(7)	(386)	-
Disposals	(543)	(479)	(1,483)	-	-	-	-	(2,505)	-	-	-
Reclassification of assets (To)/from Assets Held for Sale	2,074	157,990	-	-	-	(50)	(160,011)	3	-	-	-
(To)/from Investment Properties	-	(1,940)	-	-	-	(594)	-	(2,534)	-	-	-
(To)/from Investment Properties	-	-	-	-	-	314	-	314	-	-	-
At 31 March 2019	540,604	814,140	103,784	273,184	6,493	3,850	88,590	1,830,645	113,100	26,080	26,955
Accumulated Depreciation and Impairment											
At 1 April 2018	(66,193)	(40,476)	(83,662)	(97,374)	-	-	-	(287,705)	-	-	-
Depreciation charge	(16,487)	(24,505)	(3,863)	(9,020)	-	(3)	-	(53,878)	(3,587)	(709)	-
Depreciation written out to the Revaluation Reserve	81,995	34,955	-	-	-	-	-	116,950	-	-	-
Depreciation written out to the Surplus/ Deficit on the Provision of Services	585	3,163	-	-	-	-	-	3,748	-	-	-
Disposals	100	9	1,313	-	-	-	-	1,422	-	-	-
Other Movements	-	-	-	-	-	3	-	3	-	-	-
At 31 March 2019	-	(26,854)	(86,212)	(106,394)	-	-	-	(219,460)	(3,587)	(709)	-
Net Book Value											
At 31 March 2019	540,604	787,286	17,572	166,790	6,493	3,850	88,590	1,611,185	109,513	25,371	26,955

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 2020, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/2021 and future years budgeted to cost £40m. Similar commitments at 31 March 2019 were £44m. The major commitments are:

- Coastal Protection, Broughty Ferry - £15m
- Waterfront Place - £5.4m
- Fire and Smoke Detection Systems in Council Housing - £3.9m
- Upgrade of West Wing, City Square - £2.2m
- Increased Supply of Council Housing - £1.6m

This gross expenditure of £40m will be funded from a combination of Council Borrowing, Grants and Contributions.

Effects of Changes in Estimates

In 2019/2020, the Council did not make any material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

The Council carries out a rolling programme to ensure that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Financial year 2017/2018 was the first year of the current revaluation programme. The effective date for the 2019/2020 revaluations is 31 March 2020.

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

With regard to the rolling programme of asset valuations carried out for Dundee City Council, Dundee City Council's internal RICS Regulated Members have concluded that there is material uncertainty covering the period over which the valuations have been carried out and have therefore applied the following notification (as recommended by RICS).

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we (the RICS regulated members) consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that you keep the valuations reported herein, under frequent review.

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

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Surplus Assets £000	Total £000
Carried at historical cost	-	-	3,256	-	3,256
Valued at fair value as at:					
31 March 2020	-	(2,720)	-	300	(2,420)
31 March 2019	83,964	61,018	-	1,257	146,239
Total Cost or Valuation	83,964	58,298	3,256	1,557	147,075

28 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases, PFI/PPP contracts, DBFM contracts and Service Concession Arrangements), 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.

	2018/2019 £000	2019/2020 £000
<i>Opening Capital Financing Requirement</i>	653,489	714,466
<i>Capital investment</i>		
Property, Plant and Equipment	114,356	73,738
Intangible Assets	112	-
Financing Arrangement (Dundee House)	-	23,800
Service Concession Arrangement (Waste Project)	26,955	23,092
<i>Sources of finance:</i>		
Capital receipts	(2,711)	(2,704)
Government grants and other contributions	(45,504)	(30,950)
Transfer from Capital Fund	(1,500)	-
Transfer from Capital Grants & Receipts Unapplied Account	(2,695)	(1,096)
Sums set aside from revenue:		
• Direct revenue contributions	(1,523)	(3,020)
• Loans fund principal	(26,513)	(23,653)
Other Capital Income - Sale of Dundee House	-	(23,800)
<i>Closing Capital Financing Requirement</i>	714,466	749,873
<i>Explanation of movements in year</i>		
Increase / (Decrease) in underlying need to borrowing (unsupported by government financial assistance)	39,719	(4,865)
Assets acquired under PFI/PPP contracts	(2,143)	(1,895)
Assets acquired under DBFM contract	(889)	(909)
Assets acquired under Service Concession Arrangement	24,290	19,534
Assets acquired under Financing Arrangement	-	23,542
<i>Increase/(decrease) in Capital Financing Requirement</i>	60,977	35,407

29 Private Finance Initiatives and Similar Contracts**i) Education Services PFI Scheme**

2019/20 was the twelfth year of a 30 year PFI contract with Discovery Education PLC to construct, maintain and facilities-manage six new primary schools and two new secondary schools in the city. The Council has rights under the contract to specify the services provided with the priority being the provision of an Education Service during the school day, followed by Community use. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and provide a facilities management service. At the end of the contract the schools will be transferred back to the Council for nil consideration.

Property Plant and Equipment

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

Payments

The Council makes an agreed payment each year which is increased each year by inflation and will be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2020 (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 2020-21	3,364	2,112	5,195	1,765	12,436
Payable within 2-5 years	14,318	10,495	22,088	6,030	52,931
Payable within 6 - 10 years	20,005	17,033	29,589	7,329	73,956
Payable within 11 - 15 years	22,635	19,930	30,587	10,523	83,675
Payable within 16 - 20 years	15,176	16,504	21,249	3,180	56,109
TOTAL	75,498	66,074	108,708	28,827	279,107

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 :-

	2018/2019 £000	2019/2020 £000
Balance at the start of the year	70,112	67,969
Payments during the year	(2,143)	(1,895)
Balance at year-end	67,969	66,074

ii) Baldragon DBFM Project

2019/20 was the third year of a 25 year DBFM contract with Hub East Central (Baldragon) Ltd to design, construct, maintain and facilities-manage a new secondary school in the city. Dundee City Council took occupation of the new school on 11th December 2018. 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 school and maintain it in a minimum acceptable condition and provide a facilities management service. At the end of the contract the school will be transferred back to the Council for nil consideration.

Property, Plant and Equipment

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

Payments

The Council makes an agreed payment each year which is increased each year by inflation and will be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the DBFM contract at 31 March 2020 (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 2019-20	283	935	1,302	124	2,644
Payable within 2-5 years	1,208	3,792	4,727	1,000	10,727
Payable within 6 - 10 years	1,686	5,344	5,026	1,717	13,773
Payable within 11 - 15 years	1,908	6,176	3,877	2,267	14,228
Payable within 16 - 20 years	2,159	7,332	2,538	2,714	14,743
Payable within 21 - 25 Years	1,197	3,307	575	3,275	8,354
TOTAL	8,441	26,886	18,045	11,097	64,469

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 :-

	2018/2019 £000	2019/2020 £000
Balance at the start of the year	28,684	27,795
Payments during the year	(889)	(909)
Balance at year-end	27,795	26,886

iii) Waste Disposal Project

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

Property Plant and Equipment

The new plant is deemed to be a service concession asset and the Council's 60% share has been recognised on the Balance Sheet as an asset under construction. The Council's assets at the DERL site (including land for the new plant) are being made available to MEB via a new 28 year lease.

Payments

The Contractor is paid a unitary charge comprising a contractually agreed gate fee for each tonne of waste treated (subject to a guaranteed minimum tonnage) and some ancillary pass through costs. The gate fee is subsidised by a guaranteed level of commercial income. This net gate fee is fixed for the contract life, subject to annual inflationary increases at 50% of RPIX and any service availability / performance deductions. There is also an excess revenue sharing mechanism in place, with the Council benefitting if the Contractor outperforms the assumptions in its business case for third party revenues. Payments remaining to be made under the contract at 31 March 2020 (excluding any estimation of service availability deductions, performance deductions and excess revenue sharing) are as follows:

	Payment for Services £000	Repayment of Liability £000	Interest £000	Lifecycle Maintenance £000	Total £000
Payable in 2020-21	5,142	3,816	91	-	9,049
Payable within 2-5 years	15,668	4,191	19,511	-	39,370
Payable within 6 - 10 years	22,142	7,280	22,772	323	52,517
Payable within 11 - 15 years	26,181	9,330	19,297	1,968	56,776
Payable within 16 - 20 years	29,720	14,044	15,420	1,960	61,144
Payable within 21 - 25 Years	33,738	21,770	9,343	473	65,324
Payable within 26 - 30 years	4,857	3,557	635	-	9,049
TOTAL	137,448	63,988	87,069	4,724	293,229

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 :-

	2018/2019 £000	2019/2020 £000
Balance at the start of the year	-	24,290
Capital expenditure incurred in the year	26,955	23,092
Payments during the year	(2,665)	(3,558)
Other movements	-	-
Balance at year-end	24,290	43,824

30 Assets Held for Sale

	Current Assets	
	2018/2019 £000	2019/2020 £000
Balance at start of year	3,649	4,403
Assets newly classified as held for sale:		
• Property, Plant and Equipment	2,534	4,251
Revaluation losses	-	-
Assets sold	(1,780)	(642)
Balance at year-end	4,403	8,012

31 Inventories

	Consumable Stores	
	2018/2019	2019/2020
	£000	£000
Balance outstanding at start of year	1,100	1,241
Purchases	3,377	3,085
Recognised as an expense in the year	(3,230)	(3,003)
Written Off Balances	(1)	-
Other Adjustments	(5)	(129)
Balance outstanding at year-end	1,241	1,194

Due to the lock-down restrictions imposed in response to the Covid-19 epidemic, it was not possible to undertake full year stock-takes to verify physical stock levels to the underlying systems records. Therefore, the underlying systems records have been used to provide the figures for the Balance Sheet as at 31 March 2020. It is not considered that this will have led to any material mis-statement of the stock values shown in the Balance Sheet. Full stock-takes will be undertaken once it is safe and practical to do so.

32 Short Term Debtors

	31 March 2019	31 March 2020
	£000	£000
Central government bodies	20,189	14,659
Other local authorities	4,169	3,965
NHS bodies	1,184	6,039
Other entities and individuals	37,397	28,257
Total	62,939	52,920

33 Short Term Creditors

	31 March 2019	31 March 2020
	£000	£000
Central government bodies	11,858	17,439
Other local authorities	4,957	3,133
NHS bodies	488	1,433
Public corporations and trading funds	595	506
Other entities and individuals	55,876	46,365
Total	73,774	68,876

34 Provisions**Self-Insured / Uninsured Losses**

	Dundee City Council	ex-TRC/DDC Funds	Construction Services	Total
	£000	£000	£000	£000
Balance at 1 April 2019	2,566	739	35	3,340
Additional provisions made in 2019/2020	1,480	-	265	1,745
Amounts used in 2019/2020	(1,771)	(28)	(35)	(1,834)
Balance at 31 March 2020	2,275	711	265	3,251

Self-Insured/Uninsured Losses

As part of the Council's Risk Management Policy, the Council has a largely self-insurance arrangement which makes provision against potential losses. Insurance policies are still in place to protect the Council's Liability for any major loss or claim, such as the fire at Braeview Academy. The provision takes into account all known liabilities likely to be incurred by the Council. Whilst there is a pre-determined timeline for claims to be submitted, there is no set pattern for the time claims take to settle, as the factors will vary from claim to claim, which the Council has no control over. As well as operating its own Insurance Fund, the Council is also responsible for running off the ex- Tayside Regional Council and ex- Dundee District Council Fund.

Analysis of claims figures highlights the following features:

Employers Liability: shows a general reduction in claims for the last two financial years. This is through improvements in health and safety and successful defence of older claims which in turn has reduced the level of provision required.

Public Liability / Third Party Claims: value comparisons appear similar, but it is difficult for this class of cover due to large reserves being held pending resolution of claims (normally through court actions) to give a true reflection on losses. It is an area the Council's insurers are taking a robust line on due to the current claims culture, which has resulted in successful defence of individual claims therefore reducing the Council liability.

Property Damage: continuing investment in risk management initiatives has seen the Council's self-insured property costs remain fairly stable, although the Braeview Academy fire will be a major loss to the Council when settled due to the £1m excess on the property policy.

Motor Insurance: the accident claim figures remain similar from year to year, however over the last two years a number of injuries claims have been submitted which are resulting in reserve and cost figures increasing substantially.

Construction Services

A provision has been made for possible future losses on existing long-term contracts where a sub-contractor has gone into administration during the maintenance defects period due to the Covid-19 shutdown and the Council will therefore be liable for the costs of any required remedial works. A provision has also been made relating to an issue on various roof replacement projects.

Debtor Impairment Allowances

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 impairment allowances that are netted-off against Short Term Debtors in the Current Assets section of the Council's Balance Sheet. As at 31 March 2020, these are as follows:

- Council Tax - the allowance of £21.298m (31 March 2019: £20.633m) 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 impairment allowance of £4.429m (31 March 2019: £4.204m) has been calculated by applying the overall percentage relating to the charge elements (i.e. Non Domestic Rates and Council Tax) to which the Statutory Addition was applied.
- Miscellaneous Invoiced and Other Debt - the impairment allowance of £3.879m (31 March 2019: £3.660m) 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 impairment allowance of £3.492m (31 March 2019: £3.225m) 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 impairment allowance of £1.685m (31 March 2019: £1.973m) has been calculated by applying an anticipated non-collection rate to the total debt.

Movements in the level of impairment allowance arise from write-offs of debt against the allowance during the course of the financial year, together with a re-assessment of the required level of allowance at the balance sheet date. It is anticipated that the economic impact of the Covid-19 epidemic will place severe on debt recovery levels.

35 Contingent Liabilities

Guaranteed Minimum Pension

As a result of the High Court's previous Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is the understanding of Tayside Pension Fund's actuaries that HM Treasury have confirmed that the judgement does not impact on the current method used to achieve equalisation and indexation in public service pension schemes. On 22 January 2018, the Government published the outcome to its Indexation and Equalisation of GMP in Public Service Pension Schemes Consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Tayside Pension Fund's actuaries valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the actuaries have assumed that the Fund will be required to pay the entire inflationary increase. The Council will have a liability that will crystallise in the future but this cannot be quantified at this stage.

The above Contingent Liability was also disclosed at 31 March 2019.

Goodwin Case

The Goodwin Case affects male survivors (of female pension fund members) by extending the applicable service back from 1988 back to 1978. This only impacts survivor benefits coming into payment after 2005. This does not affect who is entitled to benefit, it only impacts the amount to be paid to widowers. The widower liability calculated as part of the formal valuation of the Tayside Pension Fund was less than 0.5% of the total liabilities for the Fund. Tayside Pension Fund's actuaries do not normally receive information on the dependent's pension amount for current members, as this is calculated only when it comes into payment by the administering authority. The actuaries do, however, have to allow for this in the liability calculations that they estimate based on the total service and accrued pension. Therefore, they have effectively covered any adjustment for pre-1988 service/benefit for active/deferred and pensioner members. The only potential adjustment is therefore a small increase in the current widowers' liability. For these widowers to be affected the female member would have to have pre-1988 service, which is now thirty two years ago. There would therefore need to be a combination of service and pension-in-payment to be greater than thirty two years. Given the average age of dependents was around seventy three at the last valuation and the average service might be around ten years the actuaries expect there are very few members where this is the case. If they assume even 10% meet this criteria then the impact might be $0.5\% \times 10\% \times \text{pre 1988 benefit} / \text{total benefit}$. Even if the pre-1988 benefit was 50% of the total (which is unlikely) then the impact would be 0.025%. Whilst there are a number of estimates and assumptions outlined the actuaries believe that the impact is not material.

Redress for Survivors (Historical Child Abuse in Care) (Scotland) Bill

On 13 August 2020, the Scottish Government introduced the Redress for Survivors (Historical Child Abuse in Care) (Scotland) Bill to the Scottish Parliament. The Bill seeks to establish a financial redress scheme for survivors of historical child abuse in relevant care settings in Scotland, and, in some circumstances, where the survivor has died, their next of kin. The purpose of the redress scheme is to acknowledge and provide tangible recognition of the harm suffered as a result of that abuse. The redress scheme will also offer survivors access to some non-financial elements of redress such as acknowledgement, apology and therapeutic support. The Bill builds on previous work with survivors of historical child abuse in care and follows the pre-legislative consultation launched last year. The Bill will now be considered by the Parliament, a process which is expected to finish before the end of this Parliamentary term in March 2021. It is likely that fair and meaningful financial contributions to the redress scheme will be sought from those organisations which were involved in the care of children at the time of the abuse, whether providing care directly or otherwise involved in the decision-making processes and arrangements by which the child came to be in care. This will include local authorities. It is likely that Dundee City Council will be required to make a financial contribution to the redress scheme, however the timing and amount of any payment is currently unknown.

36 Contingent Assets

There were no Contingent Assets at 31 March 2020 (31 March 2019: nil).

37 Grant Income

The Council credited grants and contributions to the Comprehensive Income and Expenditure Statement in 2019/2020. These included the following grants and contributions:

	2018/2019	2019/2020
	£000	£000
Credited to Taxation and Non Specific Grant Income		
RSG & Non-Specific Grants	(232,996)	(230,227)
Contribution from NNDR Pool	(55,553)	(64,825)
Capital Grants	(46,481)	(39,264)
Council Tax	(52,831)	(54,505)
Total	(387,861)	(388,821)
	2018/2019	2019/2020
	£000	£000
Credited to Services:		
General Capital Grant: Central Waterfront Development	(276)	-
Scottish Government: Growth Accelerator Model	-	(1,568)
Scottish Government: PSO Air Service	(618)	(897)
Scottish Government: Smarter Choices Smarter Places	(186)	(133)
Scottish Government: Employability	(387)	(424)
ERDF Grants	(420)	(360)
Scottish Government: Air Quality Grant	(234)	(371)
NHS Tayside: The Crescent	(208)	(194)
Scottish Government: OLEV City bid	(66)	(128)
TACTRAN / SESTRAN: Active Travel Infrastructure Fund	(127)	(196)
Scottish Government: Skills Development Grant	(175)	(74)
Department for Transport: Go Ultra Low	(95)	(48)
Scottish Government: Switched on Fleets Grant	-	(332)
Other Local Authorities: Contributions for Tay Cities Deal	(85)	-
Private Sector Housing Grant	(1,058)	(1,210)
Scottish Government: Self Directed Support Grant	(31)	-
NHS Tayside: Community Equipment	(371)	(371)
NHS Tayside: Alcohol & Drugs Project Team	(524)	(792)
Angus Council: Contribution to Joint Equipment Service	(661)	(584)
Macmillan Cancer Care: Welfare Rights Grant	-	(61)
NHS Tayside: Delayed Discharge Fund	(430)	(236)
NHS Tayside: Integrated Care Fund	(2,600)	(2,178)
NHS Tayside: Social Care Integration Fund	(9,812)	(9,812)
NHS Tayside: Shared Care Homes	(1,576)	(1,033)
NHS Tayside: Drug & Alcohol Grant	(137)	(137)
Macmillan Cancer Care: Local Authority Partnership	(322)	(94)
UK Government, Home Office - Syrian Refugees	(739)	(835)
Scottish Government: Community Link Work Programme	(351)	(60)
Other Local Authorities: Contributions to Resident's Care Home costs	(238)	(171)
NHS Tayside: Contribution for services to Scottish Assoc for Mental	(52)	(52)
NHS Tayside: Contribution for DCIJB Operational costs	(138)	(191)
NHS Tayside: Contribution to Covid 19 Response	-	(200)
DHSCP: Contribution for Adult Services' costs	(2,740)	(386)
Scottish Government: Opportunities for All Grant	(162)	(208)
ESF: Activity Agreement	(20)	(73)
Big Lottery Fund: Dundee Money Action	(682)	(604)
Sports Council Contribution to Sports Co-ordinators	(318)	(125)
Arts Council: Youth Music	(194)	(86)
Scottish Government: Attainment Challenge - Primary	(3,956)	(3,860)
Scottish Government: Attainment Challenge - Secondary	(1,632)	(1,633)
Scottish Government: Pupil Equity Fund	(5,156)	(4,975)
Scottish Government: Early Learning Childcare (ELC) Delivery Model	(1,771)	(5,469)
Scottish Government: ELC Additional Graduate Commitment	(514)	(235)

Scottish Futures Trust: Share of Service Cost element for Baldragon Academy	(265)	(277)
Scottish Government: Care Experienced Children & Young People	(273)	(250)
Angus Council: Contribution to Out of Hours Service	(173)	(178)
Criminal Justice Grant	(4,652)	(4,771)
Other Local Authorities: Contribution to Tay Project	(171)	(193)
Scottish Government: WRAP Major Service Change Support Grant	(241)	(2)
Improvement Service: National Entitlement Card	(994)	(1,350)
University of Dundee: Contribution to VRC	(80)	-
Scottish Government: Tackling Funeral Poverty	(94)	-
DWP: Rent Allowances/Rebate Subsidies (prev Housing Benefit Subsidy)	(58,208)	(52,681)
DWP: Housing Benefit / Council Tax Benefit Administration	(1,237)	(928)
DWP: Funding for new burdens imposed on local authorities	(95)	-
UK Government, Cabinet Office: Individual Electoral Registration Funding	(60)	(80)
Angus Council: Contribution for Tayside Scientific Services	(256)	(66)
Other Local Authorities: Contribution to Tayside Procurement Consortium	(172)	(145)
Anti-Social Behaviour Contribution	(82)	-
Scottish Government: Community Choices Grant	(8)	-
Total	(106,123)	(101,317)

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 2019	31 March 2020
	£000	£000
Capital Grants Receipts in Advance:		
Section 75 Contributions	(953)	(998)
Scottish Government: Low Carbon Transport - JIVE	(506)	(3,506)
Cycling Scotland - Cycling Friendly Employer Development fund	-	(7)
Total	(1,459)	(4,511)

	31 March 2019	31 March 2020
	£000	£000
Revenue Grants Receipts in Advance:		
Improvement Service: National Entitlement Card	(316)	(174)
Other Local Authorities: Regional Destination Development Fund	(36)	(36)
Scottish Government: Scottish Cities Alliance: Data Cluster project	(80)	(80)
Scottish Government: Scottish Futures Trust: 5G Testbed	(50)	(50)
Scottish Government: Pupil Equity Fund	(1,705)	(1,766)
Scottish Government: ELC Delivery Model Grant	(342)	(3,206)
Scottish Government: Attainment Challenge	-	(98)
Scottish Government: English Speakers of Other Languages Funding	(35)	(38)
Scottish Government: Link Worker Grant	(60)	-
UK Government, Home Office: Refugees	(386)	(478)
NHS Tayside: Alcohol and Drugs Partnership	(300)	-
Big Lottery Fund: Delivering Intensive Support Services	-	(63)
Other Miscellaneous Grants	(245)	(278)
Total	(3,555)	(6,267)

38 Financial Instruments

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

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

Categories of financial assets and financial liabilities

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

	Long-term		Current	
	31 March	31 March	31 March	31 March
	2019	2020	2019	2020
	£000	£000	£000	£000
Investments				
Equity Instruments Designated at Fair Value Through Other Comprehensive Income & Expenditure	-	-	4,482	3,761
Unquoted equity investment at cost	29	29	-	-
Total investments	29	29	4,482	3,761

Debtors

Loans and receivables:				
Cash and Bank	-	-	110	140
Other Short Term Deposits	-	-	23,698	23,010
Soft Loans	94	94	-	-
Other Loans at Market Rates	11,630	13,087	-	-
Financial assets carried at contract amounts:				
Sundry Debtors including trade receivables	-	-	62,939	52,920
Total Debtors	11,724	13,181	86,747	76,070

Borrowings

Financial liabilities at amortised cost:				
Borrowing Repayable:				
Public Works Loan Board	(425,464)	(455,440)	(15,598)	(17,503)
Lender Option/Borrower Option	(41,519)	(41,505)	(416)	(411)
Other	-	-	(122,739)	(78,012)
Temporary Advances from Other Accounts	-	-	(1,486)	(1,484)
Bank Overdraft	-	-	(14,193)	(1,281)
Total borrowings	(466,983)	(496,945)	(154,432)	(98,691)

Creditors

Financial liabilities carried at contract amount:				
Sundry creditors including trade payables	-	-	(73,774)	(68,876)
Total Creditors	-	-	(73,774)	(68,876)

Income, Expense, Gains and Losses

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

	2018/2019 £000	Financial	2019/2020	Financial	2019/2020
		Liabilities	Financial	Assets	Total
		measured at	Assets	Investments	£000
		amortised	Loans and		
		cost	receivables		
		£000	£000	£000	£000
27,819 Interest Expense	27,819	28,211	-	-	28,211
27,819 Total expense in Surplus or Deficit on the Provision of Services	27,819	28,211	-	-	28,211
(759) Interest Income	(759)	-	(684)	(144)	(828)
(759) Total income in Surplus or Deficit on the Provision of Services	(759)	-	(684)	(144)	(828)
44 Losses on revaluation	44	-	-	276	276
44 Surplus/deficit in Surplus or Deficit on the Provision of Services	44	-	-	276	276
27,104 Net gain/(loss) for the year	27,104	28,211	(684)	132	27,659

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 2020 of 1.61% to 14.00% for loans from the PWLB and 0.72% 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 2019		31 March 2020			Carrying Amount £000	Fair Value £000
		Carrying Amount £000	Fair Value £000	Principal Amount Outstanding £000	LOBO Accounting Adjustment £000	Add Accrued Interest £000		
Financial liabilities:								
Borrowing Repayable:								
Public Works Loan Board	i	(441,062)	(604,105)	(468,464)	-	(4,478)	(472,942)	(605,082)
Lender Option/ Borrower Option	i	(41,935)	(61,873)	(40,000)	(1,505)	(411)	(41,916)	(59,699)
Other	i	(122,739)	(122,779)	(77,801)	-	(211)	(78,012)	(78,012)
Temporary Advances from Other Accounts	ii	(1,486)	(1,486)	(1,484)	-	-	(1,484)	(1,484)
Bank Overdraft	iii	(14,193)	(14,193)	(1,281)	-	-	(1,281)	(1,281)

i Borrowing Repayable

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

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

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

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

Discount rates used in NPV calculation - The rates quoted in this valuation were obtained for the market on 31 March 2020, using bid prices where applicable.

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

ii Temporary Advances from Other Accounts

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

iii Bank Overdraft

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

	Note	31 March 2019		31 March 2020	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables:					
Cash and Bank	i	110	110	140	140
Other Short term Deposits	i	23,698	23,698	23,010	23,010
Short-term debtors:					
Soft Loans	ii	-	-	-	-
Long-term debtors:					
Other Loans at Market rates	iii	11,724	11,724	13,181	13,181

i Cash and Bank / Other Short term Deposits

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

ii Soft Loans

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

iii Other Loans at Market Rates

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

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

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

39 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

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

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

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

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £12m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities in UK to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2020 that this was likely to crystallise.

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

	Amount at 31 March 2020 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2020 %	Estimated maximum exposure to default and uncollectability at 31 March 2020 £000	Estimated maximum exposure at 31 March 2019 £000
	A	B	C	(A x C)	
Financial Institutions (F1)	23,010	-	-	-	-
				-	-

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

Liquidity risk

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

	31 March 2019 £000	31 March 2020 £000
Less than one year	133,382	90,825
Between one and two years	13,024	9,585
Between two and five years	24,101	27,025
Between five and ten years	35,055	30,060
More than ten years	393,284	428,770
	598,846	586,265

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

Interest rate risk

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

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

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

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

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

According to this assessment strategy, at 31 March 2020, 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	778
Increase in interest receivable on variable rate investments	Nil
Impact on Surplus or Deficit on the Provision of Services	778
Share of overall impact debited to the HRA	241
Decrease in fair value of fixed rate investment assets	Nil
Impact on Other Comprehensive Income and Expenditure	Nil
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	102,238

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

Price risk

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

Foreign exchange risk

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

40 Charities Account (Registered Charities)

During 2019/2020, the Council acted as sole Trustee for 5 Registered Charities. The Receipts and Payments Account below details the transactions in the year and the Statement of Balances summarises the assets and liabilities at the year end. Dundee City Council has previously undertaken a reorganisation of its Charities. This reorganisation was completed during 2017/2018 and has resulted in the number of Charities reducing from 22 to 5.

Receipts and Payments Account		2019/2020				(Surplus)/ Deficit
		Interest on Investments	Rental Income	Total Receipts	Payments	
2018/2019 £000		£000	£000	£000	£000	£000
-	Belmont Estate	(2)	(8)	(10)	10	-
-	Camperdown Estate	-	-	-	-	-
-	William Dawson Trust	-	-	-	-	-
4	Hospital Fund	(7)	(39)	(46)	34	(12)
70	The Dundee Trust	-	-	-	-	-
74	Total	(9)	(47)	(56)	44	(12)

2019 £000	Statement of Balances as at 31 March	2020 £000
-	Opening Cash Balance	-
74	(Surplus) / Deficit for the Year	(12)
(74)	Transfer to / (from) DCC Loans Fund	12
-	Closing Cash Balance	-

Investments		
901	Funds Deposited with DCC Loans Fund	913
2,092	Investment Properties	2,027
2,993		2,940

Tangible Fixed Assets		
394	Dwellings	394
1,983	Operational Land and Buildings	1,983
395	Community Assets	395
58	Infrastructure	58
2,830		2,830

Liabilities		
5	Rental Income Prepaid by Tenants	8

Analysis of Fund Balances		
895	Capital Account	907
6	Surplus Income	6
901		913

NATURE AND PURPOSE OF VARIOUS FUNDS

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

Belmont Trust Estate

Estate gifted in 1918 by the late Mrs Emma Caird or Marryat of Roseangle, Dundee, in memory of her husband and her brothers, to be utilised for the benefit of the citizens of Dundee. The balance on the Fund at 31 March 2020 was £0.185m (31 March 2019 £0.185m)

Camperdown Estate Trust

Purchased in the interest and for the benefit of the Community on 11 November 1945, at a cost of £58,100 which was provided by the Sir James Caird Land Acquisition Fund. The balance on the Fund at 31 March 2020 was £0.003m (31 March 2019 £0.003m).

William Dawson Trust

Residue of estate handed over to the Lord Provost and Magistrates of the City of Dundee as trustees in 1948, for the purpose of acquiring ground for use as playing fields in wards X and XI. The balance on the Fund at 31 March 2020 was £0.006m (31 March 2019 £0.006m).

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 2020 was £0.719m (31 March 2019 £0.707m).

The Dundee Trust

The Dundee Trust was awarded charitable status by the Office of the Scottish Charity Regulator (OSCR) and was entered in the Scottish Charity Register on 15 January 2016. The various charitable purposes of The Dundee Trust are recorded in the Trust Deed, signed on 17 November 2015. During the 2017/18 financial year, the Trust received donations totalling £69,927 as a result of the reorganisation of thirteen charitable trusts for which Dundee City Council acted as sole trustee. These donations, together with interest accruing, have now been fully distributed by the Dundee Trust, in line its stated charitable purposes. The balance on the Fund at 31 March 2020 was £ nil (31 March 2019 £ nil).

CHARITIES REGISTERED WITH OFFICE OF THE SCOTTISH CHARITY AND REGULATOR

During 2019/2020, the following Charitable Trusts and Endowments were registered with the Office of the Scottish Charity and Regulator (OSCR):

Belmont Estate Trust (SC018900)

Camperdown Estate (SC018899)

William Dawson Trust (SC018920)

Hospital Fund (SC018896)

The Dundee Trust (SC046260)

41 Charities Account (Unregistered Charities)

The Council acts as sole Trustee for 5 Charities. 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 Charities Account.

		Income & Expenditure Account		2019/2020		
2018/2019		Interest on	Other	Total		(Surplus)/
Actual		Investments	Income	Income	Expenditure	Deficit
£000		£000	£000	£000	£000	£000
(148)	Fleming Trust	(12)	(353)	(365)	85	(280)
(3)	Other Charities (4 in total)	(5)		(5)	1	(4)
(151)	Total	(17)	(353)	(370)	86	(284)
2019				2020		
£000	Balance Sheet as at 31 March			£000		
6,463	Tangible Fixed Assets			6,463		
6,463				6,463		
	Current Assets					
58	Sundry Debtors			46		
1,605	Short Term			1,610		
341	Bank			521		
2,004				2,177		
	Less Current Liabilities					
(195)	Sundry Creditors			(83)		
(195)				(83)		
1,809	Net Current Assets			2,094		
8,272	Total Assets Plus Net Current Assets			8,557		
8,272	Net Assets			8,557		
	Financed By Fund Balances and Reserves					
	Not Available for Use:					
6,463	Revaluation			6,463		
6,463				6,463		
	Available for Use:					
1,809	Fund Balances			2,094		
8,272				8,557		

FLEMING TRUST

Included in the expenditure shown above, the Fleming Trust incurred capital expenditure of £10,467 financed from revenue in 2019/2020 (2018/2019 £122,266). No capital receipts were received in 2019/2020 (2018/2019 £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 2020 was £8.055m (31 March 2019 £7.775m).

ANALYSIS OF CHARITIES ACCOUNT BALANCE SHEET

	Balance Sheet at 31 March 2019 £000	Gross Income £000	Gross Expenditure £000	Capital Expenditure/ Receipts & Transfers £000	Balance Sheet at 31 March 2020 £000
Fleming Trust					
Fixed Assets	6,463	-	-	-	6,463
Current Assets	1,507	365	(197)	-	1,675
Current Liabilities	(195)	-	112	-	(83)
Net Assets	7,775	365	(85)	-	8,055
Revaluation Reserve	6,463	-	-	-	6,463
Fund Balance	1,312	365	(85)	-	1,592
	7,775	365	(85)	-	8,055
Others					
Current Assets	497	5	-	-	502
Net Assets	497	5	-	-	502
Fund Balance	497	5	-	-	502
	497	5	-	-	502
Total					
Fixed Assets	6,463	-	-	-	6,463
Current Assets	2,004	370	(197)	-	2,177
Current Liabilities	(195)	-	112	-	(83)
Net Assets	8,272	370	(85)	-	8,557
Revaluation Reserve	6,463	-	-	-	6,463
Fund Balance	1,809	370	(85)	-	2,094
	8,272	370	(85)	-	8,557

42 Heritage Assets

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

	Museum & Art Gallery Collections £000	Other Heritage Assets £000	Total Assets £000
1 April 2019	7,248	1,134	8,382
Additions	-	-	-
31 March 2020	7,248	1,134	8,382

Museum and Art Gallery Collections

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

Other Heritage Assets

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

Additions & Disposals of Heritage Assets

Additions in 2019/2020 - £Nil (2018/2019 - £Nil)

There were no disposals in 2019/2020 (2018/2019 - none)

43 Heritage Assets: Further Information

Museum and Art Gallery Collections

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

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

New Collection - 'Charting New Waters'

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

Community History

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

Decorative Arts / Crafts

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

Early History

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

Fine Art

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

Natural History

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

Social History

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

World Cultures

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

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

www.mcmanus.co.uk

Library Collections of Rare Books, Manuscripts and Archives

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

Among the collections and features are:

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

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

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

Preservation and Management

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

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

44 Other Long Term Liabilities

	31 March 2019	31 March 2020
	£000	£000
PPP Schools Liability	66,074	63,962
DBFM School Liability (Baldrigon)	26,886	25,650
Service Concession Arrangement Liability (Waste Project)	20,732	40,008
Financing Arrangement (Dundee House)	-	23,542
Burial Grounds Perpetuity Fund	757	311
Total	114,449	153,473

45 Long Term Debtors

	31 March 2019	31 March 2020
	£000	£000
Advances to Tayside Contracts for Capital Expenditure	6,711	8,445
Loans to Other Organisations	1,959	1,970
Housing Loans / Mortgages	3,054	2,766
Total	11,724	13,181

46 Service Income and Expenditure Including Internal Recharges

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

2018/2019				2019/2020		
Gross Expenditure	Gross Income	Net Expenditure / (Income)		Gross Expenditure	Gross Income	Net Expenditure / (Income)
£000	£000	£000		£000	£000	£000
178,997	(23,154)	155,843	Children & Families Services	189,858	(25,960)	163,898
			Budgets Delegated to Dundee Health & Social Care			
196,386	(118,141)	78,245	Partnership	205,780	(122,641)	83,139
129,870	(30,849)	99,021	City Development	103,604	(32,997)	70,607
45,617	(14,760)	30,857	Neighbourhood Services	45,370	(14,790)	30,580
13,274	(1,259)	12,015	Chief Executive	13,144	(1,420)	11,724
100,293	(67,306)	32,987	Corporate Services	95,098	(61,088)	34,010
25,877	(27,899)	(2,022)	DCS Construction	30,050	(32,450)	(2,400)
66,298	(52,079)	14,219	Housing Revenue Account	73,471	(54,670)	18,801
299	-	299	Discretionary NDR Relief	349	-	349
904	-	904	Tayside Valuation Joint Board	912	-	912
11,892	(1,849)	10,043	Miscellaneous Items	3,211	(1,812)	1,399
769,707	(337,296)	432,411	Cost Of Services	760,847	(347,828)	413,019

47 Revenue from Contracts with Service Recipients

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:

2018/2019 £000		2019/2020 £000
Revenue from contracts with service recipients:		
47,465	Housing Rents	50,153
2,831	Sheltered Housing Charge	2,888
694	Temporary Accommodation Properties	718
5,157	Residential Care	5,119
1,204	Non Residential Care	1,123
1,497	School Meals	1,410
619	Social Care Meals	627
3,741	Off Street Parking	3,738
1,389	On Street Parking	1,514
820	Building Warrants	716
725	Planning Applications	679
980	Trade Waste	899
539	Special Collections	444
583	Licensing	582
545	Burial Ground Charges	639
2,013	Miscellaneous	1,838
70,802	Total Included in Comprehensive Income and Expenditure	73,087

Amounts included in the Balance Sheet for contracts with service recipients:

31 March 2019 £000		31 March 2020 £000
(3)	Contract Assets	-
79	Contract Liabilities	5
76	Total Included in Net Assets	5

Significant changes in the contract assets and the contract liabilities balances during the period are as follows

31 March 2019			31 March 2020	
Contract Assets	Contract Liabilities		Contract Assets	Contract Liabilities
£000	£000		£000	£000
(5)	139	Contract assets and liabilities at the beginning of the year	(3)	79
(5)	139	Transfers from contract assets (liabilities) recognised at the beginning of the period to receivables (payables)	(3)	79
2	(60)	Changes as a result of changes in the measure of progress	3	(74)
(3)	79	Contract assets and liabilities at the end of the year	-	5

50 TAY CITIES REGION DEAL - LEAD AUTHORITY DISCLOSURES

The Tay Cities Region Deal represents an investment in the Tay Cities region by the Scottish and UK Governments of £150 million each over 10 to 15 years. The City Region Deal seeks to transform the regional economy by delivering inclusive growth: raising the productivity of the region and increasing participation of its workforce. The Heads of Terms were signed in November 2018 and work continues by all partners to agree a full deal. As at 31st March 2020, no drawdown of government grant had been made. Dundee City Council acts as the Accountable Body for the Tay Cities Deal.

The analysis of funding awarded to individual projects is shown in the table below, which reflects both Capital and Revenue projects.

Project	Award £000	Scottish Government £000	UK Government £000
Dundee Airport Investment	9,500	9,500	-
Perth Bus & Rail Interchange	15,000	15,000	-
Low Carbon & Active Travel Hubs	3,500	3,500	-
Advanced Manufacturing	8,000	8,000	-
Advanced Plant Growth Centre	27,000	7,000	20,000
International Barley Hub	35,000	10,000	25,000
Angus Fund	26,500	-	26,500
CyberQuarter	11,700	6,000	5,700
Eden Campus	26,500	2,000	24,500
Just Tech	15,000	-	15,000
Growing the BioMedical Cluster	25,000	25,000	-
Perth City Hall	10,000	-	10,000
Pitlochry Festival Theatre	10,000	10,000	-
Plastics Recycling (Beacon project)	5,200	-	5,200
Perth Innovation Highway	5,000	-	5,000
Regional Culture and Tourism Programme	27,000	27,000	-
Studio Dundee	3,000	3,000	-
Aviation Academy for Scotland	8,100	-	8,100
World Class Digital Infrastructure	4,000	2,000	2,000
Regional Skills Programme	20,000	20,000	-
Tay Cities Engineering Partnership	2,000	2,000	-
Innerpeffray Library	100	-	100
Aerospace Kinross	1,600	-	1,600
Crieff International Highland Centre	1,000	-	1,000
Stretch Dome Simulator	300	-	300
Total	300,000	150,000	150,000

The Programme Management Office (PMO) supports the governance of the deal by completing operational tasks necessary to implement the Tay Cities Deal programme. The income and expenditure of the PMO is summarised in the table below:

	2019/20 £000
Expenditure	169
Income	(320)
Net Expenditure	(151)

The PMO is funded from partner local authorities, HE/FE and Research partners. An underspend of £151,000 has been carried forward to 2020/21.

51 Coronavirus / Covid-19 Response - Costs and Income

Income and expenditure in relation to the response to Covid-19 are detailed below:

	2019/2020		Net Expenditure / (Income) £000
	Expenditure £000	(Income) £000	
LG Mobilisation Costs			
Social Care Costs Outwith Remit of IJBs	58	-	58
Housing and Support to Vulnerable Communities	78	-	78
Workforce Costs (excl IJB workforce)	159	154	5
Total	295	154	141
Lost Income & Other Costs			
Closures	45	-	45
Fees and Charges	192	-	192
Other Costs and Lost Income	504	-	504
Total	741	-	741
Other areas			
IJB	200	200	-
Total Costs and Income	1,236	354	882

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

2018/2019 £000		2019/2020 £000
83,260	Gross Council Tax levied and contributions in lieu	86,247
(40)	Adjustments for prior years Council Tax	(36)
83,220		86,211
	Adjusted for:	
(16,686)	Other discounts and reductions	(17,753)
(11,956)	Council Tax Reduction Scheme	(11,888)
(1,747)	Provision for Non-collection	(2,065)
52,831	Net Council Tax Income per the Comprehensive Income and Expenditure Account	54,505

The calculation of the Council Tax Base 2019/20:

	No of Dwellings	No of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	Total Dwellings	Ratio to Band D	Band D Equivalents
Band A	28,167	3,346	32	16,452	499	20,516	240/360	13,674
Band B	17,193	1,660	57	7,608	318	13,480	280/360	10,484
Band C	9,410	1,018	65	3,499	123	7,461	320/360	6,632
Band D	9,111	565	70	2,678	111	7,828	360/360	7,828
Band E	7,308	840	77	1,629	82	5,960	473/360	7,832
Band F	2,374	90	18	469	24	2,143	585/360	3,482
Band G	1,065	17	6	178	11	992	705/360	1,943
Band H	39	5	-	7	3	31	882/360	75
						TOTAL		51,950
						Provision for non-collection (3.2%)		(1,662)
						Council Tax Base		50,288

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 2019/2020 was £1,316.

Dundee City Council £ per year for 2019/2020:

Band A	£877.33
Band B	£1,023.56
Band C	£1,169.78
Band D	£1,316.00
Band E	£1,729.08
Band F	£2,138.50
Band G	£2,577.17
Band H	£3,224.20

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.

2018/2019 £000		2019/2020 £000
97,276	Gross rates levied and contributions in lieu	99,560
	Less:	
(27,063)	Reliefs and other deductions	(30,220)
(8,690)	Write Off of uncollectable debt and allowance for impairment	(4,849)
61,523	Net Non Domestic Rate Income	64,491
(2,242)	Adjustment to Previous Years' Non-Domestic Rates	6,171
59,281	Total Non Domestic Rate Income (before local authority retentions)	70,662
-	Non Domestic Rates Retained by Authority	(517)
59,281	Contribution to Non-Domestic Rate Pool	70,145

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 2019/2020 was £0.49, with a large business supplement of 2.6p payable when rateable value exceeds £51,000.

	2019/2020 £
Analyses of Rateable Values:	
Rateable Value at 1/4/2019	193,436,000
Running Roll (Full Year Rateable Value)	(2,289,000)
Rateable Value at 31/3/2020	191,147,000
Less: Wholly Exempt	(5,545,000)
Net Rateable Value at 31/03/2020	185,602,000
Dundee City Council's Rateable Values at 1 April 2019	
Commercial	98,005
Industrial and Freight Transport	32,890
Public Undertakings	7,046
Others	55,495
Total	193,436

Housing Revenue Account - Income & Expenditure Statement

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

2018/2019 £000	Notes	2019/2020 £000	
Income			
48,360	Dwelling Rents	50,153	
819	Non-dwelling Rents	807	
3,373	Any Other Income	3,367	
52,552	Total Income	54,327	
Expenditure			
(19,395)	Repairs and Maintenance	(19,692)	
(12,232)	Supervision and Management	(12,411)	
(310)	Rent, rates, taxes and other charges	(285)	
(32,796)	Depreciation and Impairment on Non-Current Assets	(38,829)	
(2,038)	Movement in the Impairment Allowance for Non-Trade Debtors	5	(1,911)
(66,771)	Total Expenditure	(73,128)	
(14,219)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(18,801)	
(473)	HRA Services' Share of Corporate and Democratic Core	(478)	
(14,692)	Net Cost for HRA Services	(19,279)	
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
558	Gain or (Loss) on Sale of HRA Non-Current Assets	131	
(6,804)	Interest Payable and Similar Charges	(6,724)	
-	Impairment of Assets Held for Sale	-	
108	Interest and Investment Income	141	
(152)	Pension Interest Cost and Expected Return on Pension Assets	(152)	
7,257	Capital Grants and Contributions Receivable	98	
(285)	Movement in the Impairment Allowance for Trade Debtors	(107)	
(14,010)	Surplus or (Deficit) for the Year on HRA Services	(25,892)	

Housing Revenue Account - Movement in Reserves Statement

2018/2019			2019/2020
£000		Notes	£000
(14,010)	Surplus or (Deficit) for the Year on HRA Income and Expenditure Statement		(25,892)
14,091	Adjustments between Accounting Basis and Funding Basis Under Statute	1	27,697
81	Net Increase or (Decrease) Before Transfers to or from Reserves		1,805
(81)	Transfers (to) or from Reserves	2	(1,805)
-	Increase or (Decrease) in Year on the HRA		-
- Balance on the HRA at the end of the Current Year			-

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

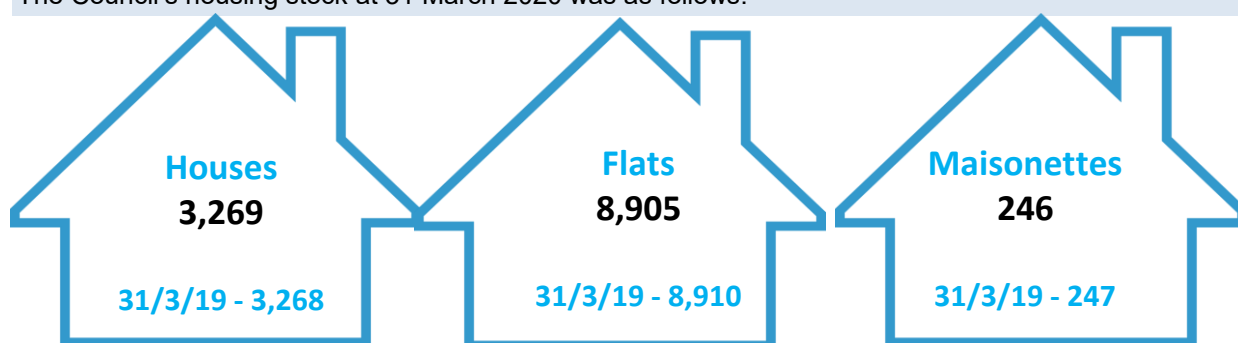
2018/2019		2019/2020
£000		£000
(558)	Gain or loss on sale of HRA non-current assets	(131)
	Transfer to/from Capital Adjustment Account:	
32,796	* Depreciation and Impairment - Housing Revenue Account Assets	38,829
-	* Depreciation and Impairment - Central Support Assets	-
(7,257)	* Capital Grants and Contributions	(98)
(11,629)	* Repayment of Debt	(11,302)
-	* Capital Financed from Current Revenue (CFCR)	(450)
7	Short Term Accumulating Absences	4
834	HRA share of contributions to or from the Pensions Reserve	944
(102)	HRA Share of Transfer to/from the Financial Instruments Adjustment Account	(99)
14,091	Total	27,697

2 Transfers (to) or from Reserves

2018/2019		2019/2020
£000		£000
(81)	Transfer (to)/from the Renewal & Repair Fund	(2,255)
-	Transfer from General Fund (Funding for CFCR from Reduced Council Tax Discounts on long-term Empty Properties and Second Homes)	450
(81)	Total	(1,805)

3 Housing Stock

The Council's housing stock at 31 March 2020 was as follows:

**4 Rent Arrears**

Rent Arrears at 31 March 2020 were £3,178,196 (£3,027,225 at 31 March 2019).

5 Impairment of Debtors

In 2019/2020 an impairment of £3,492,124 has been provided in the Balance Sheet for irrecoverable rents, a net increase of £267,340 from the provision in 2018/2019.

6 Voids

The total value of uncollectable void rents was £979,576 (2018/2019 £894,733). This has been netted against rental income.

7 Accumulated Housing Revenue Account Balance

The Renewal & Repair Fund balance at 31 March 2020 was £9.3m, of which £6.0m was earmarked for the Housing Revenue Account.

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

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

2018/2019			2019/2020			
Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000		Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000
178,997	(23,154)	155,843	Children & Families Services	189,858	(25,960)	163,898
196,386	(118,141)	78,245	Dundee Health & Social Care Partnership	205,780	(122,641)	83,139
115,962	(16,941)	99,021	City Development	89,656	(19,049)	70,607
39,454	(8,859)	30,595	Neighbourhood Services	38,786	(8,484)	30,302
13,274	(1,259)	12,015	Chief Executive	13,144	(1,420)	11,724
98,998	(66,011)	32,987	Corporate Services	93,774	(59,764)	34,010
10,764	(12,786)	(2,022)	Construction	14,659	(17,059)	(2,400)
65,706	(51,487)	14,219	Housing Revenue Account	72,567	(53,766)	18,801
299	-	299	Discretionary NDR Relief	349	-	349
904	-	904	Tayside Valuation Joint Board	912	-	912
10,772	(729)	10,043	Miscellaneous Items	2,091	(692)	1,399
158	0	158	Common Good Fund	156	-	156
2,171	(155)	2,016	Associates Accounted for on an Equity Basis	2,078	335	2,413
79,881	-	79,881	Joint Ventures Accounted for on an Equity Basis	83,468	-	83,468
813,726	(299,522)	514,204	Cost Of Services	807,278	(308,500)	498,778
		(1,349)	Other Operating Expenditure			(76)
		(152)	Share of Other Operating Expenditure (Associates)			(148)
		27,464	Financing and Investment Income and Expenditure			29,453
		95	Share of Financing and Investment Income and Expenditure (Associates)			103
		(157)	Share of Financing and Investment Income and Expenditure (Subsidiaries)			(155)
		(387,861)	Taxation and Non-Specific Grant Income			(388,821)
		(78,984)	Share of Taxation and Non-Specific Grant Income (Joint Ventures)			(82,331)
		(966)	Share of Taxation and Non-Specific Grant Income (Associates)			(954)
		72,294	(Surplus) or Deficit on Provision of Services			55,849
		(118,821)	(Surplus) or Deficit on revaluation of fixed assets			(8,355)
		3,280	Impairment losses on non-current assets charged to Revaluation			3,390
		44	(Surplus) or Deficit on financial assets measured at fair value through other comprehensive income			276
		(6,420)	Remeasurements of the net defined benefit liability (asset)			(22,452)
		(139)	Share of Other Comprehensive Income and Expenditure (Associates)			(1,096)
		(122,056)	Other Comprehensive (Income) / Expenditure			(28,237)
		(49,762)	Total Comprehensive (Income) / Expenditure			27,612

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

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

	<u>Revenue Reserves</u>				<u>Capital Reserves</u>			Unusable Reserves £000	Total Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Renewal and Repair Fund £000	Insurance Fund £000	Capital Grants & Receipts Unapplied Account £000	Capital Fund £000	Total Usable Reserves £000		
Balance at 31 March 2018	(19,773)	-	(5,850)	(1,563)	(3,393)	(2,110)	(32,689)	(692,303)	(724,992)
Movement in reserves during 2018/2019									
Total Comprehensive Expenditure and Income	58,284	14,010	-	-	-	-	72,294	(122,056)	(49,762)
Adjustments between Group Accounts and Council Accounts	(1,276)	-	-	-	-	-	(1,276)	3,870	2,594
Net (Increase)/Decrease before Transfers	57,008	14,010	-	-	-	-	71,018	(118,186)	(47,168)
Adjustments between Accounting Basis and Funding Basis Under Regulations	(58,354)	(14,091)	-	-	218	1,500	(70,727)	70,727	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(1,346)	(81)	-	-	218	1,500	291	(47,459)	(47,168)
Transfers to/(from) Earmarked Reserves	1,680	81	(771)	(1,010)	36	(16)	-	-	-
(Increase)/Decrease in 2018/2019	334	-	(771)	(1,010)	254	1,484	291	(47,459)	(47,168)
Balance at 31 March 2019 Carried Forward	(19,439)	-	(6,621)	(2,573)	(3,139)	(626)	(32,398)	(739,762)	(772,160)

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

	<u>Revenue Reserves</u>				<u>Capital Reserves</u>			Unusable Reserves £000	Total Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Renewal and Repair Fund £000	Insurance Fund £000	Capital Grants & Receipts Unapplied Account £000	Capital Fund £000	Total Usable Reserves £000		
Balance at 31 March 2019	(19,439)	-	(6,621)	(2,573)	(3,139)	(626)	(32,398)	(739,762)	(772,160)
Movement in reserves during 2019/2020									
Total Comprehensive Expenditure and Income	29,957	25,892	-	-	-	-	55,849	(28,237)	27,612
Adjustments between Group Accounts and Council Accounts	(1,979)	-	-	-	-	-	(1,979)	2,210	231
Net (Increase)/Decrease before Transfers	27,978	25,892	-	-	-	-	53,870	(26,027)	27,843
Adjustments between Accounting Basis and Funding Basis Under Regulations	(31,534)	(27,698)	-	-	(9,033)	-	(68,265)	68,265	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(3,556)	(1,806)	-	-	(9,033)	-	(14,395)	42,238	27,843
Transfers to/(from) Earmarked Reserves	1,196	1,806	(2,680)	(739)	423	(6)	-	-	-
(Increase)/Decrease in 2018/2019	(2,360)	-	(2,680)	(739)	(8,610)	(6)	(14,395)	42,238	27,843
Balance at 31 March 2020	(21,799)	-	(9,301)	(3,312)	(11,749)	(632)	(46,793)	(697,524)	(744,317)

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

31 March 2019		31 March 2020
£000		£000
1,617,648	Property, Plant & Equipment	1,619,518
8,382	Heritage Assets	8,382
20,370	Investment Property	15,232
980	Intangible Assets	712
29	Long Term Investments	29
334	Investments in Associates	105
9,637	Long Term Debtors	10,335
1,657,380	Long Term Assets	1,654,313
7,972	Short Term Investments	7,017
1,241	Inventories	1,194
59,302	Short Term Debtors	48,312
9,957	Cash and Cash Equivalents	22,390
4,403	Assets Held for Sale	8,012
82,875	Current Assets	86,925
(140,239)	Short Term Borrowing	(97,410)
(70,139)	Short Term Creditors	(64,266)
(210,378)	Current Liabilities	(161,676)
(3,340)	Provisions	(3,251)
(466,983)	Long Term Borrowing	(496,945)
(8,093)	Liabilities in Associates	(8,463)
(163,393)	Pension Liability	(168,602)
(114,449)	Other Long Term Liabilities	(153,473)
(1,459)	Capital Grants Receipts in Advance	(4,511)
(757,717)	Long Term Liabilities	(835,245)
772,160	Net Assets	744,317
32,398	Usable reserves	46,793
739,762	Unusable Reserves	697,524
772,160	Total Reserves	744,317



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

The unaudited accounts were issued on 24 June 2020 and the audited accounts were authorised for issue on 18 November 2020.

The notes on pages 143 to 148 form part of the financial statements.

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

2018/2019 £000		2019/2020 £000
72,294	Net (Surplus) or Deficit on the provision of services	55,849
(144,870)	Adjust net (Surplus) or Deficit on the provision of services for non cash movements	(146,099)
4,211	Adjust for items included in the net (Surplus) or Deficit on the provision of services that are investing and financing activities	4,519
(68,365)	Net cash flows from Operating Activities	(85,731)
112,361	Investing Activities	77,895
(56,469)	Financing Activities	(4,597)
(12,473)	Net (Increase) or Decrease in cash and cash equivalents	(12,433)
(2,516)	Cash and cash equivalents at the beginning of the reporting period	9,957
9,957	Cash and cash equivalents at the end of the reporting period	22,390

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 2020		
	Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000
Dundee City Council (Single Entity)	41,514	703,765	745,279
Tayside Contracts Joint Committee	229	(8,557)	(8,328)
Common Good Fund	3,271	(12)	3,259
Charitable Trust Fund	520	6,463	6,983
Tayside Valuation Joint Board	72	(888)	(816)
Leisure & Culture Dundee	1,082	(3,247)	(2,165)
Design Dundee Limited	105	-	105
Total per Group Balance Sheet	46,793	697,524	744,317

Group Entity	As at 31 March 2019		
	Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000
Dundee City Council (Single Entity)	26,824	744,889	771,713
Tayside Contracts Joint Committee	211	(7,131)	(6,920)
Common Good Fund	3,284	206	3,490
Charitable Trust Fund	340	6,463	6,803
Tayside Valuation Joint Board	79	(920)	(841)
Leisure & Culture Dundee	1,326	(3,745)	(2,419)
Design Dundee Limited	334	-	334
Total per Group Balance Sheet	32,398	739,762	772,160

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 2019	At 31 March 2020
	£000	£000
	Dundee City Council (Single Entity)	9,615
Common Good Fund	2	-
Charitable Trust Fund	340	521
Total per Group Balance Sheet	9,957	22,390

3 Group Accounting Policies

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

4 Group Entities – Basis of Consolidation

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

			2018/2019		2019/2020		
	Consolidation Basis	Group Share %	Net Expenditure / (Income) £000	Net Assets / (Liabilities) £000	Group Share %	Net Expenditure / (Income) £000	Net Assets / (Liabilities) £000
Subsidiaries:							
Common Good Fund	Sole Trustee	100.00	9	3,490	100.00	13	3,258
Fleming Trust	Sole Trustee	100.00	(270)	6,803	100.00	(290)	6,984
Associates:							
Tayside Valuation Joint Board	Requisition Share	32.68	121	(841)	31.25	(2)	(816)
Leisure & Culture Dundee	Voting Rights	46.15	888	(2,419)	41.67	(15)	(2,165)
Tayside Contracts Joint Committee	Share of Business	31.10	-	(6,920)	33.70	-	(8,328)
Design Dundee Limited	Voting Rights	20.00	(155)	334	20.00	335	105
Joint Ventures:							
Dundee Health and Social Care Partnership	Equal Partnership	50.00	897	-	50.00	1,137	-
Total Group Entities			1,490	447		1,178	(962)
Dundee City Council (Single Entity)			(51,252)	771,713		26,434	745,279
Dundee City Council (Group)			(49,762)	772,160		27,612	744,317

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

The Council administers the Common Good Fund for the former Burgh of Dundee. Whilst the Council does not have legal title over the assets of the Fund, they are legally vested in the Council and have therefore been included in the Group Accounts on the basis of applying the principle of faithful representation. Similarly, a charitable trust administered by the Council (the Fleming Trust) has also been included in the Group Accounts. The income, expenditure, assets and liabilities of the Common Good Fund and Fleming Trust have been consolidated as subsidiaries on a "line-by-line" basis in the Group Accounts. Separate details of the Common Good Fund are included on page 149. Separate details of the Fleming Trust are included on pages 124-125.

Associates:**Tayside Valuation Joint Board**

Tayside Valuation Joint Board was created in 1996 to take over from the local authorities in its area certain duties in relation to valuation for Rating and Council Tax. The Valuation Joint Boards (Scotland) Order 1995 provides the regulatory framework for the administration of the Board. Dundee City Council has accounted for it on a "net equity" basis. For the purpose of consolidation and disclosure, audited statutory accounts to the year ended 31 March 2020 were used.

Leisure and Culture Dundee

Leisure and Culture Dundee (LACD) is a Scottish Charitable Incorporated Organisation (SCIO) that was established to manage the leisure and cultural facilities owned by the Council and has been in operation since 1 July 2011. The operational responsibility for Dundee Ice Arena was also transferred to LACD from 1 April 2014. The organisation has been consolidated on a "net equity" basis. For the purpose of consolidation and disclosure, audited accounts to the year ended 31 March 2020 were used.

Tayside Contracts Joint Committee

Tayside Contracts is a commercially based local authority contracting organisation providing catering, cleaning, roads maintenance, vehicle maintenance and winter maintenance throughout the Tayside area of Scotland. Tayside Contracts operates under a Joint Committee comprising of elected members from Dundee, Angus and Perth & Kinross Council. Tayside Contracts is accounted for as an "associate" and has been consolidated on a "net equity" basis. For the purpose of consolidation and disclosure, audited accounts to the year ended 31 March 2020 were used.

Design Dundee Limited

Design Dundee Limited (DDL) was established to organise the development and delivery of the V&A Museum of Design Dundee (V&A Dundee). The Council are one of the founder members of the company together with Universities of Dundee and Abertay, Scottish Enterprise and Victoria & Albert Museum. The company is limited by guarantee and is a registered charity. The Council has one officer appointed as a Director to the Board (total number Directors is currently 9). The company has a wholly owned subsidiary, Dundee Design Enterprises Limited (DDE) which was established to organise the commercial activities of the V&A Museum. DDE's accounts have been consolidated with the company's on a "line-by-line" basis. Both companies have been consolidated with the Council's accounts on a "net equity" basis. For the purpose of consolidation and disclosure, unaudited management accounts to 31 March 2020 were used.

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

The Dundee Health and Social Care Partnership was established 3 October 2015 by a formal legal partnership agreement between the two parent organisations, Dundee City Council and NHS Tayside. It is responsible for the operational management and oversight of delegated health and social care functions with effect from 1 April 2016. The Public Bodies (Joint Working) (Integration Joint Board) (Scotland) Amendment (No 3) Order 2015 provides the regulatory framework for the administration of the Board. It has been accounted for on a "net equity" basis. For the purpose of consolidation and disclosure, audited statutory accounts to the year ended 31 March 2020 were used.

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

5. Non-Material Interests in Other Entities

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

Discovery Education Companies (3 companies)

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 3). 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 3). The Council's interest in these companies is accounted for as an investment in the single entity and group accounts.

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

Replacement of Baldragon Academy – Project Delivery Company

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

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

Dundee Contemporary Arts Limited

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

Dovetail Enterprises (1993) Limited

Dovetail Enterprises Limited was established to provide training and employment for persons with disabilities. The Council provides annual grant funding to this organisation. The Council has also provided an interest free loan of £400,000 and as a result has increased its share of the Standard Security to 33% of the company's liquidated assets. As at 31 March 2020, £300,000 of this loan has been repaid to the Council. During the period 2017-2020 the Council provided further loans of £450,000 at commercial rates. As at 31 March 2020, £350,000 of these commercial loans has been repaid to the Council and as a result the company has outstanding loans totalling £200,000 from 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).

Tay Cities Region Joint Committee

Tay Cities Region Joint Committee was created in September 2017 to provide suitable governance arrangements for the Tay Cities Deal. The financial results of the Joint Committee have not been consolidated in the Council's Group Accounts on the basis that the transactions and balances were less than the de-minimis amount required for the Council to consider consolidation in the Council's accounts. This treatment will be reviewed in future years to ensure that the Joint Committee is consolidated and disclosed within the Council's accounts when this is material.

Michelin Scotland Innovation Parc Limited

Michelin Scotland Innovation Parc Limited was created in May 2019 to provide suitable governance arrangements for the Michelin Scotland Innovation Parc on the site of the former Michelin factory. The Council controls 33% of the voting rights however the financial results of the company have not been consolidated in the Council's Group Accounts on the basis that the transactions and balances were less than the de-minimis amount required for the Council to consider consolidation in the Council's accounts. This treatment will be reviewed in future years to ensure that the company is consolidated and disclosed within the Council's accounts when this is material.

Studio Dundee Joint Venture Company Limited

Studio Dundee Joint Venture Company Limited (SDJVC) was created in March 2018 to provide suitable governance arrangements for the development of Central Waterfront Development Plot 2. The financial results of the company have not been consolidated in the Council's Group Accounts on the basis that the transactions and balances were less than the de-minimis amount required for the Council to consider consolidation in the Council's accounts. This treatment will be reviewed in future years to ensure that the company is consolidated and disclosed within the Council's accounts when this is material. The Council has indemnified funding of £525,000 to Robertson Capital Projects (RCP) Ltd. The Heads of Terms for the Tay Cities Deal made reference to an investment opportunity for Studio Dundee of up to £3m.

6. Related Entities Not Consolidated

Tay Road Bridge Joint Board

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

National Housing Trust Initiatives

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

Broughty Ferry NHT 2011 LLP

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

The Special Purpose Vehicle (SPV) established for this project is Broughty Ferry NHT 2011 LLP. The Council is one of the three designated members of the SPV and provided funding of £1,456,560 during the 2014/15 financial year, by way of a loan which is repayable after 6.5 years. This loan is included at par value under Long Term Debtors in the Council's Balance Sheet. This loan was repaid during April 2020. The financial results of the SPV have not been consolidated in the Council's Group Accounts on the basis that the SPV is deemed to be a subsidiary of the developer and the Council does not therefore have control or exercise significant influence.

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".

2018/2019 £000	Income & Expenditure Account	2019/2020 £000
	<u>Income</u>	
(148)	Dividends on Bonds / Shares	(143)
(148)		(143)
	<u>Expenditure</u>	
158	Other Expenditure	156
158		156
10	(Surplus)/Deficit for Year	13

2019 £000	Balance Sheet as at 31 March	2020 £000
	<u>Current Assets</u>	
3,490	Short Term Investments	3,258
3,490		3,258
	<u>Current Liabilities</u>	
-	Sundry Creditors	-
-		-
3,490	Net Assets	3,258

Financed By Fund Balances and Reserves		
	Not Available for Use:	
206	- Financial Instruments Restatement Reserve	(12)
206		(12)
	Available for Use:	
3,284	- Common Good Balance	3,270
3,490		3,258



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

The unaudited accounts were issued on 24 June 2020 and the audited accounts were authorised for issue on 18 November 2020.

1. SHORT TERM INVESTMENTS

Included within the Short Term Investments figure of £3,258,213 are investments in Bonds to the value of £3,187,532.

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Dundee City Council and its group for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the council-only Expenditure and Funding Analysis, the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheet Statements, and Cash Flow Statements, the council-only Council Tax Income Account, Non-Domestic Rate Income Account, Housing Revenue Account - Income and Expenditure Statement, Housing Revenue Account – Movement in Reserves Statement, Common Good Fund Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission, on 10 April 2017. The period of total uninterrupted appointment is four years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter: Valuations of land and buildings

I draw attention to the Notes to the Core Financial Statements, note 27 Property, Plant and Equipment which describes the effects of material uncertainties caused by Covid-19, as declared in the valuation report for land and buildings. My opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

I report in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Executive Director of Corporate Services and Dundee City Council for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual accounts

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

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

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

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

Fiona Mitchell-Knight FCA
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 Audit Scotland
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While much of the terminology used in this document is intended to be self explanatory, the following additional definitions and interpretation of terms may be of assistance.

Accounting Period

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

Actuarial Gains and Losses (Pensions)

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

Asset

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

Associate

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

Balance Sheet

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Financing

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

Capital Grants and Receipts Unapplied Account

The Capital Grants and Receipts Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. Capital receipts that are available to fund qualifying expenditure on transformation or service redesign projects are also held in this account.

Capital Receipt

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

Capital Receipts Reserve

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

Cash Flow Statement

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

Common Good Fund

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

Community Assets

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

Comprehensive Income & Expenditure Statement

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

Corporate and Democratic Core

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

Council Tax Income Account

Details the gross and net income from Council Tax.

Creditor

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

Current Service Cost (Pensions)

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

Debtor

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

Defined Benefit Pension Scheme

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

Depreciation

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

Discretionary Benefits (Pensions)

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

Employee Statutory Adjustment Account

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

Entity

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

Events after the Balance Sheet Date

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

Expenditure and Funding Analysis

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

Fair Value

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

Financial Instruments Adjustment Account

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

Finance Lease

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

General Fund

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

Government Grants

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

Gross Expenditure

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

Gross Income

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

Group Accounts

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

Heritage Asset

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

Housing Revenue Account

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

Impairment

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

Infrastructure Assets

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

Insurance Fund

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

Intangible Assets

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

Interest Cost (Pensions)

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

Inventories

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

Liability

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

Movement in Reserves Statement

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

National Non-Domestic Rates Pool

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

Net Book Value

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

Non Current Assets

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

Non Distributed Costs

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

Non-Domestic Rate Income Account

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

Notes to the Core Financial Statements and Other Various Accounts

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

Operating Lease

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

Past Service Cost (Pensions)

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

Pension Reserve

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

Pension Scheme Liabilities

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

Post Employment Benefits

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

Prior Year Adjustment

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

Provision

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

Public Works Loan Board (PWLB)

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

Rateable Value

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

Related Parties

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

Remuneration

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

Repairs and Renewal Fund

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

Reserves

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

Residual Value

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

Revaluation Reserve

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

Revenue Expenditure

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

Service Concession Arrangement

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

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

Significant Interest

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

Soft Loan

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

Subsidiary

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

