



DUNDEE CITY COUNCIL

**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011**

AUDITED

September 2011

DUNDEE CITY COUNCIL
STATEMENT OF ACCOUNTS 2010/2011
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FOREWORD BY THE DIRECTOR OF FINANCE

Introduction

This foreword is intended as a commentary on the City Council's financial position, as presented within the Statement of Accounts for the financial year 2010/2011.

Statement of Responsibilities for the Statement of Accounts (see page 10)

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

The Accounting Statements (see pages 11 to 106)

Movement in Reserves Statement:

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

Comprehensive Income & Expenditure Statement:

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

Balance Sheet:

this is a combination of the General Fund, Housing Revenue Account, Consolidated Loans Fund, Insurance Funds and Statutory Trading Account Balance Sheets and represents the overall financial position of the Council at 31 March 2011. All inter-departmental balances have been eliminated upon consolidation.

Cash Flow Statement:

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

Council Tax Income Account:

details the gross and net income from Council Tax.

Non-Domestic Rate Income Account:

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

Housing Revenue Account:

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

Group Accounts:

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

Common Good Fund:

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

Notes to the Core Financial Statements and Other Various Accounts

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

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

The Statement of Accounting Policies sets out the basis upon which the Financial Statements have been prepared, and explains the accounting treatment of both general and specific items. The 2010/2011 Statement of Accounts is the first to be prepared under International Financial Reporting Standards (IFRS), with the accounts previously being prepared under UK Generally Accepted Accounting Practice (UKGAAP). In accordance with IFRS requirements, the comparative figures for 2009/2010 have been restated to an IFRS basis and an opening IFRS Balance Sheet as at 1 April 2009 has also been presented.

Annual Governance Statement (see pages 107 to 108)

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

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Remuneration Report (see pages 109 to 117)

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

Virement from Contingency/Fund Balances

The 2010/2011 Revenue Budget included a general contingency provision of £200,000 to allow for unforeseen items of expenditure arising during the course of the financial year. The full amount of £200,000 was vired from this contingency to offset additional expenditure incurred by departments. Specific contingencies totalling £1,481,000 were also included for additional costs relating to electricity and non-domestic rates. An amount of £722,000 was vired from these contingencies to offset additional expenditure incurred by departments. Further virements totalling £1.257m were made from General Fund Balances, partly to fund departmental expenditure commitments that had been carried forward from 2009/2010. During the course of the financial year, the Council received additional revenue grant totalling £2.122m from the Scottish Government to fund additional cost pressures and transfers of responsibility.

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

Revenue Budget

The 2010/2011 Revenue Budget was agreed at the meeting of the Special Policy & Resources Committee on 11 February 2010. In setting the 2010/2011 Council Tax level it was agreed that £757,000 would be taken from balances. The Policy & Resources Committee received monthly revenue monitoring reports during 2010/2011 in order to keep elected members fully appraised as to the projected outturn position.

The following table reconciles the Revenue Budget approved by the Special Policy & Resources Committee on 11 February 2010 to the revised Budgeted Surplus on Provision of Services, as shown in the Comprehensive Income & Expenditure Statement. That figure is then reconciled further to the Adjusted Budgeted General Fund Deficit.

	Budgeted Net Expenditure/ (Income) £m
Approved Revenue Budget 11 February 2010	0.757
<u>Add</u>	
Virements from General Fund Balances	1.257
Insurance Fund Deficit	0.350*
Transfer from Renewal & Repair Fund	0.099*
Depreciation and Impairment	68.958*
Financial Instruments Adjustment	0.012
Loss on Disposal of Fixed Assets	0.758*
IAS 19 Adjustment	(62.626)*
Capital Grants & Contributions	(19.694)*
Changes in Fair Value of Investment Properties	(0.177)*
Movement in Employee Benefits Accrual	0.303*
<u>Less</u>	
On-Street Car Parking Surplus	(0.298)
Loan Repayments and CFCR	<u>(23.141)*</u>
Budgeted Surplus on Provision of Services per Comprehensive Income & Expenditure Statement	(33.442)
<u>Less</u>	
Items marked * above	35.170
Transfer from Financial Instruments Adjustment Account	<u>(0.017)</u>
Adjusted Budgeted General Fund Deficit	<u>1.711</u>

FOREWORD BY THE DIRECTOR OF FINANCE

Revenue Expenditure

The Movement in Reserves Statement shows an actual reduction in the General Fund balance over the year of £2.742m. This was against a budgeted deficit of £1.711m, ie this represents an overall net overspend of £1.031m against the 2010/2011 Revenue Budget. The main components of the net overspend are as follows:

	Over/(Under)spend £m
Net Overspend on Council Services	1.511
Reduced Joint Board Contributions	(0.030)
Additional Housing Benefits Subsidy Costs	0.493
Savings on Contingency Amounts	(1.665)
Reduced DCS Deficit	(0.735)
Additional Tayside Contract Surplus	(0.207)
Reduced Income from Investment Properties	0.371
Additional Local Taxation Income	(1.143)
Increased Revenue Support Grant	(0.006)
Reduced Contribution from NNDR Pool	0.013
Savings on Loan Charges	(1.546)
Additional CFGR Expenditure	0.072
Additional Pension Contributions	<u>2.924</u>
Net Overspend Before Appropriations	0.052
Contributions to Reserves	<u>0.979</u>
Net Overspend After Appropriations	<u>1.031</u>

The net overspend of £1.511m on Council services was due to a number of over and underspends within departmental budgets, with the main areas being: Social Work (overspend £2.514m, mainly continued significant cost pressures in adult care and increased spend on family placements due to an increased number of children requiring permanent substitute care away from their birth parents), City Development (overspend £2.392m, mainly additional winter maintenance costs due to severe weather conditions and shortfalls in building warrant and planning application income due to economic conditions), Waste Management (underspend £0.697m, mainly underspends in staff costs and various supplies and services budgets), Central Support Departments (underspend £0.953m, mainly additional internal recharge income and underspends in staff costs), Miscellaneous Services (underspend £0.996m, mainly underspends in Finance Revenues staff costs and additional income from DWP and statutory additions), Other Housing (underspend £0.776m, mainly underspend in budget for private sector housing grant).

General Fund Balances

The deficit of expenditure over income for the financial year 2010/2011 was £2.742m. When deducted from the opening General Fund balance of £9.500m, this gives a General Fund balances figure of £6.758m at 31 March 2011. It is, however, estimated that there are expenditure commitments amounting to £0.452m outstanding at 31 March 2011. These have arisen mainly due to underspends in 2010/2011 and these underspends will be carried forward to 2011/2012 and fully utilised in the new financial year. In addition, there are ear-marked balances within the General Fund of £0.308m and £0.561m in respect of the Devolved School Management Scheme and Car Parking respectively. No amounts were taken from balances in setting the 2011/2012 Council Tax. When all of these items are taken into account, it is estimated that the Council has uncommitted General Fund balances of £5.437m as at 31 March 2011. This sum is not considered unreasonable for a local authority with an annual net cost of services of over £300m, and given the financial risks and uncertainties currently facing the Council. The Council manages its General Fund balances (and other cash-backed reserves) in accordance with proper accounting practice and the associated protocol that was agreed by the Policy & Resources Committee on 9 February 2004.

Other Cash-backed Reserves

In addition to the General Fund, the Council operates three statutory cash-backed reserves: Capital Fund, Renewal & Repair Fund and Insurance Fund. These reserves are operated in accordance with the relevant statutory provisions. Further details on these reserves are provided in the Movement in Reserves Statement. In accordance with proper accounting practice, all in-year movements on these reserves (with the exception of capital receipts transferred to/from the Capital Receipts Reserve) are processed through the Comprehensive Income & Expenditure Statement. The following table summarises the movements in 2010/2011:

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	Capital Fund £m	Renewal & Repair Fund £m	Insurance Fund £m
Interest & Investment Income Applied	0.034	0.012	0.036
Transfer from Reserve to cover Expenditure	-	(0.099)	-
Transfer of HRA Surplus (Historical Cost Basis)	-	0.102	-
General Transfer (to) / from Income & Expenditure Account	-	1.000	(0.539)
Capital Receipts Transferred to the Capital Receipts Reserve	(5.164)	-	-
Capital Contributions	<u>1.879</u>	<u>-</u>	<u>-</u>
Total Increase / (Decrease) in Reserve Balance in the Year	<u>(3.251)</u>	<u>1.015</u>	<u>(0.503)</u>

Principal Sources of Finance for Revenue Expenditure

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

	£m
Revenue Support Grant	246.2
Contributions from National Non-Domestic Pool	<u>56.8</u>
	<u>303.0</u>

The remainder of the principal sources of finance are Council Tax (£57.8m) which was set, billed and collected by the City Council and residual Community Charge (Poll Tax) not previously accounted for.

Prudential Code

The previous controls on local authority borrowing were abolished by the Local Government in Scotland Act 2003 and replaced (with effect from 1 April 2004) by a prudential regime, based mainly on self-regulation. A Prudential Code has been developed by CIPFA as a professional code of practice to support local authorities in taking decisions on capital investment. The Code seeks to ensure that capital investment programmes are affordable, that borrowing is within prudent and sustainable levels and that treasury management decisions are taken in accordance with professional good practice. The Code also sets out a range of prudential indicators that will demonstrate whether these objectives have been met. Compliance with the Code is required under the 2003 Act. The Council has complied with all aspects of the Prudential Code in 2010/2011.

Capital Expenditure & Borrowing Facilities

Gross capital expenditure in 2010/2011 was £82.0m, of which £27.5m was spent within the Housing Department Programmes. The remaining £54.5m was spent on the Council's other services including Education, Social Work, City Development, Leisure & Communities and Waste Management. The £82.0m of capital expenditure was funded through borrowing (£52.5m), various types of capital receipts (£28.5m) and directly from revenue resources (£1.0m). Borrowing has the effect of increasing the Council's overall indebtedness and the level of principal repayments and loan interest charges each year. Capital expenditure met directly from the Income & Expenditure Account increases total net expenditure in that particular year but does not result in an increase in overall indebtedness. The Council uses these methods of funding capital expenditure as part of its long and short term capital financing strategy. The Council has several sources available to it in terms of borrowing to fund capital expenditure. The most significant of these is the Public Works Loans Board, although the Council can, in addition, borrow from the money markets and the European Investment Bank. During 2010/2011 the Council's Capital Financing Requirement (CFR) increased by £30.1m, from £443.1m to £473.2m. The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be financed in future years by charges against revenue. The figure includes outstanding financing liabilities under the Schools PPP contract and finance leases. The Council manages its CFR level in line with the requirements of the Prudential Code. The Council's external debt was £362.7m (2009/10 £326.6m). The fact that this is significantly below the CFR confirms the Council is not borrowing for revenue purposes and is partly funding its capital expenditure from existing resources.

Control of Capital and Revenue Expenditure

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

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Public Private Partnership (PPP)

In December 2003, the Scottish Government confirmed their initial offer of revenue (level playing field) support of £5.73m per annum for a revised PPP project with a notional capital value of £80m for the replacement, extension and refurbishment of schools within the city. Robertson Capital Projects (RCP) were appointed preferred bidder in November 2005. In February 2007, the Council reached financial close with RCP and a Special Purpose Vehicle (Discovery Education Plc) was set up to construct and operate the schools for a period of 30 years. Construction began in March 2007. The first tranche of primary schools (Claypotts Castle, Craigowl, Downfield and St Andrews RC) were completed in May 2008. Grove Academy Phase 1 was completed in August 2008 and St Pauls RC Academy was completed in November 2008. The remaining two primary schools (Fintry and Rowantree) were completed in April 2009 and Grove Academy Phase 2 was completed in November 2009.

Pension Liability (International Accounting Standard 19)

Under International Accounting Standard 19 (Employee Benefits) the Council is required to include figures in its Statement of Accounts relating to the assets, liabilities, income and expenditure of the pension scheme for its employees. It has been estimated that the Council had a net pension liability of £225.8m as at 31 March 2011 (estimated net pension liability at 31 March 2010 was £391.5m). An increase in the real interest rate used to calculate scheme liabilities, along with a change from using RPI to using CPI when calculating pension increases, has caused the reduction in the net liability.

Statutory Trading Accounts

The Local Government in Scotland Act 2003 repealed CCT legislation and introduced a new requirement to maintain Trading Accounts for significant trading operations. In 2003/2004, the Council established a Statutory Trading Account for the services provided by Dundee Contract Services. The Statutory Trading Account (see Note 19) shows that a net deficit of £0.157m was incurred in 2010/2011 and this has been included in the Comprehensive Income & Expenditure Statement. The deficit was largely due to a significant year-on-year increase (circa £1.5m) in the notional charge made for Pension's Current Service Cost under International Accounting Standard 19. The statutory financial target is for the Trading Account to break-even over a three year rolling period. This requirement has been exceeded by £0.678m during the period 2008-2011.

Scottish Housing Quality Standard

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

Equal Pay Costs / Single Status Agreement

In the Comprehensive Income & Expenditure Statements for the period 2005-2010, net charges totalling £3,899,000 were included for this item. In addition to the costs associated with its own staff, these charges also reflected the Council's liability to meet a share (33%) of the equal pay costs for Tayside Contracts staff. The charges largely covered equal pay costs for the 5-year period to 31 March 2006 and included provision for Income Tax and National Insurance costs. The resolution of the equal pay issue was deemed to be a necessary step towards reaching agreement on the implementation of the Single Status Agreement, which will ensure ongoing equal pay for work of equal value for all employees of the Council. The Single Status Agreement was implemented by the Council on 1 April 2008 and by Tayside Contracts on 1 July 2008.

Changing for the Future

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

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Voluntary Early Retirement Schemes / Voluntary Redundancy Scheme

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

Teaching Staff and Associated Professionals

On 10 February 2011, the Special Policy & Resources Committee approved a voluntary early retirement scheme for above staff that would take effect from the end of the 2010/2011 academic session. This scheme followed a similar scheme that was made available to staff the previous year. The scheme was made available to all teaching staff and associated professionals that would be aged 55 years or over as at 14 August 2011 and were members of the Scottish Teachers Superannuation Scheme. Following approval of the scheme, the Director of Education issued correspondence to all relevant teaching staff setting out the terms and conditions of the scheme along with the procedures to be followed should they wish to apply. The closing date for applications to the above scheme was 28 February 2011. Of the 116 teaching staff that expressed an interest, 64 have been made an initial offer of early retirement and 49 of these employees have accepted. This is likely to be the final position.

Other Employees

The Policy & Resources Committee approved a voluntary early retirement scheme and a voluntary redundancy scheme for all other employees on 26 April 2010. It was envisaged when the scheme was approved that the majority of successful applicants would terminate their employment with the Council by the end of financial year 2010/2011. The scheme was available to all other (ie non-teaching) employees and successful applicants required approval by the relevant Head of Department, together with approval from the Chief Executive, Director of Finance and Head of Personnel. Staff applying and being accepted under the scheme were allowed to leave their employment early with the choice of either added years to their pension entitlement or receiving a statutory redundancy payment. Entitlement to either added years or statutory redundancy is dependent on an employee's age and whether they are members of the Local Government Pension Scheme. A report was submitted to the Policy & Resources Committee on 13 June 2011 outlining the uptake of the scheme. The total number of staff that applied under the scheme was 989. Of this total, 517 applications were progressed and considered by the Chief Executive, Director of Finance and Head of Personnel. As at 13 June 2011, a total of 256 applications were approved and decisions on 121 applications were deferred, the remaining 140 applications were either refused or the offer made was declined by the applicant. The report to the Policy & Resources Committee on 13 June 2011 summarised the financial implications of the approved applications as follows:

	2010/2011	2011/2012	2012/2013
	£000	£000	£000
Strain on Fund	(3,329)	(461)	-
Added Years	(599)	(276)	(204)
Statutory Redundancy	<u>(778)</u>	<u>(116)</u>	-
Sub Total (Costs)	(4,706)	(853)	(204)
Salary Savings	<u>1,880</u>	<u>6,366</u>	<u>6,837</u>
Total Net (Cost) / Savings	<u>(2,826)</u>	<u>5,513</u>	<u>6,633</u>

The financial implications of the Council's Voluntary Early Retirement Schemes and Voluntary Redundancy Scheme have been reflected in the 2010/2011 Statement of Accounts as necessary, in line with the relevant proper accounting practices.

Dundee Leisure / Leisure and Culture Dundee

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

In February 2011, as part of the 2011/2012 Revenue Budget setting process, it was agreed to establish a charitable organisation to manage the leisure and cultural facilities owned by the Council, with effect from 1 July 2011. The estimated savings of £334,000 were reflected in the agreed 2011/2012 Revenue Budget. It was subsequently agreed that the legal form of the new charitable organisation would be a Scottish Charitable Incorporated Organisation (SCIO) and that the SCIO would be named Leisure and Culture Dundee. The constitution of Leisure

FOREWORD BY THE DIRECTOR OF FINANCE

and Culture Dundee has now been approved by the Policy & Resources Committee and an application to establish the SCIO was approved by OSCR on 29 June 2011.

City Council Organisation Structure

In March 2011, as part of the Changing for the Future Programme, the Policy & Resources Committee approved a revised organisation structure for the Council. The new structure consists of six departments and one arms length organisation (Leisure and Culture Dundee), alongside a Chief Executive's department. The main changes are the consolidation of all Support Services including Finance into a single Corporate Services Department; all property related matters becoming the responsibility of the City Development Department; the creation of a new Leisure and Culture organisation; a new Environment Department that will include Dundee Contracts, all ground maintenance, waste management and environmental services. A Community Learning and Development Services section will be retained as part of the Chief Executive's Department. The majority of departments and the Leisure and Culture organisation will take effect from 1 July 2011, with the new Corporate Services Department taking effect from 1 April 2012. The existing Education, Social Work and Housing Departments will remain largely unchanged.

Dundee Airport

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

Tayside Contracts

Tayside Contracts is a commercially based local authority contracting organisation providing catering, cleaning, roads maintenance, vehicle maintenance and winter maintenance throughout the Tayside area of Scotland. The organisation is the commercial trading arm of the Councils of Dundee City, Angus and Perth & Kinross and employs approximately 2,500 staff operating out of in excess of 300 establishments. Tayside Contracts operates under a Joint Committee comprising of elected members from each constituent council. In terms of the City Council's accounts, Tayside Contracts is accounted for as a joint arrangement and a proportion of their assets and liabilities are included within the Group Accounts.

Group Accounts

Proper accounting practice requires local authorities to prepare supplementary Group Accounts to incorporate the results of subsidiaries, associates and joint ventures. A joint venture and five associates have been consolidated using the "equity" method in the Group Accounts. As part of the consolidation process, the City Council's accounts have been adjusted to incorporate the balances of certain directly managed funds. A further adjustment has been made to incorporate a proportion of the Balance Sheet of Tayside Contracts, which is accounted for as a joint arrangement.

The Group Consolidated Income & Expenditure Statement shows a surplus of £46.500m, a movement of £9.876m from the surplus of £36.624m shown in the Council's Consolidated Income & Expenditure Statement. This is mainly due to incorporating the Council's share of surpluses on the Consolidated Income & Expenditure Statements of the Police and Fire Boards. The impact of consolidation on the Balance Sheet is to decrease the net assets and reserves by £347.400m, when compared to the Council's Balance Sheet. This is mainly due to the impact of consolidating the Council's share of the Balance Sheets of the Police and Fire Boards. These Boards' Balance Sheets show large deficits, mainly due to the effect of accounting for pension costs under International Accounting Standard 19 (Employee Benefits).

Pension Fund Accounts

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

Tayside Superannuation Fund:

this fund is maintained for the benefit of its membership (including existing and deferred pensioners). This comprises the majority of Local Government employees within Dundee City Council, Perth and Kinross Council and Angus Council as well as 43 other "scheduled bodies" and "admitted bodies". Teachers are not included in the Scheme as they have a separate, nationally established, statutory arrangement. Membership of the Tayside Superannuation Fund decreased to 17,882 employees at 31 March 2011 from 18,425 employees at 31 March 2010. The number of pensioners on the roll at 31 March 2011 was 11,801 compared with 11,229 at 31 March 2010.

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Tayside Transport Superannuation Fund:

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

Further information can be found in the Tayside Superannuation Funds' Annual Report and Accounts which is available upon request from the Director of Finance, Dundee City Council, Floor 4, 28 Crichton Street, Dundee DD1 3RF or via Dundee City Council's website (www.dundeecity.gov.uk/pensions).

Acknowledgements

I would like to thank Bailie Willie Sawers, the Senior Councillor with responsibility for Finance, all other elected members and officers of the Council for their active support and co-operation in the effective management of the Council's finances during another challenging year. Finally, I would conclude this report by thanking all the Finance Department staff who contributed to the management and control of the Council's finances and to the finalisation of the City Council's 2010/2011 Statement of Accounts.

Marjory Stewart, FCCA, CPFA
Director of Finance
Dundee City Council
30 September 2011

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Responsibilities of the Director of Finance

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

In preparing this statement of accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Director of Finance has also:

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

The Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

Marjory Stewart, FCCA, CPFA
Director of Finance
Dundee City Council
30 September 2011

MOVEMENT IN RESERVES STATEMENT 2009/2010

Movement in Reserves Statement

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

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Repairs and Renewals Fund £000	Insurance Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2009	(7,431)	-	-	(401)	(15,884)	(3,334)	(1,048)	(28,098)	(649,745)	(677,843)
<u>Movement in reserves during 2009/10</u>										
(Surplus) or deficit on provision of services	17,928	26,627	-	-	-	-	-	44,555	-	44,555
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	169,409	169,409
Total Comprehensive Expenditure and Income	17,928	26,627	-	-	-	-	-	44,555	169,409	213,964
Adjustments between accounting basis & funding basis under regulations (note 5)	(17,662)	(26,813)	-	401	6,187	-	-	(37,887)	37,887	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	266	(186)	-	401	6,187	-	-	6,668	207,296	213,964
Transfers to/(from) Earmarked Reserves	(2,335)	186	-	-	1,545	445	159	-	-	-
(Increase)/Decrease in 2009/10	(2,069)	-	-	401	7,732	445	159	6,668	207,296	213,964

MOVEMENT IN RESERVES STATEMENT 2010/2011

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Repairs and Renewals Fund £000	Insurance Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010 carried forward	(9,500)	-	-	-	(8,152)	(2,889)	(889)	(21,430)	(442,449)	(463,879)
<u>Movement in Reserves during 2010/11</u>										
(Surplus) or deficit on provision of services	(63,285)	26,661	-	-	-	-	-	(36,624)	-	(36,624)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	(112,900)	(112,900)
Total Comprehensive Expenditure and Income	(63,285)	26,661	-	-	-	-	-	(36,624)	(112,900)	(149,524)
Adjustments between accounting basis & funding basis under regulations (note 5)	65,583	(26,763)	-	-	3,285	-	-	42,105	(42,105)	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	2,298	(102)	-	-	3,285	-	-	5,481	(155,005)	(149,524)
Transfers to/(from) Earmarked Reserves	444	102	-	-	(34)	(1,015)	503	-	-	-
(Increase)/Decrease in Year	2,742	-	-	-	3,251	(1,015)	503	5,481	(155,005)	(149,524)
Balance at 31 March 2011 carried forward	(6,758)	-	-	-	(4,901)	(3,904)	(386)	(15,949)	(597,454)	(613,403)

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

2009/2010				2010/2011			2010/11
Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000		Gross Expenditure £000	Gross Income £000	Net Expenditure/ (Income) £000	Budgeted Net Expenditure / (Income) £000
143,068	(6,072)	136,996	Education Services	149,617	(7,213)	142,404	143,124
83,399	(67,249)	16,150	General Fund Housing	87,309	(71,139)	16,170	16,503
64,268	(46,768)	17,500	Housing Revenue Account	68,105	(50,714)	17,391	17,203
35,659	(5,055)	30,604	Cultural & Related Services	32,034	(3,159)	28,875	28,657
22,995	(4,006)	18,989	Environmental Services	25,266	(4,036)	21,230	22,057
20,654	(8,012)	12,642	Roads & Transport Services	23,183	(7,783)	15,400	12,909
30,599	(8,089)	22,510	Planning & Development Services	18,859	(10,443)	8,416	8,402
106,420	(21,842)	84,578	Social Work	116,561	(22,351)	94,210	91,714
4,496	(109)	4,387	Corporate & Democratic Core	4,824	(110)	4,714	4,110
401	-	401	Non Distributed Costs	2,763	(82,160)	(79,397)	(79,397)
18,755	(15,470)	3,285	Central Services to the Public	18,237	(6,856)	11,381	15,129
35,291	-	35,291	Joint Boards	30,057	-	30,057	30,087
-	-	-	Exceptional Item – Redundancy Costs	803	-	803	803
(62)	-	(62)	Exceptional Item – Equal Pay Liability	-	-	-	-
565,943	(182,672)	383,271	Cost Of Services	577,618	(265,964)	311,654	311,301
		558	Other Operating Expenditure (note 7)			543	1,485
		29,088	Financing and Investment Income and Expenditure (note 8)			31,741	33,198
		-	(Surplus) or Deficit of Discontinued Operations			-	-
		(368,362)	Taxation and Non-Specific Grant Income (note 9)			(380,562)	(379,426)
		44,555	(Surplus) or Deficit on Provision of Services (note 17)			(36,624)	(33,442)
		(37,872)	(Surplus) or deficit on revaluation of fixed assets			(12,620)	(12,620)
		(169)	(Surplus) or deficit on revaluation of available for sale financial assets			(63)	(63)
		207,450	Actuarial (gains) / losses on pension assets / liabilities etc			(100,217)	(100,217)
		169,409	Other Comprehensive Income and Expenditure			(112,900)	(112,900)
		213,964	Total Comprehensive Income and Expenditure			(149,524)	(146,342)

BALANCE SHEET

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

1 April 2009 £000	31 March 2010 £000		Note	31 March 2011 £000
1,220,216	1,267,074	Property, Plant & Equipment	37	1,285,352
18,570	21,736	Investment Property	33	21,198
1,137	1,137	Long Term Investments	49	1,137
7,085	8,232	Long Term Debtors	49	10,672
1,247,008	1,298,179	Long Term Assets		1,318,359
13,817	579	Short Term Investments	49	622
671	920	Inventories	41	1,072
45,124	48,632	Short Term Debtors	43	43,681
-	-	Cash and Cash Equivalents	16	5,603
1,814	1,833	Assets held for sale	40	2,320
61,426	51,964	Current Assets		53,298
(131)	(7,325)	Cash and Cash Equivalents	16	-
(13,619)	(15,081)	Short Term Borrowing	49	(41,071)
(60,371)	(65,134)	Short Term Creditors	44/49	(63,903)
(74,121)	(87,540)	Current Liabilities		(104,974)
(6,808)	(4,923)	Provisions	45	(5,479)
(307,636)	(315,914)	Long Term Borrowing	49	(326,058)
(241,155)	(476,939)	Other Long Term Liabilities		(308,903)
(871)	(948)	Capital Grants Receipts in Advance	48	(12,840)
(556,470)	(798,724)	Long Term Liabilities		(653,280)
677,843	463,879	Net Assets		613,403
28,098	21,430	Usable reserves	11	15,949
649,745	442,449	Unusable Reserves	12	597,454
677,843	463,879	Total Reserves		613,403

Marjory Stewart, FCCA, CPFA
Director of Finance
Dundee City Council

The unaudited accounts were issued on 30 June 2011 and the audited accounts were authorised for issue on 30 September 2011.

CASHFLOW STATEMENT

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

2009/2010		2010/2011
£000		£000
44,555	Net (surplus) or deficit on the provision of services	(36,624)
(88,773)	Adjust net (surplus) or deficit on the provision of services for non cash movements	(22,009)
	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
<u>3,327</u>		<u>5,331</u>
(40,891)	Net cash flows from Operating Activities (note 13)	(53,302)
67,622	Investing Activities (note 14)	73,579
<u>(19,537)</u>	Financing Activities (note 15)	<u>(33,205)</u>
7,194	Net (increase) or decrease in cash and cash equivalents	(12,928)
<u>(131)</u>	Cash and cash equivalents at the beginning of the reporting period	<u>(7,325)</u>
<u>(7,325)</u>	Cash and cash equivalents at the end of the reporting period (note 16)	<u>5,603</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Accounting Policies

A General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/2011 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985. Section 12 of the Local Government in Scotland Act 2003 requires that they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

B Accruals of Income and Expenditure

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

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

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

C Acquisitions and Discontinued Operations

N/a.

D Cash and Cash Equivalents

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

E Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or when the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied

NOTES TO THE CORE FINANCIAL STATEMENTS

retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

F Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

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

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

G Construction Contracts

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

H Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Account when the Council is demonstrably committed to either terminating the employment of an employee or group of employees or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined

contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Education Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

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

- The liabilities of the Tayside Superannuation Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bond, iBoxx AA rated over 15 year corporate bond index).
 - The assets of the Tayside Superannuation Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not co-incided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
 - contributions paid to the Tayside Superannuation Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

I Events After the Reporting Period

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

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

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

J Exceptional Items

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

K Financial Liabilities

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

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

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

L Financial Assets

Financial assets are mainly classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then

NOTES TO THE CORE FINANCIAL STATEMENTS

measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the

outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

Available-for-Sale Assets

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

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

M Foreign Currency Translation

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

N Government Grants and Contributions

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

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

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

O Intangible Assets

N/a

P Interests in Companies and Other Entities

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

Q Inventories

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

R Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

NOTES TO THE CORE FINANCIAL STATEMENTS

S Jointly Controlled Operations and Jointly Controlled Assets

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

T Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the relevant accounting policies applied generally to such assets eg depreciation, revaluation and impairment review. The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Council as Lessor

Finance Leases

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

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

U Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/2011* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

V Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the

NOTES TO THE CORE FINANCIAL STATEMENTS

asset given up by the Authority. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV- SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might 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.

Disposals

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation

Reserve are transferred to the Capital Adjustment Account. Amounts received for disposals are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and

NOTES TO THE CORE FINANCIAL STATEMENTS

can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

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

Depreciation is calculated on the following bases:

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

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

W 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 Authority 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 of 4.7% 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.

X Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For example, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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.

Y Reserves

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

Z Revenue Expenditure Funded from Capital under Statute

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

AA VAT

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

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

FRS 30 - Heritage Assets: Impact of the Adoption of the New Standard on the Financial Statements - effective for the 2011/12 Financial Year

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Council, in this case, heritage assets.

As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements.

NOTES TO THE CORE FINANCIAL STATEMENTS

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council are the collections of assets and artefacts either exhibited or stored in Dundee City Council museums and galleries. The principal collections of heritage assets held in the museum include:

- ceramics, porcelain work and figurines,
- the art collection,

The collection is not currently recognised in the financial statements as no information is yet available on the cost of the assets.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the Council is able to recognise more of its collections of heritage assets in the Balance Sheet. Dundee City Council anticipates that it will be able to recognise its ceramics, porcelain works, figurines and art collection on the Balance Sheet using as its base the detailed insurance valuations (which are based on market values) and inventories of exhibits held by the Council in respect of the collection.

Dundee City Council's Museums (Exhibits only) Insurance schedule identifies that the Council currently has £7.2m of deemed heritage assets with individual values in excess of £100,000 at 31st March 2011. As these assets have not yet been recognised in the Balance Sheet this will require a corresponding increase in the Revaluation Reserve of £7.2 million, ie a revaluation gain.

There will be no depreciation charged on the heritage assets to be recognised because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Council considers that the heritage assets held will have indeterminate lives and a high residual value; hence it is not considered appropriate to charge depreciation on these assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the Council's heritage assets.

3 Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council is deemed to control the services provided under the PPP contract with Discovery Education PLC to construct, maintain and facilities-manage six new primary schools and two new secondary schools in the city. The Council is also deemed to control the residual value of the schools at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the schools (valued at £89m) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £0.7m for every year that useful lives had to be reduced.</p>
Provisions	The Council has made provisions for certain liabilities where there is a degree of uncertainty as to the amount and / or timing of settlement. Detailed information on provisions is provided in note 45.	The total value of provisions in the Council's balance sheet at 31 March 2011 is £5.479m. 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.	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £23.2m.</p> <p>However, the assumptions interact in complex ways. During 2010/2011, the Council's actuaries advised that the net pensions liability had decreased by £3.8m as a result of estimates being corrected as a result of experience and also decreased by a further £98.3m attributable to updating of the assumptions.</p>
Debtors / Non-collection Provisions	At 31 March 2011, the Authority has a gross balance for short-term sundry debtors of £66.875m, including local taxation and housing rent debtors. A review of the different categories of debt has concluded that an overall allowance for doubtful debts of £23.195m is appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. Detailed information on bad debt provisions provided in note 45.	If collection rates were to deteriorate, an increase in the amount provided for doubtful debts would require to be charged.

NOTES TO THE CORE FINANCIAL STATEMENTS 2009/2010

5. **Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations**

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

	Usable Reserves							Movement in Unusable Reserves £000	Total 2009/2010 £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Renewal & Repair Fund £000	Insurance Fund £000		
Adjustments involving the Capital Adjustment Account:									
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>									
Charges for depreciation and impairment of non current assets	(47,981)	(33,031)	-	-	-	-	-	81,012	-
Revaluation losses on Property, Plant and Equipment	-	-	-	-	-	-	-	-	-
Movements in the market value of Investment Properties	1,689	-	-	-	-	-	-	(1,689)	-
Capital grants and contributions that have been applied to capital financing	19,630	67	-	-	-	-	-	(19,697)	-
Revenue expenditure funded from capital under statute	-	-	-	-	-	-	-	-	-
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	(725)	(4,006)	-	-	-	-	-	4,731	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>									
Statutory provision for the financing of capital investment	13,114	7,728	-	-	-	-	-	(20,842)	-
Capital expenditure charged against the General Fund and HRA balances	508	141	-	-	-	-	-	(649)	-

NOTES TO THE CORE FINANCIAL STATEMENTS 2009/2010

	Usable Reserves								
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Renewal & Repair Fund £000	Insurance Fund £000	Movement in Unusable Reserves £000	Total 2009/2010 £000
Adjustments involving the Capital Receipts Reserve:									
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	619	2,708	(3,327)	-	-	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	3,327	-	6,187	-	-	(9,514)	-
Adjustment involving the Capital Grants Unapplied Account:									
Application of grants to capital financing	-	-	-	401	-	-	-	(401)	-
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	73	(135)	-	-	-	-	-	62	-
Adjustments involving the Pensions Reserve:									
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 29)	(27,384)	(2,028)	-	-	-	-	-	29,412	-
Employer's pensions contributions and direct payments to pensioners payable in the year	22,074	1,652	-	-	-	-	-	(23,726)	-

NOTES TO THE CORE FINANCIAL STATEMENTS 2009/2010

Usable Reserves

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Renewal & Repair Fund £000	Insurance Fund £000	Movement in Unusable Reserves £000	Total 2009/2010 £000
Adjustment involving the Accumulating Compensated Absences Adjustment Account									
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	721	91	-	-	-	-	-	(812)	-
Total Adjustments 2009/2010	(17,662)	(26,813)	-	401	6,187	-	-	37,887	-

NOTES TO THE CORE FINANCIAL STATEMENTS 2010/2011

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

NOTES TO THE CORE FINANCIAL STATEMENTS 2010/2011

Usable Reserves

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Renewal & Repair Fund £000	Insurance Fund £000	Movement in Unusable Reserves £000	Total 2010/2011 £000
Adjustments involving the Capital Receipts Reserve:									
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,622	2,709	(10,495)	-	5,164	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	10,495	-	-	-	(10,495)	-	-
Adjustment involving the Capital Grants Unapplied Account:									
Application of grants to capital financing	-	-	-	-	-	-	-	-	-
Adjustments involving the Financial Instruments Adjustment Account:									
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(6)	(10)	-	-	-	-	-	16	-
Adjustments involving the Pensions Reserve:									
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 29)	38,975	(1,512)	-	-	-	-	-	(37,463)	-
Employer's pensions contributions and direct payments to pensioners payable in the year	26,457	1,630	-	-	-	-	-	(28,087)	-

NOTES TO THE CORE FINANCIAL STATEMENTS 2010/2011

Usable Reserves

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Renewal & Repair Fund £000	Insurance Fund £000	Movement in Unusable Reserves £000	Total 2010/2011 £000
Adjustment involving the Accumulating Compensated Absences Adjustment Account									
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(244)	(59)	-	-	-	-	-	303	-
Total Adjustments 2010/2011	65,583	(26,763)	-	-	3,285	-	-	(42,105)	-

NOTES TO THE CORE FINANCIAL STATEMENTS

6. Movement in Reserves Statement – Transfers to/from Earmarked Reserves

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

2010/2011	Balance at 1 April 2010 £000	Transfers Out 2010/2011 £000	Transfers In 2010/2011 £000	Balance at 31 March 2011 £000	Purpose of the Earmarked Reserve
General Fund:					
Schools' DSM Balances	(185)	-	(123)	(308)	Balance of funds devolved to schools
Car Parking Balances	(640)	79	-	(561)	To fund future car parking projects
Total - Earmarked Balances	(825)	79	(123)	(869)	
Other General Fund Balances	(8,675)	2,786	-	(5,889)	
Total - General Fund Balances	(9,500)	2,865	(123)	(6,785)	

2009/2010	Balance at 1 April 2009 £000	Transfers Out 2009/2010 £000	Transfers In 2009/2010 £000	Balance at 31 March 2010 £000	Purpose of the Earmarked Reserve
General Fund:					
Schools' DSM Balances	(364)	179	-	(185)	Balance of funds devolved to schools
Car Parking Balances	(811)	171	-	(640)	To fund future car parking projects
Total - Earmarked Balances	(1,175)	350	-	(825)	
Other General Fund Balances	(6,256)	-	(2,419)	(8,675)	
Total - General Fund Balances	(7,431)	350	(2,419)	(9,500)	

NOTES TO THE CORE FINANCIAL STATEMENTS

7	Comprehensive Income and Expenditure Statement – Other Operating Expenditure		2010/2011
	2009/2010		£000
	-	Levies	-
	(598)	(Gains) / losses on trading operations (note 19)	157
	(248)	Share of Tayside Contracts Surplus	(372)
	1,404	(Gains) / losses on the disposal of non current assets	758
	558	Total	543

8	Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure		2010/2011
	2009/2010		£000
	21,620	Interest payable and similar charges	22,956
	10,904	Pensions interest cost and expected return on pensions assets	9,546
	(799)	Interest receivable and similar income	(444)
	(1,689)	Changes in the fair value of investment properties	(177)
	(948)	Net income from investment properties	(140)
	29,088	Total	31,741

9	Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Income		2010/2011
	2009/2010		£000
	(57,323)	Council Tax income	(57,701)
	(77)	Residual Community Charge income	(94)
	(59,674)	Contribution from national non domestic rates pool	(56,850)
	(231,591)	Non-ringfenced government grants	(246,223)
	(19,697)	Capital grants and contributions	(19,694)
	(368,362)	Total	(380,562)

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

IAS 19 Pension Costs

In the UK Budget Statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Council's liabilities in the Local Government Pension Scheme (Tayside Superannuation Fund) by £83.683m. This has been recognised as a Past Service Gain in the Consolidated Income & Expenditure Statement in 2010/2011, in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the Council's General Fund.

Exceptional Item – Redundancy Costs

The Consolidated Income & Expenditure Statement includes a charge of £803,000 in 2010/2011 for redundancy costs (2009/2010 Nil). This relates to redundancy payments to staff of General Services departments who have elected to terminate their employment contract under the Council's voluntary redundancy scheme.

NOTES TO THE CORE FINANCIAL STATEMENTS

11 Balance Sheet – Usable Reserves

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

12 Balance Sheet – Unusable Reserves

31 March 2010 £000	31 March 2011 £000
(508,322) Revaluation Reserve	(507,045)
(203) Available for Sale Financial Instruments Reserve	(246)
(343,247) Capital Adjustment Account	(334,019)
5,915 Financial Instruments Adjustment Account	5,912
391,547 Pensions Reserve	225,780
11,861 Accumulating Compensated Absences Adjustment Account	12,164
(442,449) Total Unusable Reserves	(597,454)

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.

2009/2010 £000	2010/2011 £000
(490,339) Balance at 1 April	(508,322)
(46,358) Upward revaluation of assets	(18,332)
8,486 Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	5,712
(37,872) Surplus or deficit on revaluation of non-current assets posted to the Comprehensive Income and Expenditure Statement	(12,620)
13,546 Difference between fair value depreciation and historical cost depreciation	3,650
3,171 Accumulated gains on assets sold or scrapped	10,247
3,172 Accumulated gains written-out on Investment Properties	-
19,889 Amount written off to the Capital Adjustment Account	13,897
(508,322) Balance at 31 March	(507,045)

NOTES TO THE CORE FINANCIAL STATEMENTS

Available for Sale Financial Instruments Reserve

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

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

2009/2010		2010/2011
£000		£000
(34)	Balance at 1 April	(203)
(194)	Upward revaluation of investments	(70)
26	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	28
(168)		(42)
(1)	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	(1)
(203)	Balance at 31 March	(246)

NOTES TO THE CORE FINANCIAL STATEMENTS

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/2010 £000		2010/2011 £000
(356,309)	Balance at 1 April	(343,247)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
81,012	• Charges for depreciation and impairment of non current assets	68,958
-	• Revaluation losses on Property, Plant and Equipment	-
-	• Revenue expenditure funded from capital under statute	-
4,731	• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	6,089
85,743		75,047
(19,889)	Adjusting amounts written out of the Revaluation Reserve	(13,897)
65,854	Net written out amount of the cost of non current assets consumed in the year	61,150
	Capital financing applied in the year:	
(9,514)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(10,495)
(19,697)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(17,815)
(401)	• Application of grants to capital financing from the Capital Grants Unapplied Account	-
(20,842)	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(22,483)
(649)	• Capital expenditure charged against the General Fund and HRA balances	(1,011)
(51,103)		(51,804)
(1,689)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(178)
-	Write -off of soft loan where advance from consolidated loans fund has already been fully repaid	60
(343,247)	Balance at 31 March	(334,019)

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Instruments Adjustment Account

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

2009/2010 £000		2010/2011 £000
5,853	Balance at 1 April	5,915
	- Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
(128)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(128)
210	Difference in interest on stepped rate loans (existing at 31 March 2007)	161
(20)	Difference in interest on soft loans (existing at 31 March 2007)	(17)
62	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	16
-	Adjustment to opening amortised cost of soft loans (credited to Other Comprehensive Income & Expenditure)	(19)
5,915	Balance at 31 March	5,912

NOTES TO THE CORE FINANCIAL STATEMENTS

Pensions Reserve

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

2009/2010 £000		2010/2011 £000
178,411	Balance at 1 April	391,547
207,610	Actuarial gains or losses on pensions assets and liabilities	(102,127)
(160)	Difference between actuarial pensions contribution figure and actual pensions contribution figure	1,910
29,412	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	(37,463)
(23,726)	Employer's pensions contributions and direct payments to pensioners payable in the year	(28,087)
391,547	Balance at 31 March	225,780

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.

2009/2010 £000		2010/2011 £000
12,673	Balance at 1 April	11,861
(12,673)	Settlement or cancellation of accrual made at the end of the preceding year	(11,861)
11,861	Amounts accrued at the end of the current year	12,164
(812)	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	303
11,861	Balance at 31 March	12,164

NOTES TO THE CORE FINANCIAL STATEMENTS

13 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/2010 £000		2010/2011 £000
(1,950)	Interest received	(517)
22,067	Interest paid	22,654
(23)	Dividends received	(20)

14 Cash Flow Statement – Investing Activities

2009/2010 £000		2010/2011 £000
69,296	Purchase of property, plant and equipment, investment property and intangible assets	76,611
-	- Purchase of short-term and long-term investments	-
1,947	Other payments for investing activities	3,170
(3,255)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,692)
-	- Proceeds from short-term and long-term investments	-
(366)	Other receipts from investing activities	(510)
67,622	Net cash flows from investing activities	73,579

15 Cash Flow Statement – Financing Activities

2009/2010 £000		2010/2011 £000
(52,477)	Cash receipts of short- and long-term borrowing	(36,688)
-	- Other receipts from financing activities	-
2,394	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,538
30,546	Repayments of short- and long-term borrowing	945
-	- Other payments for financing activities	-
(19,537)	Net cash flows from financing activities	(33,205)

16 Cash Flow Statement – Cash and Cash Equivalents

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

31 March 2010 £000		31 March 2011 £000
104	Cash held by officers	104
(20,579)	Bank current accounts	(6,806)
13,150	Short-term deposits with building societies	12,305
(7,325)	Total cash and cash equivalents	5,603

NOTES TO THE CORE FINANCIAL STATEMENTS

17 Amounts Reported for Resource Allocation Decisions

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

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

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

Departments / Budget Heads Reported to Policy & Resources Committee

Department / Budget Head	Actual Net Expenditure 2009/2010 £000	Actual Net Expenditure 2010/2011 £000
Education	131,972	137,228
Social Work	84,313	93,963
City Development	34,734	23,388
Leisure & Communities	33,443	31,559
Waste Management	16,090	18,041
Environmental Health & Trading Standards	3,286	3,472
Central Support Services	4,018	4,770
Miscellaneous Services	4,846	13,068
Other Housing	2,491	2,247
Supporting People	12,389	12,318
DCS Land Services Client	2,366	2,207
Contribution to Tayside Joint Police Board	18,836	16,152
Contribution to Tayside Fire & Rescue Board	15,447	12,887
Contribution to Tayside Valuation Joint Board	1,008	1,018
Miscellaneous Income	(248)	(372)
DCS Contracting Activities & Land Services	(598)	157
Capital Financing Costs / IORB	41,662	44,995
Discretionary Non Domestic Rates Relief	153	160
Supplementary Superannuation Costs	1,712	6,198
Resources Transferred from Capital Programme	(1,600)	-
Exceptional Item – Redundancy Costs	-	803
Housing Revenue Account	<u>17,499</u>	<u>17,391</u>
Total Net Expenditure	<u>423,819</u>	<u>441,650</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

	Actual Net Expenditure 2009/2010	Actual Net Expenditure 2010/2011
	£000	£000
Net Expenditure in Departments / Budget Heads Reported to Policy & Resources Committee (see table above)	423,819	441,650
Add amounts in the Comprehensive Income & Expenditure Statement but not reported to the Policy & Resources Committee:		
Net (surplus) / deficit on Insurance Account	194	539
Exceptional Item – Equal Pay Liability	(62)	-
Non Distributed Costs	401	(79,397)
	533	(78,858)
Less amounts reported to the Policy & Resources Committee but not included in the Cost of Services in the Comprehensive Income & Expenditure Statement:		
Share of Tayside Contracts surplus	248	372
Dundee Contracts Services surplus / (deficit)	598	(157)
Capital Financing Costs / IORB	(41,662)	(44,995)
Discretionary Non Domestic Rates Relief	(153)	(160)
Resources Transferred from Capital Programme	1,600	-
Supplementary Superannuation Costs	(1,712)	(6,198)
	(41,081)	(51,138)
Cost of Services in the Comprehensive Income & Expenditure Statement	383,271	311,654

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

Subjective Analysis of Surplus or Deficit on the Provision of Services

Income / Cost Heading	2010/2011 £000
Fees, charges & other service income	(230,521)
Interest & investment income	(761)
Income from Council Tax	(57,795)
Government grants & contributions	(390,603)
Employee expenses	250,437
Other service expenses	235,831
Support services recharges	34,051
Depreciation, impairment & amortisation	68,958
Interest payments	22,964
Joint Board contributions	30,057
Gain or loss on disposal of non-current assets	758
(Surplus) or Deficit on the Provision of Services	(36,624)

18 Acquired and Discontinued Operations

The Council had no acquired or discontinued operations in 2010/2011 (2009/2010 Nil).

NOTES TO THE CORE FINANCIAL STATEMENTS

19 Trading Operations

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

		2008/09	2009/10	2010/11
		£000	£000	£000
Dundee Contract Services (Construction) is geared to maintain, repair and modernise houses and other public buildings. It has the technical expertise and capability to undertake most types of building construction work and provides services of a specialist nature such as lift and gas central heating maintenance. Cumulative surplus over last three financial years: £390k	Turnover	(22,254)	(23,876)	(26,104)
	Expenditure	21,845	23,478	26,597
	(Surplus) / Deficit	(409)	(398)	493
Dundee Contract Services (Land Services) provides a comprehensive grounds maintenance service including new landscape works, forestry, fencing and arboriculture works for publicly owned sites, forests, open spaces and landscaped areas. Cumulative surplus over last three financial years: £386k	Turnover	(4,985)	(5,146)	(5,918)
	Expenditure	5,059	5,044	5,582
	(Surplus) / Deficit	74	(102)	(336)
An internal recharge value must be eliminated from the consolidated turnover and consolidated expenditure. This is DCS Land Services share of overall departmental administration costs.	Turnover	479	494	619
	Expenditure	(479)	(494)	(619)
	(Surplus) / Deficit	0	0	0
The consolidated results of the two Council trading areas i.e. consolidated cumulative surplus over the last 3 financial years: £776k	Turnover	(26,760)	(28,528)	(31,403)
	Expenditure	26,425	28,028	31,560
	(Surplus) / Deficit	(335)	(500)	157

The overall net deficit in 2010/2011 of £0.157m is largely due to a significant year-on-year increase (circa £1.5m) in the notional charge made for Pension's Current Service Cost under IAS 19.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The net surplus or deficit on trading operations is shown as Other Operating Expenditure (see note 7).

NOTES TO THE CORE FINANCIAL STATEMENTS

20 Agency Services

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

	2009/10 Income £000	2009/10 Expenditure £000	2010/11 Income £000	2010/11 Expenditure £000
Special Education services to Angus Council	687	687	702	702
Provision of Social Work Services to NHS Tayside	8,089	8,089	8,618	8,618
Various Social Work Services to Perth & Kinross Council	197	197	80	80
Various Social Work Services to Angus Council	175	175	119	119
Total	9,148	9,148	9,519	9,519

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

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

22 Pooled Budgets 2010/11

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

	2009/10 £000	2010/11 £000
Funding provided to the pooled budget:		
Dundee City Council	518	389
NHS Tayside	455	349
Surplus carried forward	0	111
	973	849
Expenditure met from the pooled budget:	862	764
Net surplus arising from the pooled budget during the year	111	85

NOTES TO THE CORE FINANCIAL STATEMENTS

23 **Members' Allowances**

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

	2009/10 £000	2010/11 £000
Salaries	557	558
Allowances	40	41
Expenses	21	17
Total	<u>618</u>	<u>616</u>

24 **Officers' Remuneration**

The remuneration paid to the Council's senior employees is detailed in the remuneration report on page 103

25 **External Audit Costs**

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

	2009/10 £000	2010/11 £000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	420	385
Fees payable in respect of other services provided by the appointed auditor during the year	-	-
Total	<u>420</u>	<u>385</u>

26 **Dedicated Schools Grant**

Not applicable (applies in England only).

27 **Termination Benefits**

In April 2010 the Council approved a voluntary redundancy scheme for employees. The scheme allowed employees to leave in advance of their normal retirement age, in exchange for a statutory redundancy payment. During 2010/11, 108 employees accepted voluntary redundancy for which the Council incurred the redundancy costs of £913,000 (2009/2010 None).

NOTES TO THE CORE FINANCIAL STATEMENTS

28 Pensions Schemes Accounted for as Defined Contribution Schemes

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

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

In 2010/11, the Council paid £12.0m to Teachers' Pensions in respect of teachers' retirement benefits, representing 21.0% of pensionable pay. The figures for 2009/10 were £12.0m and 21.3%. There were no contributions remaining payable at the year-end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and included in note 29.

29 Defined Benefit Pension Schemes

Participation in pension schemes

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

The Council participates in two post employment schemes:

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

Transactions relating to post employment benefits

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme and Discretionary Benefits Arrangements	
	2010/2011	2009/2010
	£000	£000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
• current service cost	33,656	18,223
• past service costs	(83,683)	151
• (Gains)/Losses on settlements and curtailments	3,018	134
 <i>Financing and Investment Income and Expenditure</i>		
• interest cost	57,636	43,962
• expected return on scheme assets	(48,090)	(33,058)
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	(37,463)	29,412
 <i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
• Difference between actuarial pensions contribution figure and actuarial pensions contribution figure	1,910	(160)
• actuarial gains and losses	(102,127)	207,610
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	(137,680)	236,862
 <i>Movement in Reserves Statement</i>		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	137,680	(236,862)
 <i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
• employers' contributions payable to scheme	28,087	23,726

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a loss of £90.904m (31 March 2010 loss of £193.031m).

NOTES TO THE CORE FINANCIAL STATEMENTS

In the UK Budget Statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Council's liabilities in the Local Government Pension Scheme (Tayside Superannuation Fund) by £83.683m. This has been recognised as a Past Service Gain in

accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the Council's General Fund.

Assets and liabilities in relation to post employment benefits

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

	Liabilities: Local Government Pension Scheme and Discretionary Benefits	
	2010/2011	2009/2010
	£000	£000
Opening balance at 1 April	1,044,044	656,324
Current service cost	33,656	18,223
Interest cost	57,636	43,962
Contributions by scheme participants	7,701	7,608
Settlements and curtailments	3,018	134
Actuarial gains and losses	(98,176)	343,841
Benefits paid	(31,802)	(24,586)
Past service costs	(83,683)	151
Unfunded pension payments	(2,233)	(1,613)
Closing balance at 31 March	930,161	1,044,044

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

	Local Government Pension Scheme	
	2010/2011	2009/2010
	£000	£000
Opening balance at 1 April	652,497	477,913
Expected rate of return	48,090	33,058
Actuarial gains and losses	3,951	136,231
Employer contributions	26,177	23,886
Contributions by scheme participants	7,701	7,608
Benefits paid	(34,035)	(26,199)
Closing balance at 31 March	704,381	652,497

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

The actual return on scheme assets in the year was £52.040m (2009/2010: £169.288m).

NOTES TO THE CORE FINANCIAL STATEMENTS

Scheme history

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present value of liabilities:					
Local Government Pension Scheme and Discretionary Benefits	(753,301)	(586,149)	(656,324)	(1,044,044)	(930,161)
Fair value of assets in the Local Government Pension Scheme					
	599,956	586,149	477,913	652,497	704,381
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme and Discretionary Benefits	(153,345)	(120,630)	(178,411)	(391,547)	(225,780)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £225.780m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £23.154m. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2012 are £1.92m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Tayside Superannuation Fund being based on the latest full valuation of the scheme as at 1 April 2008.

NOTES TO THE CORE FINANCIAL STATEMENTS

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme and Discretionary Benefits	
	2010/2011	2009/2010
Long-term expected rate of return on assets in the scheme:		
Equity investments	8.2%	8.3%
Bonds	5.5%	5.5%
Other	3.0%	3.0%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.4	21.4
Women	24.4	24.4
Longevity at 65 for future pensioners:		
Men	22.3	22.3
Women	25.3	25.3
Rate of inflation	3.5%	3.9%
Rate of increase in salaries	5.0%	5.4%
Rate of increase in pensions	2.7%	3.9%
Rate for discounting scheme liabilities	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

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

	31 March 2011	31 March 2010
	%	%
Equity investments	72	72
Debt Instruments	17	17
Other assets	11	11
	100	100

NOTES TO THE CORE FINANCIAL STATEMENTS

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Differences between the expected and actual return on assets	1.9	(12.0)	(32.5)	20.9	0.6
Experience gains and losses on liabilities	(0.0)	(0.0)	(0.8)	(0.0)	(0.0)

30 Events After the Balance Sheet Date

There were no events that occurred between 1 April 2011 and 30 September 2011 that would require adjustment to the 2010/2011 financial statements. The latter date is the date on which the audited accounts were authorised for issue by the Director of Finance.

31 Related Parties

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

Central Government

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 17 on amounts reported to decision makers. Grant receipts outstanding at 31 March 2011 are shown in note 48.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid is provided in note 23. Further details of senior members remuneration is included in the Remuneration Report (page 103). Under the Councillors' Code of Conduct, members are required to declare an interest in matters that directly or indirectly may influence, or be thought to influence, their actions as a Councillor. Membership of statutory Joint Boards or Committees, which are composed exclusively of Councillors does not raise any issue of declaration of interest in regard to Council business. In terms of any other relevant parties, those members with declarations of interest did not take part in any discussion or decisions relating to transactions with these parties. A copy of the Register of Members Interest can be obtained from Depute Chief Executive (Support Services), 21 City Square, Dundee or alternatively through 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 103). 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.

Other Public Bodies

The Council has a partnership arrangement with NHS Tayside to provide services for disabled people, their carers and people with health issues living in Dundee. Further information on this arrangement together with a list of transactions and balances outstanding are detailed separately in note 22.

NOTES TO THE CORE FINANCIAL STATEMENTS

Pension Fund

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

During 2009/2010		As at 31 March 2010			During 2010/2011		As at 31 March 2011	
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
1,038	-	1,038	-	Tayside Superannuation Fund	1,063	-	1,063	-

Other Entities Controlled or Significantly Influenced by the Authority

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

During 2009/2010		Restated As at 31 March 2010			During 2010/2011		As at 31 March 2011	
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
1,161	5,477	3,595	188	Dundee Energy Recycling Ltd	847	6,385	3,633	49
153	164	30	-	Dundee City Developments Ltd	24	164	7	-
1	226	86	-	Dundee Ice Arena Ltd	34	183	115	-
1	371	106	-	Dundee Contemporary Arts Ltd	1	372	145	1
19	542	2	1	Dovetail Enterprises (1993) Ltd	70	372	-	4
295	45	1,154	2	Tayside Fire & Rescue Board	166	52	918	2
796	878	3,351	183	Tayside Joint Police Board	1,193	1,136	3,321	195
1,685	22,660	6,139	2,547	Tayside Contracts	1,802	24,806	7,354	3,378
214	8	129	2	Tayside Valuation Joint Board	46	3	96	2
243	26	83	87	Tay Road Bridge Joint Board	91	22	25	146
37	809	213	155	Dundee Leisure Ltd	69	869	219	18
-	11,032	-	-	Discovery Education PLC	-	11,092	-	-
-	61	-	137	Tay Plan	8	61	-	185

NOTES TO THE CORE FINANCIAL STATEMENTS

32 Leases

Authority as Lessee

Finance Leases

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

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

	31 March 2010 £000	31 March 2011 £000
Vehicles, Plant, Furniture and Equipment	1,572	1,269
	1,572	1,269

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

	31 March 2010 £000	31 March 2011 £000
Finance lease liabilities:		
• current	360	371
• non current	786	414
Finance costs payable in future years	78	42
Minimum lease payments	1,224	827

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

	31 March 2010 £000	31 March 2011 £000
Not later than one year	396	396
Later than one year and not later than five years	828	431
Later than five years	-	-
	1,224	827

Operating Leases

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

	31 March 2010 £000	31 March 2011 £000
Not later than one year	441	1,163
Later than one year and not later than five years	2,126	1,161
Later than five years	409	178
	2,976	2,502

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2009/10 £000	2010/11 £000
Minimum lease payments	1,792	1,661
Less Employers Contributions	(423)	(369)
	1,369	1,292

Authority as Lessor

Finance Leases

There were no assets leased to third parties on finance lease during 2010/11 (2009/2010 None).

Operating Leases

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

- commercial and industrial properties that are leased out for the policy objectives e.g. economic development purposes to provide suitable affordable accommodation for local businesses
- ground leases for various sites including shopping centres, other commercial developments, telecommunications and advertising sites
- waste-to-energy plant that was purchased from and leased back to Dundee Energy Recycling Limited following financial restructuring of company in March 2004

The aggregate rentals receivable from these agreements in 2010/11 was £4.815m (2009/10 £5.850m)

33 **Investment Properties**

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

	2009/10 £000	2010/11 £000
Rental income from investment property	955	171
Direct operating expenses arising from investment property	(7)	(31)
Net gain/(loss)	948	140

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2009/10 £000	2010/11 £000
Balance at start of the year	18,570	21,736
Disposals	-	(84)
Net gains/losses from fair value adjustments	-	177
Transfers:		
- to/from Inventories	-	-
- to/from Property, Plant and Equipment	3,166	(450)
Other changes	-	(181)
Balance at end of the year	21,736	21,198

34 Intangible Assets

The Council held no Intangible Assets as at 31 March 2011 (31 March 2010 Nil).

35 Impairment Losses

Impairment losses charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account during 2010/2011 totalled £31,786,726 (2009/2010 £41,534,198). Of this total, £26,405,729 (2009/2010 £28,083,581) related to expenditure in the year which did not add value to assets - £18,019,869 (2009/2010 £19,147,535) relating to expenditure on Council Houses, £5,713,821 (2009/2010 3,035,525) relating to expenditure on schools and the remaining £2,672,039 (2009/2010 £5,900,521) relating to expenditure on other Council land & buildings. The remaining £5,380,997 (2009/2010 £13,450,617) related to impairment charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account as a result of revaluation losses relating to land and buildings, for which there was no revaluation reserve balance to offset the loss.

36 Capitalisation of Borrowing Costs

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

NOTES TO THE CORE FINANCIAL STATEMENTS

37. Property, Plant and Equipment

Movements on Balances

Movements in 2010/11:

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
Accumulated Depreciation and Impairment								
At 1 April 2010	(12,960)	(19,126)	(59,627)	(42,809)	-	-	(134,522)	(1,080)
Depreciation charge	(12,980)	(14,015)	(4,921)	(5,255)	-	-	(37,171)	(1,483)
Depreciation written out to the Revaluation Reserve	-	741	-	-	-	-	741	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	2,921	-	-	-	-	2,921	-
Derecognition – Disposals	1,502	-	700	-	-	-	2,202	-
At 31 March 2011	(24,438)	(29,479)	(63,848)	(48,064)	-	-	(165,829)	(2,563)
Net Book Value								
At 31 March 2011	567,165	546,526	24,914	93,135	1,549	52,063	1,285,352	89,000
At 31 March 2010	582,635	553,188	25,463	86,222	1,549	18,016	1,267,073	90,483

NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative Movements in 2009/10:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2009	598,594	527,042	79,911	116,889	1,549	18,334	1,342,319	66,290
Additions	20,378	31,044	5,706	12,142	-	26,340	95,610	25,273
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	24,448	-	-	-	-	24,448	-
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(19,166)	(5,522)	-	-	-	-	(24,688)	-
Derecognition – Disposals	(4,211)	(526)	(527)	-	-	-	(5,264)	-
Assets reclassified (to)/from Held for Sale	-	(20)	-	-	-	-	(20)	-
Other movements in Cost or Valuation	-	(4,152)	-	-	-	(26,658)	(30,810)	-
At 31 March 2010	595,595	572,314	85,090	129,031	1,549	18,016	1,401,595	91,563

NOTES TO THE CORE FINANCIAL STATEMENTS

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
At 1 April 2009	-	(28,785)	(55,281)	(38,038)	-	-	(122,104)	
Depreciation charge	(13,166)	(16,718)	(4,709)	(4,771)	-	-	(39,364)	(1,080)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition – Disposals	206	-	363	-	-	-	569	-
Derecognition - Others		26,377					26,377	
At 31 March 2010	(12,960)	(19,126)	(59,627)	(42,809)	-	-	(134,522)	(1,080)
Net Book Value								
At 31 March 2010	582,635	553,188	25,463	86,222	1,549	18,016	1,267,073	90,483

NOTES TO THE CORE FINANCIAL STATEMENTS

Depreciation

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

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

Capital Commitments

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £42m. Similar commitments at 31 March 2010 were £25m. The major commitments are:

- Allan Street Swimming Pool £20m
- Allan Street Multi Storey Car Park £6m
- Whitfield Primary School £6m
- Dundee House £2.5m
- Council Houses (New Build) £5.7m

Effects of Changes in Estimates

In 2010/11, the Council did not make any material changes to its accounting estimates for Property, Plant and Equipment:

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. 2010/11 is the second year of the current revaluation programme. All valuations were carried out internally and valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000
Carried at historical cost	-	1,597	1,597
Valued at fair value as at:			
31 March 2011	8,570	-	8,570
31 March 2010	23,433	-	23,433
Total Cost or Valuation	32,003	1,597	33,600

38 **Capital Expenditure and Capital Financing**

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	2010/11	2009/10
	£000	£000
<i>Opening Capital Financing Requirement</i>	443,132	397,774
<i>Capital investment</i>		
Property, Plant and Equipment	80,475	96,228
Investment Properties	-	-
Intangible Assets	-	-
Revenue Expenditure Funded from Capital under Statute	-	-
Other Capital Expenditure	1,520	361
<i>Sources of finance:</i>		
Capital receipts	(5,331)	(9,515)
Government grants and other contributions	(22,979)	(20,100)
Sums set aside from revenue:		
• Direct revenue contributions	(1,011)	(649)
• Loans fund principal	(22,483)	(20,843)
Government grants and other contributions	(158)	(124)
<i>Closing Capital Financing Requirement</i>	473,165	443,132
<i>Explanation of movements in year</i>		
Increase in underlying need to borrowing (supported by government financial assistance)	7,313	7,313
Increase in underlying need to borrowing (unsupported by government financial assistance)	25,258	15,252
Assets acquired under finance leases	(360)	(349)
Assets acquired under PFI/PPP contracts	(2,178)	23,142
<i>Increase/(decrease) in Capital Financing Requirement</i>	30,033	45,358

39 Private Finance Initiatives and Similar Contracts

Education Services PPP Scheme

2010/2011 was the third year of a 30 year 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 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 Council's Balance Sheet as tangible fixed assets. Movements in their value over the year are detailed in the analysis of the movement on the property, plant and equipment balance in note 37.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 PPP contract at 31 March 2011 (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 2011-12	2,578	1,897	4,407	651	9,533
Payable within 2-5 years	10,973	8,613	18,268	2,712	40,566
Payable within 6 - 10 years	15,332	10,136	23,800	7,411	56,679
Payable within 11 - 15 years	17,347	13,746	26,183	6,851	64,127
Payable within 16 - 20 years	19,626	17,155	27,453	8,319	72,553
Payable within 21 - 25 Years	22,206	21,369	29,106	9,408	82,089
Payable within 26 - 30 years	9,862	11,690	13,589	1,323	36,464
TOTAL	97,924	84,606	142,806	36,675	362,011

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

	2010/11 £000	2009/10 £000
Balance outstanding at the start of the year	86,784	63,643
Payments during the year	(2,178)	(2,045)
Capital expenditure incurred in the year	-	25,186
Balance outstanding at year end	84,606	86,784

40 **Assets Held for Sale**

	Current Assets	
	2009/10 £000	2010/11 £000
Balance outstanding at start of year	1,814	1,833
Assets newly classified as held for sale:		
• Property, Plant and Equipment	133	905
• Intangible Assets	-	-
• Other assets/liabilities in disposal groups	-	182
Revaluation losses	(100)	-
Revaluation gains	-	539
Assets sold	(14)	(1,705)
Other movements	-	566
Balance outstanding at year-end	1,833	2,320

NOTES TO THE CORE FINANCIAL STATEMENTS

41 Inventories

	Consumable Stores		Maintenance Materials		Client Services Work in Progress		Property Acquired or Constructed for Sale		Total	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance outstanding at start of year	865	633	27	27	28	254	-	-	920	914
Purchases	1,561	1,860	327	349	2,096	424	-	-	3,984	2,633
Recognised as an expense in the year	(1,453)	(1,628)	(318)	(349)	(2,070)	(650)	-	-	(3,841)	(2,627)
Written off balances	-	-	-	-	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-	-	-
Other Adjustments	(3)	-	-	-	12	-	-	-	9	-
Balance outstanding at year-end	970	865	36	27	66	28	-	-	1,072	920

42 Construction Contracts

At 31 March 2011 the Council had various minor construction contracts in progress totalling £66,399. The value of work completed at 31 March 2011 has been established using a stage of completion methodology based on the internal billing system's valuation of work carried out but not yet charged to the client at the year-end.

43 Debtors

	31 March 2011 £000	31 March 2010 £000
Central government bodies	13,141	9,483
Other local authorities	5,967	1,442
NHS bodies	2,557	2,054
Public corporations and trading funds	2,513	3,380
Other entities and individuals	19,503	32,273
Total	43,681	48,632

44 Creditors

	31 March 2011 £000	31 March 2010 £000
Central government bodies	10,779	6,007
Other local authorities	7,293	2,486
NHS bodies	405	453
Public corporations and trading funds	4,440	4,444
Other entities and individuals	40,986	51,744
Total	63,903	65,134

NOTES TO THE CORE FINANCIAL STATEMENTS

45 Provisions

	Council Tax Income– Exemptions/ Discounts £000	Self-Insured / Uninsured Losses– Dundee City Council £000	Self-Insured/ Uninsured Losses– Tayside Regional Council £000	Self-Insured/ Uninsured Losses– Dundee District Council £000	Dundee Contract Services – Provision for Future Losses on Contracts £000	Total £000
Balance at 1 April 2010	700	2,530	693	1,000	-	4,923
Additional provisions made in 2010/2011	371	847	-	-	355	1,573
Amounts used in 2010/2011	(371)	(646)	-	-	-	(1,017)
Unused amounts reversed in 2010/2011	-	-	-	-	-	-
Unwinding of discounting in 2010/2011	-	-	-	-	-	-
Balance at 31 March 2011	700	2,731	693	1,000	355	5,479

Council Tax

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

Self-Insured/Uninsured Losses

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

Dundee Contract Services

A provision has been made for future losses on existing long-term contracts.

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

Community Charge - the provision of £2.089m has been calculated by projecting future collection levels based on the actual collection achieved in 2010/2011.

Council Tax - the provision of £13.612m has been calculated using the non-collection rate anticipated when each financial year's Council Tax was set, or a lower figure where the anticipated collection rate has been exceeded.

Statutory Additions - the provision of £2.848m has been calculated by applying the overall percentage relating to the various charge elements (ie Non Domestic Rates, Community Charge and Council Tax) to which the Statutory Addition was applied.

Miscellaneous Invoiced Debt - the provision of £2.206m has been calculated by applying non-collection rates to an aged debt analysis. The percentage increases according to the age of the debt. Higher percentages are also applied to types of debt which have proven difficult to collect.

Housing Rents - the provision of £0.877m has been calculated by applying various percentages to a value-banded debt analysis. The percentage increases according to the value of the debt.

Housing Benefit Overpayments - the provision of £1.563m has been calculated by applying an anticipated non-collection rate to the total debt.

NOTES TO THE CORE FINANCIAL STATEMENTS

46 Contingent Liabilities

A Contingent Liability exists at 31 March 2011 in respect of equal pay costs. A small number of City Council and Tayside Contracts staff are taking their claims for equal pay compensation through the Employment Tribunal process. Should they be successful, the Council may be required to make payments to these staff in excess of the amounts already provided for in the accounts for the period 2005-2010. It is estimated that the potential liability to the Council is £270,000. The employment tribunal's process is ongoing and the Council and Tayside Contracts are defending against these claims.

A Contingent Liability in respect of this matter was also disclosed at 31 March 2010 (£270,000).

47 Contingent Assets

There were no Contingent Assets at 31 March 2011 (31 March 2010 Nil).

48 Grant Income

The Council credited grants and contributions to the Comprehensive Income and Expenditure Statement in 2010/11. These included the following grants and contributions:

	2010/11 £000	2009/10 £000
Credited to Taxation and Non Specific Grant Income		
RSG & Non-Specific Grants	(246,223)	(231,591)
Contribution from NNDR Pool	(56,850)	(59,674)
Capital Grant	(19,694)	(19,697)
Council Tax / Community Charge Income	(57,795)	(57,400)
Total	(380,562)	(368,362)
Credited to Services:		
Central Waterfront Development	(2,362)	(552)
VDLF	-	(228)
Smarter Places Smarter Choices	(255)	(537)
Working for Families	(3,634)	(1,684)
ERDF Grants	(316)	(1,776)
Facade Enhancement Grant	(311)	(14)
Private Sector Housing Grant	(1,487)	(1,786)
NHS Tayside Resource Transfer	(7,592)	(7,100)
Supporting People Grant	(2,661)	(2,530)
Criminal Justice Grant	(5,207)	(5,196)
NHS Tayside: Community Equipment	(349)	(455)
NHS Tayside: Alcohol & Drugs Project Team	(511)	(500)
DWP: Workstep Grant	(91)	(192)
Determined to Succeed Grant	(476)	(476)
Sports Council Contribution to Sports Co-ordinators	(322)	(362)
Arts Council Grants	(170)	(168)
Fairer Scotland Fund	-	(8,286)
DWP: Housing Benefit Subsidy	(67,836)	(63,546)
DWP: HB/CTB Administration	(2,160)	(2,377)
Anti-Social Behaviour Contribution	(228)	(284)
Total	(95,968)	(98,049)

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2010 £000	31 March 2011 £000
Capital Grants Receipts in Advance:		
SET: Dundee Central Waterfront	-	(11,105)
Various: Dundee Central Waterfront	-	(62)
Tactran: Port Access Improvements	(595)	(441)
Miller Homes: Linlathen East Bridge	(353)	(333)
VDLF	-	(164)
Section 75 Contributions	-	(394)
NHS Tayside Capital Contribution	-	(135)
Tayside Police Capital Contribution	-	(135)
Scottish Government: Harris New Build	-	(47)
Dundee Partnership	-	(24)
Total	(948)	(12,840)

NOTES TO THE CORE FINANCIAL STATEMENTS

49. Financial Instruments

Categories of financial assets and financial liabilities

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

	Long-term		Current	
	Restated	31 March	Restated	31 March
	31 March	2011	31 March	2011
	2010	2011	2010	2011
	£000	£000	£000	£000
Investments				
Loans and receivables	1,130	1,130	-	-
Available-for-sale financial assets	-	-	579	622
Unquoted equity investment at cost	7	7	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Total investments	1,137	1,137	579	622
Debtors				
Loans and receivables:				
Cash and Bank	-	-	104	104
Other Short Term Deposits	-	-	13,150	12,305
Soft Loans	424	409	-	-
Other Loans at Market Rates	7,808	10,263	-	-
Financial assets carried at contract amounts:				
Sundry Debtors including trade receivables	-	-	48,632	43,681
Total Debtors	8,232	10,672	61,886	56,090
Borrowings				
Financial liabilities at amortised cost:				
Borrowing Repayable	315,914	326,058	10,194	36,629
Temporary Advances from Other Accounts	-	-	4,887	4,442
Bank Overdraft	-	-	20,569	6,806
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	315,914	326,058	35,650	47,877
Other Liabilities				
PPP Contract	84,605	82,708	2,179	1,897
Finance Leases	786	414	360	371
Total Other Liabilities	85,391	83,122	2,539	2,268
Creditors				
Financial liabilities at amortised cost				
Financial liabilities carried at contract amount:				
Sundry creditors including trade payables	-	-	65,134	63,903
Total Creditors	-	-	65,134	63,903

NOTES TO THE CORE FINANCIAL STATEMENTS

Reclassification and Derecognition

There were no reclassification or derecognition of financial assets or financial liabilities (2009/2010 None).

Collateral

There has been no collateral pledged or held in respect of these financial assets and liabilities (2009/2010 None).

Defaults

There were no defaults that occurred in respect of these financial assets and liabilities (2009/2010 None).

Allowance Account for Credit Losses

There were no financial assets impaired by credit losses (2009/2010 None).

NOTES TO THE CORE FINANCIAL STATEMENTS

<i>Income, Expense, Gains and Losses</i>	2009/2010					2010/2011					
	Financial Liabilities		Financial Assets			Financial Liabilities		Financial Assets			
	Liabilities measured at amortised cost £000	Loans and receivables £000	Available-for-sale assets £000	Assets and Liabilities at Fair Value through P&L £000	Total £000	Liabilities measured at amortised cost £000	Loans and receivables £000	Available-for-sale assets £000	Assets and Liabilities at Fair Value through P&L £000	Total £000	
Interest expense	21,620	-	-	-	21,620	22,956	-	-	-	22,956	
Losses on de-recognition	-	-	-	-	-	-	-	-	-	-	
Reductions in fair value	-	-	-	-	-	-	-	-	-	-	
Impairment losses	-	-	-	-	-	-	-	-	-	-	
Fee expense	-	-	-	-	-	-	-	-	-	-	
Total expense in Surplus or Deficit on the Provision of Services	21,620	-	-	-	21,620	22,956	-	-	-	22,956	
Interest income	-	(776)	(23)	-	(799)	-	(424)	(20)	-	(444)	
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-	
Increases in fair value	-	-	-	-	-	-	-	-	-	-	
Gains on de-recognition	-	-	-	-	-	-	-	-	-	-	
Fee income	-	-	-	-	-	-	-	-	-	-	
Total income in Surplus or Deficit on the Provision of Services	-	(776)	(23)	-	(799)	-	(424)	(20)	-	(444)	
Gains on revaluation	-	-	(169)	-	(169)	-	-	(43)	-	(43)	
Losses on revaluation	-	-	-	-	-	-	-	-	-	-	
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-	-	-	-	-	-	
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	(169)	-	(169)	-	-	(43)	-	(43)	
Net gain/(loss) for the year	21,620	(776)	(192)	-	20,652	22,956	(424)	(63)	-	22,469	

NOTES TO THE CORE FINANCIAL STATEMENTS

Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates at 31 March 2011 of 1.88% to 14.00% for loans from the PWLB and 0.50% to 4.95% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are as follows:

	Note	31 March 2010		31 March 2011	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities:					
Borrowing Repayable	i	326,108	380,234	362,687	389,635
Temp Advances from Other Accounts	ii	4,887	4,887	4,442	4,442
Bank Overdraft	iii	20,569	20,569	6,806	6,806

i Borrowing Repayable

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

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

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

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

Discount rates used in NPV calculation - The rates quoted in this valuation were obtained for the market on 31 March 2011, using bid prices where applicable.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2010		31 March 2011	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables:					
Cash and Bank	i	104	104	104	104
Other Short term Deposits	i	13,150	13,150	12,305	12,305
Long-term debtors:					
Investments	ii	1,130	1,130	1,130	1,130
Soft Loans	iii	424	424	409	409
Other Loans at Market rates	iv	7,808	7,808	10,263	10,263

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 Investments

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

iii 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.

iv Other Loans at Market Rates

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

50. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

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

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

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

- F1+ £12m
- F1 £8m.
- UK Local Authorities £8m
- Debt Management Agency £12m

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 2011 that this was likely to crystallise.

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

	Amount at 31 March 2011 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2011 %	Estimated maximum exposure to default and uncollectability at 31 March 2011 £000	Estimated maximum exposure at 31 March 2010 £000
	A	B	C	(A X C)	
Bonds	-	-	-	-	-
Financial Institutions (F1+)	12,305	-	-	12,305	13,150
				12,305	13,150

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Liquidity risk

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

	31 March 2010	31 March 2011
	£000	£000
Less than one year	6,398	32,150
Between one and two years	7,517	7,652
Between two and five years	25,188	30,502
Between five and ten years	28,022	35,580
More than ten years	253,884	250,860
	321,009	356,744

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

Interest rate risk

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

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

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

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

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	200
Increase in interest receivable on variable rate investments	Nil
Impact on Surplus or Deficit on the Provision of Services	200
Share of overall impact debited to the HRA	81
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)	42,185

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

Price risk

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

Foreign exchange risk

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

NOTES TO THE CORE FINANCIAL STATEMENTS

51. **First Time Adoption of International Financial Reporting Standards**

These financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/2011. The Code requires that for the first time, Local Authority accounts in 2010/2011 should be prepared in accordance with International Financial Reporting Standards, except in instances where the Code allows departures. The Code also requires that the comparative figures for the 2008/2009 and 2009/2010 Balance Sheets as well as the 2009/2010 Comprehensive Income and Expenditure Statement should be restated from UK Generally Accepted Accounting Principles (UK GAAP) where required. The reconciliation to IFRS from the previous UK GAAP accounts is summarised in the tables below.

Although the general requirement is to apply the requirements of IFRS retrospectively, IFRS 1 permits limited exceptions to this requirement. The Code clearly specifies which exemptions from retrospective application are available to local authorities. Therefore, Dundee City Council has made use of the following exemptions available under the Code:

Depreciated Historical Cost - The Revaluation Reserve was first introduced in the SORP on 1 April 2007. As part of the transition arrangements to the Revaluation Reserve, the SORP required the reserve to be established with a zero balance on 1 April 2007. The carrying amounts of an authority's assets were deemed to be their depreciated historical cost. The Code preserves this treatment. Paragraph 10.1.1.8 of the Code states that the depreciated historical cost of an asset at 1 April 2009 (the transition date) is its depreciated historical cost at 31 March 2009 under the SORP. With the exception of assets where the carrying amount is restated due to other accounting policy changes (for example, leased assets and non-current assets held for sale), authorities should carry forward depreciated historical cost figures without any restatement. Without this exception, the retrospective application of IAS 16 would have required authorities to have estimated the revaluation reserve balance for each item of property, plant and equipment based on the transactions and events that had occurred since the asset was recognised on the Balance Sheet.

IFRIC 4 Determining Whether an Arrangement Contains a Lease - IFRIC 4 requires authorities to review their contractual arrangements and assess whether these contracts contain, in substance, a lease. Where this is the case, authorities will need to separate the lease from the remainder of the contract, and account for the lease in accordance with IAS 17 and the Code. Where arrangements were in place prior to 1 April 2009 (the transition date), the Code requires authorities to make the assessment of whether an arrangement contains a lease based on the facts and circumstances existing at that date (ie 1 April 2009). This approach has been taken due to the complex nature of such arrangements, and the difficulties of establishing what information would have been available at the inception of the arrangement. Instead, authorities can rely on the information available about conditions applying at the transition date.

NOTES TO THE CORE FINANCIAL STATEMENTS

Restatement of UK GAAP Balance Sheet at 31 March 2009 to an IFRS basis

	UK GAAP Balance Sheet at 31 March 2009 £000	Adjustment 1 – IAS 20 £000	Adjustment 2 – IAS36 £000	Adjustment 3 – IAS 17 £000	Adjustment 4 – IAS 40 £000	Adjustment 5 – IAS 16 & IFRS 5 £000	Adjustment 6 – IAS 19 £000	Adjustment 7 – IAS 7 £000	Adjusted Balance Sheet at 31 March 2009 £000	Restatement of UKGAAP £000	IFRS Based Balance Sheet at 1 April 2009 £000
Non-Current Assets											
PPE – Council Dwellings	432,934								432,934	165,660	598,594
PPE – Other Land & Buildings	359,393				72,575				431,968	66,290	498,258
PPE – V, P, P & E	22,755			1,875					24,630		24,630
Investment Property	88,828				(74,375)	4,117			18,570		18,570
Surplus, Held for Disposal / Assets Held for Sale	4,131					(4,131)			-		-
Current Assets											
Assets Held for Sale					1,800	14			1,814		1,814
Short Term Investments	36,231							(22,414)	13,817		13,817
Cash and Bank/ Cash and Cash Equivalents	102							(102)	-		-
Current Liabilities											
Short Term Creditors	(46,575)	1,272		(350)			(12,673)		(58,326)	(2,045)	(60,371)
Bank Overdraft	(22,647)							22,516	(131)		(131)
Long Term Liabilities											
Other Long Term Liabilities	-			(1,146)					(1,146)	(61,598)	(62,744)
Government Grants Deferred	(109,450)	109,450							-		-
Capital Grants Receipts in Advance	-	(871)							(871)		(871)
Reserves											
General Fund	7,431								7,431		7,431
Revaluation Reserve	326,431		(71)		(1,189)	(1,748)			323,423	166,916	490,339
Capital Adjustment Account	244,223	109,450	71	379	1,189	1,748			357,060	(751)	356,309
Accumulating Compensated Absences Adjustment Account	-						(12,673)		(12,673)		(12,673)
Capital Grants Unapplied Account	-	401							401		401

NOTES TO THE CORE FINANCIAL STATEMENTS

Adjustment 1 – IAS 20 Accounting for Government Grants and Disclosure of Government Assistance – Under IFRS accounting Dundee City Council is required to recognise all grant income in its entirety at the point at which it is received. Therefore all deferred government grants (£109.450m) have been written out of liabilities and transferred to the Capital Adjustment Account. Under IFRS the treatment of grants is influenced by any conditions attached to a grant and whether the grant has been applied to fund an asset yet. Capital grants totalling £1.272m were classified creditors under UK GAAP: these have now been reclassified as capital grants received in advance where conditions exist but had yet to be fulfilled (£0.871m) and Capital Grants Unapplied Useable Reserve (£0.401m) where no conditions remain but the grant has yet to be allocated to fund a capital asset. No income is recognised through the CIES until all conditions linked to a grant are met, therefore the £0.871m will be recognised as income when the associated conditions are met in future periods.

Adjustment 2 – IAS 36 Reversal of Revaluation Losses – Under IFRS a revaluation gain on an asset can be offset against a previous impairment of the same asset. Under UK GAAP this gain would have been taken to the revaluation reserve and therefore Dundee City Council is required to debit the Revaluation Reserve and credit the CAA to remove this treatment and to recognise the credit to the I&E to reverse the previous impact of the impairment. As these entries relate to impairment charges and reversals of impairment there is not impact on the General Fund after reversing this entry.

Adjustment 3 – IAS 17 Leases – A lease classified as an operating lease under UK GAAP was subsequently re-categorised as a finance lease under the IFRS standard. This required Dundee City Council to recognise the asset on the balance sheet and subsequent creditor at the inception of the lease, and determine the value of the asset and liability at 31 March 2009. The liability has been added to the balance sheet, split between current liabilities and long term liabilities. The debit to the CAA reflects the cost of the depreciation and any subsequent impairment which had been reversed out of the General Fund to neutralise the impact in accordance with statutory requirements.

Adjustment 4 – IAS 40 Investment property – Under the strict criteria of IAS 40 Dundee City Council had £74.375m of property which had to be re-categorised out of investment property as it did not meet the IFRS requirements to be classified as such. IAS 40 also requires all revaluation gains and losses arising from investment properties to be recognised in the I&E account. Statutory mitigation has been put in place to allow Councils to reverse the impact of these gains and losses from the General Fund to the CAA in order to avoid the Council Tax payer being liable for any losses. Under UK GAAP the gains and losses on revaluation went through the Revaluation Reserve, and as such there was a requirement under IFRS to transfer this balance to the CAA for the reason explained above. Of the £74.375m, £1.800m is to be sold and therefore has been classified as Held for Sale, it is expected this sale will be completed within one year.

Adjustment 5 – IAS 16 and IFRS 5 Property, Plant and Equipment and Assets Held for Sale - IFRS has different definitions and criteria to determine how an asset should be classified. Dundee City Council completed a review of Property, Plant and Equipment for the transition to IFRS. This review identified £4.131m of assets previously declared surplus. These assets under have been reclassified as required by IFRS to Investment Properties (£4.117m) and Non Current Assets Held for Sale (£0.014m).

Adjustment 6 – IAS 19 Employee Benefits – Under this IFRS accounting standard, Councils are required to recognise a liability for all holiday pay entitlement (and other accruing compensated absences) that employees had accrued at the financial year end. This liability reflects the difference between the holiday entitlement etc earned at 31 March and the actual amount of holidays taken. At Dundee City Council the excess of holiday entitlement earned over the holidays actually taken by 31 March 2009 has resulted in a liability of £12.673m. The Scottish Government has introduced Statutory Mitigation for this additional cost so that its negative impact can be removed from the General Fund and transferred to a new Accumulating Compensated Absences Adjustment Account. This has been reflected in the adjustment above.

Adjustment 7 – IAS 7 Cash Flow Statement – Under IFRS Dundee City Council must show cash and cash equivalents as a single figure in the balance sheet. Cash and cash equivalents include bank balances, petty cash, bank overdrafts (if they are integral to the cash management of the organisation) and investments due to mature within 3 months of the balance sheet date. Therefore an adjustment was made to consolidate the cash balance with the overdraft balance as the latter is considered by the Council to be integral to the day to day cash management of the organisation. £22.414m of short term investments were for deposits lasting less than three months and reclassified as cash and cash equivalents, while the £22.516m overdraft is now included within cash and cash equivalents.

Restatement of UKGAAP - the starting point for the opening IFRS Balance Sheet was the position at 31 March 2009 shown in the Council's 2008/2009 audited statement of accounts. In the 2009/2010 UKGAAP accounts, the Council implemented two significant changes in accounting policy in respect of PFI/PPP Accounting and Valuation of Council Houses. These changes in accounting policy required a prior period adjustment to be made in the 2009/2010 accounts, with the comparative figures for 2008/2009 being amended accordingly. The restatement of the UKGAAP Balance Sheet as at 31 March 2009 is shown in this column.

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of IFRS Balance Sheet at 1 April 2009 to IFRS Balance Sheet at 31 March 2010

	IFRS Balance Sheet at 1 April 2009 £000	UK GAAP In-year Balance Sheet Movements £000	Adjustment 1 – IAS 20 £000	Adjustment 2 – IAS 17 £000	Adjustment 3 – IAS 40 £000	Adjustment 4 – IAS 16 & IFRS 5 £000	Adjustment 5 – IAS 16 & IFRS 5 £000	Adjustment 6 – IAS 19 £000	Adjustment 7 – IAS 7 £000	Adjustment 8 – IAS 40 / Other Adjustment £000	IFRS Balance Sheet at 31 March 2010 £000
Non-Current Assets											
PPE – Council Dwellings	598,594	(15,959)									582,635
PPE – Other Land & Buildings	498,258	124,311				1,200				(70,580)	553,189
PPE – V, P, P&E	24,630	1,136		(303)							25,463
Investment Property	18,570	(71,942)			4,428		100			70,580	21,736
Surplus, Held for Disposal / Assets Held for Sale	-	5,747			(4,428)	(1,200)	(119)				-
Current Assets											
Short Term Debtors	45,124	5,325								(1,817)	48,632
Assets Held for Sale	1,814	-					19				1,833
Short Term Investments	13,817	(35,652)							22,414		579
Cash and Bank/ Cash and Cash Equivalents	-	13,152							(13,152)		-
Current Liabilities											
Short Term Creditors	(60,371)	(5,240)	(324)	(11)				812			(65,134)
Bank Overdraft	(131)	2,068							(9,262)		(7,325)
Long Term Liabilities											
Other Long Term Liabilities	(62,744)	(23,008)		360							(85,392)
Government Grants Deferred	-	(12,014)	12,014								-
Capital Grants Receipts in Advance	(871)	-	(77)								(948)
Provisions	(6,808)	68								1,817	(4,923)
Reserves											
General Fund	7,431	2,069									9,500
Revaluation Reserve	490,339	22,844			(4,961)		100				508,322
Capital Adjustment Account	356,309	(29,983)	12,014	46	4,961		(100)				343,247
Accumulating Compensated Absences Adjustment Account	(12,673)	-						812			(11,861)
Capital Grants Unapplied Account	401	-	(401)								-

NOTES TO THE CORE FINANCIAL STATEMENTS

Adjustment 1 – IAS 20 Accounting for Government Grants and Disclosure of Government Assistance – Under IFRS accounting Dundee City Council is required to recognise all grant income in its entirety at the point at which it is received. Therefore all deferred government grants received in 2009/2010 have been written out of the liabilities in the balance sheet, recognised through the I&E and subsequently transferred from the General Fund to the Capital Adjustment and Capital Grants Unapplied Accounts respectively.

Adjustment 2 – IAS 17 Leases – A lease classified as an operating lease under UK GAAP was subsequently re-categorised as a finance lease under the IFRS standard. This required Dundee City Council to recognise the asset on the balance sheet and subsequent creditor at the inception of the lease, and determine the value of the asset and liability at 31 March 2009. During 2009/2010 the short term creditor was paid, and a transfer was made from long term creditors to short term creditors to reflect the principal element payable in 2010/2011. The credit to the CAA reflects the statutory adjustment to remove the impact of depreciation on the General Fund.

Adjustment 3 – IAS 40 Investment Property – During 2009/2010 Dundee City Council transferred a number of properties from surplus assets held for disposal to investment properties, where these assets met the revised criteria under IFRS. However, these assets had already been transferred out in the opening IFRS balance sheet. Therefore, in effect they had been removed twice, and as a result this adjustment is to insert them back in to the investment property balance. Under UK GAAP the gains and losses on revaluation went through the Revaluation Reserve, and as such there was a requirement under IFRS to transfer this balance to the CAA for the reason explained above.

Adjustment 4 and 5 – IAS 16 and IFRS 5 Property, Plant and Equipment - Dundee City Council reviewed its assets to ensure their correct classification under IFRS, leading to assets being reclassified as part of the 2009/2010 opening IFRS balance sheet exercise. UK GAAP movements however were still processed during 2009/2010 based on the old UK GAAP classifications. This adjustment is to restate the 2009/2010 UK GAAP movement to the new classifications determined as part of the 2009/2010 opening balance sheet exercise.

Adjustment 6 – Under this IFRS accounting standard, Councils are required to recognise a liability for all holiday pay entitlement (and other accruing compensated absences) that employees had accrued at the financial year end. This liability reflects the difference between the holiday entitlement earned etc at 31 March and the actual amount of holidays taken. At Dundee City Council the excess of holiday entitlement earned over the holidays actually taken etc by 31 March 2009 resulted in a liability of £12.673m. The Scottish Government has introduced Statutory Mitigation for this additional cost so that its negative impact can be removed from the General Fund and transferred to a new Accumulating Compensated Absences Adjustment Account. At 31 March 2010, the holiday pay etc accrual was re-calculated and was found to have reduced by £0.812m. As a result this adjustment is to reflect the decrease in the accrual, and a credit to the Accumulating Compensated Absences Adjustment Account to reflect the reduction.

Adjustment 7 – IAS 7 Cash Flow Statement – Under IFRS Dundee City Council must show cash and cash equivalents as a single figure in the balance sheet. Cash and cash equivalents include the bank balances, petty cash, bank overdrafts (if they are integral to the cash management of the organisation) and investments due to mature within 3 months of the balance sheet date. Therefore an adjustment was made to consolidate the cash balance with the overdraft balance as the latter is considered by the Council to integral to the day to day cash management of the organisation.

Adjustment 8 – An adjustment of £1.817m has been made to Short Term Debtors and also to Provisions to reflect the revised accounting treatment of transactions and balances held with the National Non Domestic Rates Pool.

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of 2009/2010 UKGAAP Based Income & Expenditure Account to 2009/2010 IFRS Based Comprehensive Income & Expenditure Statement

	£000	£000
Total Comprehensive Income & Expenditure for year ended 31 March 2010 (UK GAAP Basis)		226,435
IAS 20 Adjustment - <i>Accounting for Government Grants and Disclosure of Government Assistance</i> - Recognition of all the income received as capital grants during 2009/2010 (£19.697m), offset by the reversal of the government grant amortisation credited to service expenditure as applied under UKGAAP (£8.084m).	(11,613)	
IAS 17 Adjustment – <i>Leases</i> – A re-classification of an operating lease to a finance lease under IFRS has resulted in a net credit to the I&E Account. This is because the depreciation and interest charges recognised as expenditure under IFRS are less than the service charge that was recognised as expenditure under operating lease treatment.	(46)	
IAS 19 Adjustment – <i>Employee Benefits</i> – The holiday pay etc accrual was re-calculated at the 2009/2010 year end and this resulted in a net reduction of £0.812m in the liability. This adjustment is to reflect the movement on the accrual during the year which has resulted in a credit to the I&E account.	(812)	
TOTAL VALUE OF IFRS ADJUSTMENTS		(12,471)
Total Comprehensive Income & Expenditure for year ended 31 March 2010 (IFRS Basis)		213,964

Reconciliation of Net Worth Reported Under UKGAAP to Net Worth Under IFRS

	£000
Net worth at 1 April 2009 reported under UKGAAP (as restated per 2009/2010 accounts)	580,286
Adjusted to net worth arising from transition to IFRS:	
Elimination of balance on Government Grants / Capital Contribution Accounts	109,450
Transfer of amounts from short Term Creditors to Capital Grants Unapplied Account	401
Initial recognition of Finance Lease for central heating systems in Council houses	379
Initial recognition of accrual for short-term employee benefits	(12,673)
	<u>97,557</u>
Net worth at 1 April 2009 under IFRS (per opening IFRS Balance Sheet)	<u>677,843</u>
Net Worth at 31 March 2010 reported under UKGAAP (as per 2009/2010 accounts)	353,851
Adjustment to net worth arising from transition to IFRS:	
Elimination of balance on Government Grants / Capital Contribution Account	121,464
Transfer of amounts from Short Term Creditors to Capital Grants Unapplied Account	-
Finance Lease for central heating systems in council houses	425
Accrual for short-term employee	(11,861)
	<u>110,028</u>
Net worth at 31 March 2010 under IFRS	<u>463,879</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

52. Charitable Trust funds Account (Registered Charities)

The Council acts as Trustees for 29 Registered Charitable Trusts and Endowments. The Income & Expenditure Account below details the transactions in the year and the Balance Sheet summarises the assets and liabilities at the year end. An analysis of the assets and liabilities included within the Balance Sheet over the various trusts is also shown within the notes to the Charitable Trust Funds Account. These have been prepared in accordance with the Charities SORP (2005). Accordingly, no adjustment is made to reverse out the impact of depreciation on Fund Balances.

2009/2010 Actual £000	Income & Expenditure Account	2010/2011				(Surplus)/ Deficit £000
		Interest on Investments £000	Other Income £000	Total Income £000	Expenditure £000	
(29)	Hospital Fund	(3)	(41)	(44)	18	(26)
-	Dundee Festival Trust	-	-	-	-	-
1	A T Cathro Bequest	-	-	-	1	1
<u>55</u>	Other Various Smaller Trusts (26 no)	<u>(1)</u>	<u>(57)</u>	<u>(58)</u>	<u>9</u>	<u>(49)</u>
<u>27</u>	Total	<u>(4)</u>	<u>(98)</u>	<u>(102)</u>	<u>28</u>	<u>74</u>

2010 £000	Balance Sheet as at 31 March	2011 £000
2,595	Tangible Fixed Assets	2,595
<u>2,595</u>		<u>2,595</u>
	Current Assets	
-	Sundry Debtors	-
974	Short Term Investments	1,048
<u>1</u>	Bank	<u>1</u>
<u>975</u>		<u>1,049</u>
	Less Current Liabilities	
<u>1</u>	Sundry Creditors	<u>1</u>
<u>1</u>		<u>1</u>
<u>974</u>	Net Current Assets	<u>1,048</u>
3,569	Total Assets Plus Net Current Assets	3,643
<u>3,569</u>	Net Assets	<u>3,643</u>
	Financed By Fund Balances and Reserves	
	Not Available for Use:	
<u>2,595</u>	Revaluation Reserve	<u>2,595</u>
2,595		2,595
	Available for Use:	
<u>974</u>	Fund Balances	<u>1,048</u>
<u>3,569</u>		<u>3,643</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

NATURE AND PURPOSE OF VARIOUS FUNDS

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

Hospital Fund

This Fund was established under the Dundee Churches and Hospital Act 1964, on behalf of the poor of the town. An annual payment of £60 is made from the Fund to local pensioners who require financial assistance. The balance on the Fund at 31 March 2011 was £1.063m (31 March 2010 £1.037m).

Dundee Festival Trust

This Trust was created from the income that was received from events to mark the 800th anniversary of the foundation of Dundee as a Royal Burgh. The Trust is used to promote summer festival events. The balance on the Trust at 31 March 2011 was £40,000 (31 March 2010 £40,000).

A T Cathro Bequest

This Bequest was established from the residue of the estate received in 1948. It is used to give as many children as might have need an opportunity of enjoying an outing in the country or at the seaside. The balance on the Bequest at 31 March 2011 was £21,000 (31 March 2010 £22,000).

CHARITABLE TRUSTS REGISTERED WITH OFFICE OF THE SCOTTISH CHARITY AND REGULATOR

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

Alexander Torrance Cathro Bequest (SC018898)
Charles Ower Bequest (SC018907)
Dundee Festival Trust (SC020365)
Charles Ower Mafeking Gift (SC018906)
John Hoggan Trust for the Poor of Alyth (SC018892)
Johnston Charity (SC018893)
Mortification for Scots Episc Clergymen (SC018919)
Halyburton Mortification (SC018903)
Admiral Duff Bequest (SC018304)
Saunders, Robert Bequest (SC018915)
Meritorious Service (Police) Fund (SC018916)
Public Libraries Art Fund (SC018917)
Curr Night Refuge (SC018901)
Belmont Estate Trust (SC018900)
McLean Bequest (SC018902)
Baxter Park Endowment Fund (SC018910)
Lochee Park Endowment Fund (SC018897)
Day Nurseries Fund (SC018911)
Law Hill Memorial Fund (SC018912)
Mills Observatory Endow Fund (SC018913)
D W Crichton Trust (SC018914)
Gilroy Mausoleum (SC018921)
Lochee Day Nurseries (SC018918)
Camperdown Estate (SC018899)
William Dawson Trust (SC018920)
Thomas Cox Bequest (SC018909)
Alexander Wilson Bequest (SC018908)
Mrs Gibson Mortification (SC018904)
Hospital Fund (SC018896)

NOTES TO THE CORE FINANCIAL STATEMENTS

ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET

	<u>Balance Sheet at 31 March 2010</u>	<u>Gross Income</u>	<u>Gross Expenditure</u>	<u>Capital Expenditure/ Receipts & Transfers</u>	<u>Capital Accounting</u>	<u>Balance Sheet at 31 March 2011</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<u>Hospital Fund</u>						
Fixed Assets	438	-	-	-	-	438
Long Term Investments	-	-	-	-	-	-
Current Assets	599	44	(18)	-	-	625
Current Liabilities	-	-	-	-	-	-
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>1,037</u>	<u>44</u>	<u>(18)</u>	<u>-</u>	<u>-</u>	<u>1,063</u>
Revaluation Reserve	438	-	-	-	-	438
Fund Balance	<u>599</u>	<u>44</u>	<u>(18)</u>	<u>-</u>	<u>-</u>	<u>625</u>
	<u>1,037</u>	<u>44</u>	<u>(18)</u>	<u>-</u>	<u>-</u>	<u>1,063</u>
<u>Dundee Festival Trust</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	-	-	-	-	-	-
Long Term Investments	-	-	-	-	-	-
Current Assets	40	-	-	-	-	40
Current Liabilities	-	-	-	-	-	-
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>40</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40</u>
Capital Adjustment Account	-	-	-	-	-	-
Revaluation Reserve	-	-	-	-	-	-
Fund Balance	<u>40</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40</u>
	<u>40</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET (CONTD)

	Balance Sheet at 31 March 2010 £000	Gross Income £000	Gross Expenditure £000	Capital Expenditure/ Receipts & Transfers £000	Capital Accounting £000	Balance Sheet at 31 March 2011 £000
AT Cathro Bequest						
Fixed Assets	-	-	-	-	-	-
Long Term						
Investments	-	-	-	-	-	-
Current Assets	23	-	(1)	-	-	22
Current Liabilities	(1)	-	-	-	-	(1)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>22</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>21</u>
Revaluation Reserve	-	-	-	-	-	-
Fund Balance	<u>22</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>21</u>
	<u>22</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>21</u>
Others	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	2,157	-	-	-	-	2,157
Long Term						
Investments	-	-	-	-	-	-
Current Assets	313	58	(9)	-	-	362
Current Liabilities	-	-	-	-	-	-
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>2,470</u>	<u>58</u>	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>2,519</u>
Revaluation Reserve	2,157	-	-	-	-	2,157
Fund Balance	<u>313</u>	<u>58</u>	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>362</u>
	<u>2,470</u>	<u>58</u>	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>2,519</u>
Total	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	2,595	-	-	-	-	2,595
Long Term						
Investments	-	-	-	-	-	-
Current Assets	975	102	(28)	-	-	1,049
Current Liabilities	(1)	-	-	-	-	(1)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>3,569</u>	<u>102</u>	<u>(28)</u>	<u>-</u>	<u>-</u>	<u>3,643</u>
Revaluation Reserve	2,595	-	-	-	-	2,595
Fund Balance	<u>974</u>	<u>102</u>	<u>(28)</u>	<u>-</u>	<u>-</u>	<u>1,048</u>
	<u>3,569</u>	<u>102</u>	<u>(28)</u>	<u>-</u>	<u>-</u>	<u>3,643</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

53. Charitable Trust Funds Account (Unregistered Charities)

The Council acts as Trustees for 4 Charitable Trusts and Endowments. The Income & Expenditure Account below details the transactions in the year and the Balance Sheet summarises the assets and liabilities at the year end. An analysis of the assets and liabilities included within the Balance Sheet over the various trusts is also shown within the notes to the Charitable Trust Funds Account.

2009/2010 Actual £000	Income & Expenditure Account	2010/2011				
£000	Interest on Investments £000	Other Income £000	Total Income £000	Expenditure £000	(Surplus)/ Deficit £000	
69	Fleming Trust	(2)	(269)	(271)	330	59
<u>3</u>	Other Various Smaller Trusts (3 no)	<u>(3)</u>	<u>(-)</u>	<u>(3)</u>	<u>24</u>	<u>21</u>
72	Total	(5)	(269)	(274)	354	80
<u>(194)</u>	Less: Depreciation					<u>(194)</u>
<u>(122)</u>						<u>(114)</u>
2010				2011		
£000	Balance Sheet as at 31 March			£000		
7,086	Tangible Fixed Assets			6,892		
<u>7,086</u>				<u>6,892</u>		
	Current Assets					
46	Sundry Debtors			170		
756	Short Term Investments			914		
<u>204</u>	Bank			<u>112</u>		
<u>1,006</u>				<u>1,196</u>		
	Less Current Liabilities					
<u>(44)</u>	Sundry Creditors			<u>(120)</u>		
<u>(44)</u>				<u>(120)</u>		
<u>962</u>	Net Current Assets			<u>1,076</u>		
8,048	Total Assets Plus Net Current Assets			7,968		
<u>8,048</u>	Net Assets			<u>7,968</u>		
	Financed By Fund Balances and Reserves					
	Not Available for Use:					
4,406	Capital Adjustment Account			4,212		
<u>2,680</u>	Revaluation Reserve			<u>2,680</u>		
7,086				6,892		
	Available for Use:					
<u>962</u>	Fund Balances			<u>1,076</u>		
<u>8,048</u>				<u>7,968</u>		

NOTES TO THE CORE FINANCIAL STATEMENTS

FLEMING TRUST

Included in the expenditure shown above, the Fleming Trust incurred capital expenditure of £- financed from revenue in 2010/2011 (2009/2010 £7,170). No capital receipts were received in 2010/2011 (2009/2010 £Nil).

NATURE AND PURPOSE OF VARIOUS FUNDS

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

Fleming Trust

This Trust was established with sums gifted in 1929 by Robert Fleming for the purchase of land and buildings and the provision of suitable accommodation for re-housing the displaced occupants of slum property in Dundee. The balance on the Trust at 31 March 2011 was £7.462m (31 March 2010 £7.521m).

ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET

	<u>Balance Sheet at 31 March 2010</u>	<u>Gross Income £000</u>	<u>Gross Expenditure £000</u>	<u>Capital Expenditure/ Receipts & Transfers £000</u>	<u>Capital Accounting £000</u>	<u>Balance Sheet at 31 March 2011 £000</u>
<u>Fleming Trust</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	7,086	-	(194)	-	-	6,892
Long Term Investments	-	-	-	-	-	-
Current Assets	479	271	(60)	-	-	690
Current Liabilities	(44)	-	(76)	-	-	(120)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>7,521</u>	<u>271</u>	<u>(330)</u>	<u>-</u>	<u>-</u>	<u>7,462</u>
Capital Adjustment Account	4,406	-	(194)	-	-	4,212
Revaluation Reserve	2,680	-	-	-	-	2,680
Fund Balance	<u>435</u>	<u>271</u>	<u>(136)</u>	<u>-</u>	<u>-</u>	<u>570</u>
	<u>7,521</u>	<u>271</u>	<u>(330)</u>	<u>-</u>	<u>-</u>	<u>7,462</u>
<u>Others</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	-	-	-	-	-	-
Long Term Investments	-	-	-	-	-	-
Current Assets	527	3	(24)	-	-	506
Current Liabilities	-	-	-	-	-	-
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>527</u>	<u>3</u>	<u>(24)</u>	<u>-</u>	<u>-</u>	<u>506</u>
Capital Adjustment Account	-	-	-	-	-	-
Revaluation Reserve	-	-	-	-	-	-
Fund Balance	<u>527</u>	<u>3</u>	<u>(24)</u>	<u>-</u>	<u>-</u>	<u>506</u>
	<u>527</u>	<u>3</u>	<u>(24)</u>	<u>-</u>	<u>-</u>	<u>506</u>
<u>Total</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	7,086	-	(194)	-	-	6,892
Long Term Investments	-	-	-	-	-	-
Current Assets	1,006	274	(84)	-	-	1,196
Current Liabilities	(44)	-	(76)	-	-	(120)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>8,048</u>	<u>274</u>	<u>(354)</u>	<u>-</u>	<u>-</u>	<u>7,968</u>
Capital Adjustment Account	4,406	-	(194)	-	-	4,212
Revaluation Reserve	2,680	-	-	-	-	2,680
Fund Balance	<u>962</u>	<u>274</u>	<u>(160)</u>	<u>-</u>	<u>-</u>	<u>1,076</u>
	<u>8,048</u>	<u>274</u>	<u>(354)</u>	<u>-</u>	<u>-</u>	<u>7,968</u>

COUNCIL TAX INCOME ACCOUNT

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

2009/10 £000		2010/11 £000
75,372	Gross Council Tax levied and contributions in lieu	75,764
(104)	Adjustments for prior years Council Tax and Community Charge	(70)
75,268		75,694
	Adjusted for:	
153	Council Tax Benefits (Net of Government Grants)	198
(16,086)	Other discounts and reductions	(16,590)
(2,012)	Provision for Non-collection	(1,601)
57,323		57,701
77	Community Charge recovered	94
57,400	Net Council Tax Income per the Comprehensive Income and Expenditure Account	57,795

The calculation of the Council Tax Base 2010/11:

	No of Dwellings	No of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	Total Dwellings	Ratio to Band D	Band D Equivalents
Band A	29,937	3,792	30	16,628	684	21,740	6/9	14,470
Band B	16,828	1,293	64	7,380	286	13,538	7/9	10,530
Band C	8,551	780	55	3,217	155	6,903	8/9	6,136
Band D	10,048	433	69	2,431	115	5,667	9/9	5,667
Band E	6,822	672	68	1,493	112	5,669	11/9	6,929
Band F	2,220	87	16	367	45	2,012	13/9	2,906
Band G	988	17	9	137	25	915	15/9	1,525
Band H	39	8	0	6	5	27	18/9	54
					TOTAL			48,217
					Provision for non-collection (3.2%)			(1,543)
					Council Tax Base			46,674

Dwellings fall within a valuation band between A to H which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base i.e Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to Dundee City Council, the band D charge for 2010/11 was £1,211.

Dundee City Council £ per year for 2010/11:

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

NON-DOMESTIC RATE INCOME ACCOUNT

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

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

2009/10 £000		2010/11 £000
80,996	Gross rates levied and contributions in lieu	82,029
	Less:	
(19,140)	Reliefs and other deductions	(22,136)
(85)	Payments of interest	(6)
(1,507)	Provision of bad and doubtful debts	(7,521)
60,264	Net Non Domestic Rate Income	52,366
0	Adjustment for years prior to the introduction of the pool	0
60,264	Contribution to the National Non Domestic Rate pool	52,366
(589)	Net contribution to National (to)/from National Non Domestic Rate pool	4,484
60,417	Gross Non Domestic Rate Income to the Comprehensive Income and Expenditure Account	52,526
(154)	Discretionary relief above threshold not funded by national pool	(160)
59,674	Net NNDR Income per the Comprehensive Income and Expenditure Account	56,850

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 2010/11 was £0.407.

	2010/11 £
Analyses of Rateable Values:	
Rateable Value at 1/4/2010	196,497,025
Running Roll (Full Year Rateable Value)	972,885
Rateable Value at 31/3/2011	197,469,910
Less: Wholly Exempt	n/a
Net Rateable Value at 31/03/2011	n/a
Dundee City Council's Rateable Values at 1 April 2010:	£000
Commercial	102,571
Industrial and Freight Transport	37,708
Public Undertakings	7,189
Others	48,029
Total	195,497

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

2009/2010 £000		Notes	2010/2011 £000
	Income		
40,226	Dwelling Rents		41,343
891	Non-dwelling Rents		821
277	Leasehold Service charges		246
2,823	Charges for Welfare Services		2,867
518	Hostels		696
2,283	Other Income		2,319
0	Sums Directed by the Scottish Government Minister that are income in accordance with IFRS		0
47,018	Total Income		48,292
	Expenditure		
(17,566)	Repairs and Maintenance		(17,880)
(11,856)	Supervision and Management		(11,377)
(33,030)	Depreciation and Impairment on Non-Current Assets		(34,373)
(2,065)	Movement in the Impairment of Debtors	5	(2,053)
(64,517)	Total Expenditure		(65,683)
(17,499)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(17,391)
(327)	HRA Services' Share of Corporate and Democratic Core		(353)
0	HRA Share of Other Amounts included in the Whole authority Net Cost of Services (but not Allocated to Specific Services)		0
(17,826)	Net Cost for HRA Services		(17,744)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(1,298)	Gain or (Loss) on Sale of HRA Non-Current Assets		(952)
(6,823)	Interest Payable and Similar Charges		(7,395)
2	Interest and Investment Income		9
(748)	Pension Interest Cost and Expected Return on Pension Assets		(641)
0	Change in Fair Value of Investment Property		58
67	Capital Grants and Contributions Receivable		0
(26,626)	Surplus or (Deficit) for the Year on HRA Services		(26,665)

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2009/2010 £000		Notes	2010/2011 £000
0	Balance on the HRA at the end of the Previous Year		0
(26,626)	Surplus or (Deficit) for the Year on HRA Income and Expenditure Statement		(26,665)
26,812	Adjustments between Accounting Basis and Funding Basis Under Statute	1	26,767
186	Net Increase or (Decrease) Before Transfers to or from Reserves		102
(186)	Transfers (to) or from Reserves	2	(102)
0	Increase or (Decrease) in Year on the HRA		0
0	Balance on the HRA at the end of the Current Year		0

HOUSING REVENUE ACCOUNT DISCLOSURES

1 Adjustments between Accounting Basis and Funding Basis under Statute

2009/2010 £000		2010/2011 £000
1,298	Gain or loss on sale of HRA non-current assets	952
(141)	Capital expenditure funded by the HRA	(71)
	Transfer to/from the Capital Adjustment Account:	
33,031	Depreciation and Impairment	34,374
(67)	Capital Grants and Contributions	(0)
(7,728)	Repayment of Debt	(8,384)
0	Change in Fair Value of Investment Property	(58)
376	HRA share of contributions to or from the Pensions Reserve	(119)
135	HRA Share of Transfer to/from the Financial Instruments Adjustment Account	14
(91)	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements (if any)	59
26,813	Total	26,767

2 Transfers (to) or from Reserves

2009/2010 £000		2010/2011 £000
0	Transfer to/from the General Fund	0
(186)	Transfer to/from the Renewal & Repair Fund	(102)
(186)	Total	(102)

3 Housing Stock

The Council's housing stock at 31 March 2011 was 13,898 (14,749 at 31 March 2010) in the following categories:

2009/2010 Number		2010/2011 Number
3,437	Houses	3,424
10,210	Flats	10,095
1,102	Maisonettes	379
14,749	Total	13,898

4 Rent Arrears

Rent Arrears at 31 March 2011 were £1,357,140 (£1,447,802 at 31 March 2010).

5 Impairment of Debtors

In 2010/11 an impairment of £876,936 has been provided in the Balance Sheet for irrecoverable rents, a reduction of £41,624 from the provision in 2009/10.

GROUP ACCOUNTS

INTRODUCTION

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires local authorities to consider all their interests in other organisations (including statutory bodies) and to prepare group financial statements where they have material interests in subsidiary and associated companies and joint ventures. The following Group Accounts are prepared on the basis of these requirements. The Local Authority Group is defined as the local authority and its interests in entities which would be regarded as its subsidiaries or associates or joint ventures if the local authority was subject to the Companies Act. The Local Authority Group includes the Joint Boards on which the City Council has representation and are funded from requisitions. These Boards are consolidated as associates.

Dundee City Council's interest in Dundee Energy Recycling Limited is considered to constitute a joint venture in terms of the Code. A joint venture is defined as "a contractual or binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control". Further, Dundee City Developments Limited and Dundee Leisure Limited are considered to be associates in terms of the Code.

The group financial statements comprise a Group Comprehensive Income & Expenditure Statement and Group Balance Sheet, together with relevant supporting notes.

Copies of the accounts for the undernoted organisations can be obtained from the Director of Finance, Dundee City Council, Floor 4, 28 Crichton Street, Dundee, DD1 3RF.

BASIS OF CONSOLIDATION

As part of the consolidation process the City Council's accounts have been adjusted to incorporate the balances of two directly managed funds, being the Common Good Fund and a Charitable Trust Fund (the Fleming Trust). A further adjustment has been made to incorporate a proportion of the Balance Sheet of Tayside Contracts, which is accounted for as a joint arrangement.

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

- bringing into the Group Comprehensive Income & Expenditure Statement the Council's share of the profits or losses of the joint venture and share of the surpluses or deficits of the associates.
- bringing into the Group Balance Sheet the Council's share of the gross assets and gross liabilities of the joint venture and share of the net assets or liabilities of the associates.

The Group Comprehensive Income & Expenditure Statement shows total net income of £205.866m, a total increase in income of £56.342m from the total reported in the Council's Comprehensive Income & Expenditure Statement. This is mainly due to incorporating the Council's share of the total income shown in the Comprehensive Income & Expenditure Statements of the Police and Fire Boards.

The impact of consolidation on the Balance Sheet is to decrease the net assets and reserves by £347.400m, when compared to the Council's Balance Sheet. This is mainly due to the impact of consolidating the Council's share of the Balance Sheets of the Police and Fire Boards. These Boards' Balance Sheets show large deficits, mainly due to the effect of accounting for pension costs under International Accounting Standard 19 (Employee Benefits).

There is a divergence of accounting policy between DERL and the Group that requires to be disclosed. This relates to a lease of Property, Plant & Equipment from the Council to the company that has been treated by DERL as a finance lease and capitalised in their Balance Sheet. The Council has treated this lease as an operating lease. As a result, an adjustment is required on consolidation to align the accounting policies and eliminate the Group's share of DERL's fixed assets, to leave a net liability of £2.122m which is included in the Group Accounts. There are no other material differences in the accounting policies employed by the Council and by its associates and joint venture which would necessitate an adjustment upon consolidation.

GROUP MOVEMENT IN RESERVES STATEMENT 2009/2010

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Repairs and Renewals Fund £000	Insurance Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2009	(14,598)	-	(283)	(422)	(15,884)	(3,403)	(1,048)	(35,638)	(394,961)	(430,599)
<u>Movement in reserves during 2009/10</u>										
(Surplus) or deficit on provision of services	34,278	26,627	-	-	-	-	-	60,905	-	60,905
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	307,663	307,663
Total Comprehensive Expenditure and Income	34,278	26,627	-	-	-	-	-	60,905	307,663	368,568
Adjustments between Group Accounts and Authority Accounts	(14,689)	-	(121)	2	-	(1)	-	(14,809)	22,754	7,945
Net (Increase)/Decrease before Transfers	19,589	26,627	(121)	2	-	(1)	-	46,096	330,417	376,513
Adjustments between Accounting Basis and Funding Basis Under Regulations	(17,662)	(26,813)	-	401	6,187	-	-	(37,887)	37,887	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	1,972	(186)	(121)	403	6,187	(1)	-	8,209	368,304	376,513
Transfers to/(from) Earmarked Reserves	(2,335)	186	-	-	1,545	445	159	-	-	-
(Increase)/Decrease in 2009/10	(408)	-	(121)	403	7,732	444	159	8,209	368,304	376,513

GROUP MOVEMENT IN RESERVES STATEMENT 2010/2011

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Repairs and Renewals Fund £000	Insurance Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010 Carried Forward	(15,006)	-	(404)	(19)	(8,152)	(2,959)	(889)	(27,429)	(26,657)	(54,086)
<u>Movement in reserves during 2010/11</u>										
(Surplus) or deficit on provision of services	(73,161)	26,661	-	-	-	-	-	(46,500)	-	(46,500)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	159,366	(159,366)
Total Comprehensive Expenditure and Income	(73,161)	26,661	-	-	-	-	-	(46,500)	159,366	(205,866)
Adjustments between Group Accounts and Authority Accounts	10,568	-	27	(12)	-	-	-	10,583	(16,634)	(6,051)
Net (Increase)/Decrease before Transfers	(62,593)	26,661	27	(12)	-	-	-	(35,917)	(176,000)	(211,917)
Adjustments between Accounting Basis and Funding Basis Under Regulations	65,583	(26,763)	-	-	3,285	-	-	42,105	(42,105)	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	2,990	(102)	27	(12)	3,285	-	-	6,188	(218,105)	(211,917)
Transfers to/(from) Earmarked Reserves	444	102	-	-	(34)	(1,015)	503	-	-	-
(Increase)/Decrease in 2010/11	3,434	-	27	(12)	3,251	(1,015)	503	6,188	(218,105)	(211,917)
Balance at 31 March 2011 Carried Forward	(11,572)	-	(377)	(31)	(4,901)	(3,974)	(386)	(21,241)	(244,762)	(266,003)

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2009/2010			2010/11			
Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000		Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000
143,068	(6,072)	136,996	Education Services	149,617	(7,213)	142,404
83,728	(67,508)	16,220	General Fund Housing	87,638	(71,408)	16,230
64,268	(46,768)	17,500	Housing Revenue Account	68,105	(50,714)	17,391
35,659	(5,055)	30,604	Cultural & Related Services	32,034	(3,159)	28,875
22,995	(4,006)	18,989	Environmental Services	25,266	(4,036)	21,230
20,654	(8,012)	12,642	Roads & Transport Services	23,183	(7,783)	15,400
30,599	(8,089)	22,510	Planning & Development Services	18,859	(10,443)	8,416
106,420	(21,842)	84,578	Social Work	116,561	(22,351)	94,210
4,496	(109)	4,387	Corporate & Democratic Core	4,824	(110)	4,714
401	-	401	Non Distributed Costs	2,763	(82,160)	(79,397)
18,755	(15,470)	3,285	Central Services to the Public	18,237	(6,856)	11,381
35,291	-	35,291	Joint Boards	30,057	-	30,057
-	-	-	Exceptional Item – Redundancy Costs	803	-	803
(62)	-	(62)	Exceptional Item – Equal Pay Liability	-	-	-
33	-	33	Common Good Fund	51	-	51
52,932	(4)	52,928	Associates and Joint Ventures Accounted for on an Equity Basis	13,355	(263)	13,092
619,237	(182,935)	436,302	Cost Of Services	591,353	(266,496)	324,857
		558	Other Operating Expenditure			543
		(163)	Share of Other Operating Expenditure (Associates and Joint Ventures)			(223)
		29,088	Financing and Investment Income and Expenditure			31,741
		(29)	Financing and Investment Income and Expenditure (Common Good & Charitable Trust Fund)			(7)
		19,992	Share of Financing and Investment Income and Expenditure (Associates and Joint Ventures)			24,486
		(368,362)	Taxation and Non-Specific Grant Income			(380,562)
		(56,481)	Share of Taxation and Non-Specific Grant Income (Associates and Joint Ventures)			(47,335)
		60,905	(Surplus) or Deficit on Provision of Services			(46,500)
		(37,872)	(Surplus) or deficit on revaluation of fixed assets			(12,620)
		(169)	(Surplus) or deficit on revaluation of available for sale financial assets			(63)
		207,450	Actuarial (gains) / losses on pension assets / liabilities etc			(100,217)
		138,254	Share of Other Comprehensive Income and Expenditure (Associated and Joint Ventures)			(46,466)
		307,663	Other Comprehensive Income and Expenditure			(159,366)
		368,568	Total Comprehensive Income and Expenditure			(205,866)

GROUP BALANCE SHEET

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
1,230,004	1,276,973	Property, Plant & Equipment	1,295,095
18,570	21,736	Investment Property	21,198
1,137	1,137	Long Term Investments	1,137
497	261	Investments in Associates and Joint Ventures	259
7,085	8,232	Long Term Debtors	10,672
1,257,293	1,308,339	Long Term Assets	1,328,361
17,281	4,163	Short Term Investments	4,324
1,189	1,432	Inventories	1,638
46,596	49,397	Short Term Debtors	43,678
-	-	Cash and Cash Equivalents	4,630
1,814	1,833	Assets held for sale	2,320
66,880	56,825	Current Assets	56,590
(846)	(7,539)	Cash and Cash Equivalents	-
(13,725)	(15,237)	Short Term Borrowing	(41,288)
(61,605)	(66,079)	Short Term Creditors	(63,299)
(76,176)	(88,855)	Current Liabilities	(104,587)
(6,905)	(5,021)	Provisions	(5,579)
(308,547)	(317,157)	Long Term Borrowing	(327,593)
(253,642)	(408,709)	Liabilities in Associates and Joint Ventures	(352,047)
(247,433)	(490,388)	Other Long Term Liabilities	(316,302)
(871)	(948)	Capital Grants Receipts in Advance	(12,840)
(817,398)	(1,222,223)	Long Term Liabilities	(1,014,361)
430,599	54,086	Net Assets	266,003
35,638	27,429	Usable reserves	21,241
394,961	26,657	Unusable Reserves	244,762
430,599	54,086	Total Reserves	266,003

Marjory Stewart, FCCA, CPFA
Director of Finance
Dundee City Council

The unaudited accounts were issued on 30 June 2011 and the audited accounts were authorised for issue on 30 September 2011.

GROUP CASH FLOW STATEMENT

2009/2010		2010/2011
£000		£000
60,828	Net (surplus) or deficit on the provision of services	(49,007)
(106,391)	Adjust net (surplus) or deficit on the provision of services for non cash movements	(9,494)
<u>3,237</u>	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	<u>5,226</u>
(42,326)	Net cash flows from Operating Activities	(53,275)
68,365	Investing Activities	74,142
<u>(19,346)</u>	Financing Activities	<u>(33,036)</u>
6,693	Net (increase) or decrease in cash and cash equivalents	(12,169)
<u>(846)</u>	Cash and cash equivalents at the beginning of the reporting period	<u>(7,539)</u>
<u>(7,539)</u>	Cash and cash equivalents at the end of the reporting period (note 16)	<u>4,630</u>

NOTES TO THE GROUP ACCOUNTS

1 Impact of Consolidation on Reserves

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

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

Group Entity	As at 31 March 2010		
	Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Dundee City Council (Single Entity)	21,430	442,449	463,879
Common Good Fund	3,239	118	3,357
Charitable Trust Fund	434	7,086	7,520
Tayside Contracts Joint Committee	259	(12,481)	(12,222)
Tayside Joint Police Board	4,031	(302,913)	(298,882)
Tayside Fire & Rescue Board	681	(103,982)	(103,301)
Tayside Valuation Joint Board	35	(2,681)	(2,646)
Dundee City Developments	258	3	261
Dundee Leisure	(856)	(942)	(1,798)
DERL	<u>(2,082)</u>	-	<u>(2,082)</u>
Total per Group Balance Sheet	<u>27,429</u>	<u>26,657</u>	<u>54,086</u>

Group Entity	As at 31 March 2009		
	Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Dundee City Council (Single Entity)	28,098	649,745	677,843
Common Good Fund	3,245	(8)	3,237
Charitable Trust Fund	309	7,279	7,588
Tayside Contracts Joint Committee	190	(5,114)	(4,924)
Tayside Joint Police Board	4,716	(191,546)	(186,830)
Tayside Fire & Rescue Board	1,000	(64,936)	(63,936)
Tayside Valuation Joint Board	35	(1,074)	(1,039)
Dundee City Developments	210	287	497
Dundee Leisure	(859)	328	(531)
DERL	<u>(1,306)</u>	-	<u>(1,306)</u>
Total per Group Balance Sheet	<u>35,638</u>	<u>394,961</u>	<u>430,599</u>

NOTES TO THE GROUP ACCOUNTS

2 Impact of Consolidation on Cash and Cash Equivalents

The impact on total cash and cash equivalents of consolidating group entities is shown in the following table.

Group Entity	At 31 March	At 31 March	At 31 March
	2011 £000	2010 £000	2009 £000
Dundee City Council (Single Entity)	5,603	(7,325)	(131)
Common Good Fund	-	-	-
Charitable Trust Fund	-	-	-
Tayside Contracts Joint Committee	(973)	(214)	(715)
Tayside Fire & Rescue Board *	-	-	-
Tayside Valuation Joint Board *	-	-	-
Dundee City Developments *	-	-	-
Dundee Leisure *	-	-	-
DERL *	-	-	-
Total per Group Balance Sheet	<u>4,630</u>	<u>(7,539)</u>	<u>(846)</u>

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

3 Group Accounting Policies

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

4. Group Entities

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

Tayside Joint Police Board

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

The Board consists of 18 Councillors appointed from the three Councils as follows: 7 members from Dundee City Council, 6 members from Perth & Kinross Council and 5 members from Angus Council. There has been no change to the overall composition of the Board from 2009/2010. The Board shares responsibility for Tayside Police with Scottish Ministers and the Chief Constable, who is responsible for operational matters. The Board is supported by two officers from Angus Council as officials to the Board. Dundee City Council has included the Tayside Joint Police Board in the Group Accounts as an associate in terms of the Code and accounted for it on a 'net equity' basis. The City Council's share is 45.4% based on the percentage of funding requisitions for the Board. The Board's accounting period is 31 March. For the purpose of consolidation and disclosure, unaudited statutory accounts for the year ended 31 March 2011 were used.

The Board's audited Comprehensive Income & Expenditure Statement for 2010/2011 shows total net income of £87.053m, of which £39.524m (45.4%) has been included in the Group Accounts. The Board's audited Balance Sheet shows a net liability of £571.276m, of which £259.360m (45.4%) has been included in the Group Accounts.

Tayside Fire & Rescue Board

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

The Board consists of 18 Councillors appointed from the three Councils as follows: 7 members from Dundee City Council, 6 members from Perth & Kinross Council and 5 members from Angus Council. There has been no change to the overall composition of the Board from 2009/2010. The Board is supported by two officers from Perth & Kinross Council as officials to the Board. Dundee City Council has included the Tayside Fire & Rescue Board in the Group Accounts as an associate in terms of the Code and accounted for it on a 'net

NOTES TO THE GROUP ACCOUNTS

equity' basis. The City Council's share is 52% based on the percentage of funding requisitions for the Board. The Board's accounting period is 31 March. For the purpose of consolidation and disclosure, unaudited statutory accounts for the year ended 31 March 2011 were used.

The Board's audited Comprehensive Income & Expenditure Statement for 2010/2011 shows total net income of £28.774m, of which £14.963m (52%) has been included in the Group Accounts. The Board's unaudited Balance Sheet shows a net liability of £169.881m, of which £88.338m (52%) has been included in the Group Accounts.

Tayside Valuation Joint Board

Tayside Valuation Joint Board was created in 1996 to take over from the Local Authorities in its area certain duties in relation to valuation for Rating and Council Tax. The Valuation Joint Boards (Scotland) Order 1995 provides the regulatory framework for the administration of the Board.

The Board consists of 15 Councillors appointed from the three Councils as follows: 6 members from Dundee City Council, 5 members from Perth & Kinross Council and 4 members from Angus Council. There has been no change to the overall composition of the Board from 2009/2010. The Board is supported by two officers from Dundee City Council as officials to the Board. Dundee City Council has included the Tayside Valuation Joint Board in the Group Accounts as an associate in terms of the Code and accounted for it on a 'net equity' basis. The City Council's share is 33.64% based on the percentage of funding requisitions for the Board. The Board's accounting period is 31 March. For the purpose of consolidation and disclosure, unaudited statutory accounts to the year ended 31 March 2011 were used.

The Board's unaudited Comprehensive Income & Expenditure Statement for 2010/2011 shows total net income of £3.890m of which £1.308m (33.64%) has been included in the Group Accounts. The Board's unaudited Balance Sheet shows a net liability of £3.976m, of which £1.338m (33.64%) has been included in the Group Accounts.

Dundee City Developments Limited

Dundee City Developments Limited (DCD) was established in 1999 as a company limited by guarantee to continue the process of economic regeneration and to maintain momentum across a range of economic development initiatives in the city. Dundee City Council has two officers on the Board of Dundee City Developments Limited (there can be up to ten other Board members). The company is limited by guarantee and the members liability is limited to a maximum amount of £1. Dundee City Council has included the company in the Group Accounts as an associate in terms of the Code. The percentage for consolidation is 28.57%, based on the actual board membership as at 30 April 2011 (28.57% at 30 April 2010). The company has been consolidated in the Group Accounts on a 'net equity' basis. DCD's accounting period is 30 April. For the purpose of consolidation and disclosure, unaudited Statutory Accounts to 30 April 2011 were used. The company's unaudited Profit & Loss Account shows a loss of £246 for the year to 30 April 2011, this minor loss made no impact on the Group Comprehensive Income & Expenditure Statement. The company's unaudited Balance Sheet shows a net asset of £0.908m of which £0.259m has been included in the Group Accounts.

Dundee Energy Recycling Limited

Dundee Energy Recycling Limited (DERL) is a special purpose company, established in order to construct and operate a Waste-to-Energy Plant at Baldovie, Dundee. The plant was taken over from the construction contractor on 31 March 2000. On the same date, a 20 year contract commenced between the Council and DERL for the disposal of domestic refuse. The company was financially restructured in March 2004, as part of which the Council purchased the plant from DERL and leased it back at a commercial rate. The Council has 5,362,181 Deferred Shares of £1 par value in the company. As at 31 March 2011, a loan of £3.300m is in place to provide working capital and assist with cash flow. In June 2011, the Council agreed to provide a further loan facility of £0.600m. The carrying value of the investment in the company in the Council's Balance Sheet at 31 March 2011 is Nil (31 March 2010 Nil). The Council owned 40% of the £100 Ordinary Share Capital of DERL at 31 March 2011 (40% at 31 March 2010). Dundee City Council has two officers as Directors on the Board of DERL (maximum number of Directors is six). Dundee City Council has included the company in the Group Accounts as a joint venture in terms of the Code. The DERL project was developed under the Private Finance Initiative (PFI).

The company has been consolidated in the Group Accounts on a 'gross equity' basis. DERL's accounting period is 31 December. For the purpose of consolidation and disclosure, figures from DERL's statutory accounts to 31 December 2010 have been used. The company's Profit & Loss Account shows a loss of £0.647m for the year to 31 December 2010, of which £0.259m (40%) has been included in the Group Accounts. The company's Balance Sheet shows a net asset of £1.344m. As a result of the divergence of accounting policy regarding the treatment of Property, Plant & Equipment, an adjustment is required upon consolidation to align the policies and eliminate the Group's share of DERL's fixed assets. This leaves a net liability of £2.122m, which is included in the Group Accounts.

NOTES TO THE GROUP ACCOUNTS

Dundee Leisure Limited

Dundee Leisure Limited was established to manage and operate swimming and leisure facilities in Dundee from 1 April 2006. The Council pays an annual management fee to the company. The swimming and leisure facilities are owned by the Council and leased to the company. The Council has provided a loan facility up to £100,000. There was no drawdown against this loan facility at 31 March 2011. The company is limited by guarantee and the members' liability is limited to a maximum amount of £1. The Council has five elected members and two officers appointed as Directors to the Board (total number of Directors is 15). Dundee City Council has included the company in the Group Accounts as an associate in terms of the Code. The percentage for consolidation is 46.67%, based on the actual board membership as at 31 March 2011. The company has been consolidated in the Group Accounts on a "net equity" basis. Dundee Leisure Limited's accounting period is 31 March. For the purpose of consolidation and disclosure, draft statutory accounts to 31 March 2011 have been used. Within the company's draft statutory accounts, the Profit & Loss Account shows a profit of £0.563m for the year to 31 March 2011, of which £0.218m (46.67%) has been included in the Group Accounts. The company's Balance Sheet shows a net liability of £1.902m, of which £0.889m (46.67%) has been included in the Group Accounts.

Tayside Contracts Joint Committee

Tayside Contracts was established following local government reorganisation in 1996 as 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 each constituent Council. The Joint Committee consists of 18 Councillors appointed from the three Councils as follows: 6 members from Dundee City Council, 7 members from Perth and Kinross Council and 5 members from Angus Council. In terms of the City Council's accounts, Tayside Contracts is accounted for as a joint arrangement and a proportion of their assets and liabilities are included on a line-by-line basis within the Group Balance Sheet. The percentage for consolidation is 31%, based on an estimate of the value of works provided to the Council during 2010/2011 (2009/2010 31%). For the purpose of consolidation and disclosure, unaudited statutory accounts to the year ended 31 March 2011 were used.

Tayside Contract Joint Committee's unaudited Balance Sheet as at 31 March 2011 shows an overall net liability of £20.542m. An adjustment is required upon consolidation to eliminate any specific debtors or creditors held with Dundee City Council. Following this adjustment, the Council's share of the remaining a net liability is £6.368m, which is included in the Group Balance Sheet.

5. Non-Material Interests in Other Entities

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

Discovery Education Companies (3 no)

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

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

NOTES TO THE GROUP ACCOUNTS

Dundee Ice Arena Limited

The Dundee Ice Arena Limited Company was established to operate the Ice Arena facilities in Dundee, which are owned by the Council. There is a lease agreement with the company for the occupation of the Ice Arena. The company is limited by guarantee and the members' liability is limited to a maximum amount of £1. The Council has four elected members and two officers appointed as Directors to the Board (total number of Directors is 14).

Dundee Contemporary Arts Limited

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

Dovetail Enterprises (1993) Limited

Dovetail Enterprises Limited was established to provide training and employment for persons with disabilities. The Council provides annual grant funding to this organisation. The Council has also provided an interest free loan of £400,000 repayable by 31 March 2012 and as a result has increased its share of the Standard Security to 33% of the company's liquidated assets. As at 31 March 2011, £300,000 of this loan has been repaid to the Council. The company is limited by guarantee and the members' liability is limited to £1. The Council has four elected members appointed as Directors to the Board (total number of Directors is 14).

COMMON GOOD FUND ACCOUNT

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

2009/2010 £000	<u>Income & Expenditure Account</u>	2010/2011 £000
	<u>Income</u>	
(10)	Interest on Loans	(12)
(18)	Dividends and Commission	(15)
<u>-</u>	Feu Duties	<u>22</u>
(28)		(5)
	<u>Expenditure</u>	
<u>33</u>	Other Expenditure	<u>51</u>
<u>33</u>		<u>51</u>
<u>5</u>	(Surplus)/Deficit for Year	<u>46</u>

2010 £000	<u>Balance Sheet as at 31 March</u>	2011 £000
	<u>Current Assets</u>	
3,356	Short Term Investments	3,294
<u>1</u>	Sundry Debtors	<u>-</u>
<u>3,357</u>		<u>3,294</u>
	<u>Current Liabilities</u>	
<u>-</u>	Sundry Creditors	<u>-</u>
<u>-</u>		<u>-</u>
<u>3,357</u>		<u>3,294</u>
<u>3,357</u>	Net Assets	<u>3,294</u>
	Financed By Fund Balances and Reserves	
	Not Available for Use:	
<u>118</u>	- Available-for-sale Financial Instruments Reserve	<u>101</u>
<u>118</u>		<u>101</u>
	Available for Use:	
<u>3,239</u>	- Common Good Balance	<u>3,193</u>
<u>3,357</u>		<u>3,294</u>

Marjory Stewart, FCCA, CPFA
Director of Finance
Dundee City Council

The unaudited accounts were issued on 30 June 2011 and the audited accounts were authorised for issue on 30 September 2011.

NOTES TO THE COMMON GOOD FUND ACCOUNT

1 **SHORT TERM INVESTMENTS**

Included within the Short Term Investments figure of £3,294,000 shown above, £407,000 relates to marketable securities as at 31 March 2011 (31 March 2010 £3,356,000 and £425,000). These securities are valued at market value.

2 **FEU DUTIES**

The reduction in the income under this heading represents a credit being issued against a Compensation Payment requested when legislation was changed.

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

To this end the Council has approved and adopted a local Code of Corporate Governance that is consistent with the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government. This statement explains how Dundee City Council delivers good governance and reviews the effectiveness of these arrangements.

In addition the Council is responsible for confirming effective internal financial control exists within its other group entities.

The Council's Governance Framework

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

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

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

The overall control arrangements include:

- identifying the Council's objectives in the Council Plan, Community Plan and Single Outcome Agreement.
- monitoring of objectives by the Council and senior officers.
- a systematic approach to monitoring service performance at elected member, senior officer and project level.
- reporting performance regularly to Council committees.
- clearly defined Standing Orders and Schemes of Administration covering Financial Regulations, Tender Procedures and Delegation of Powers.
- a Monitoring Officer to ensure compliance with laws and regulations.
- a Scrutiny Committee.
- approved anti-fraud and corruption strategies including "whistle-blowing" arrangements under the Public Interest Disclosure Act 1998.
- participating in National Fraud Initiative strategy for sharing and cross-matching data.
- formal project appraisal techniques and project management disciplines.
- setting targets to measure financial and service performance.
- formal revenue and capital budgetary control systems and procedures.
- clearly defined capital expenditure guidelines.

Review of Effectiveness

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

ANNUAL GOVERNANCE STATEMENT

The effectiveness of the governance framework is reviewed annually by a working group of senior officers. Their regular review of the Local Code of Corporate Governance has identified the Council as being over 90% compliant with guidelines.

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

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

Continuous Improvement Agenda

The Council's Corporate Governance working group has identified the following areas for improvement, to be taken forward during 2011/12:

- publish a Customer Excellence Standard.
- introduce Option Appraisal for Revenue Expenditure.
- further embed risk management and develop the Risk Management Group.
- establish a Scrutiny Panel.
- introduce Scrutiny and Equality Training for Elected Members.

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

- documentation of operational procedures and guidance.
- further development of certain key computerised systems.
- increased engagement with Internal Audit.
- further roll-out of procurement module.
- business continuity planning.

Group Entities

In respect of the Joint Boards, Joint Committee and Companies that fall within the Council's group boundary, the review of their internal financial control systems is informed by:

- the statements on the System of Internal Financial Control 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.

The annual review demonstrates sufficient evidence that the code's principles of delivering good governance in local government operated effectively and the Council complies with the Local Code of Corporate Governance in all significant respects. It is proposed over 2011/12 steps are taken to address the items identified in the Continuous Improvement Agenda to further enhance the Council's governance arrangements.

David K Dorward
Chief Executive, Dundee City Council
30 September 2011

Ken Guild
Leader of the Council
30 September 2011

INTRODUCTION

The Council is required to prepare and publish within its Statement of Accounts an annual Remuneration Report under the Local Authority Accounts (Scotland) Amendment Regulations 2011 (Scottish Statutory Instrument No. 2011/64), which came into force on 31 March 2011. The report sets out the remuneration and accrued pension benefits of the Senior Councillors and Senior Employees of the Council. The report also provides information on the number of Council employees (including Senior Employees) whose total actual remuneration was £50,000 or more, this information being disclosed in salary bandings of £5,000 above £50,000. The following report has been prepared in accordance with the aforementioned Regulations. The Council's External Auditor is required to audit certain parts of the Remuneration Report and give a separate opinion in his report on the Statement of Accounts as to whether the Remuneration Report has been properly prepared in accordance with the Regulations. All the tables in this report are subject to audit except those relating to Councillors Allowances and Expenses.

REMUNERATION ARRANGEMENTS

Senior Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (Scottish Statutory Instrument No. 2007/183). The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (Lord Provost for Dundee City Council), Senior Councillors or Councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure. When determining the level of remuneration for Councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority Councillors.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2010/2011 the salary for the Leader of Dundee City Council was £32,470. The Regulations permit the Council to remunerate one Civic Head. The Regulations set out the maximum salary that may be paid to that Civic Head. The agreed policy of Dundee City Council is to pay the Civic Head (Lord Provost) the maximum salary set out in the Regulations (£24,353). The Regulations allow the Civic Head to incur expenditure of £3,000 on expenses associated with the position. Dundee City Council's Lord Provost does not claim any expenditure under this heading.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors that the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors (including the Leader and Civic Head) shall not exceed £320,647 and the number of Senior Councillors shall not exceed 15. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The Council's arrangements in this area were agreed, for 2009/2010 onwards, at the meeting of Dundee City Council on 1 July 2009.

In 2010/2011, Dundee City Council had 15 Senior Councillors (including the Leader and Civic Head) and the remuneration paid to these Councillors totalled £319,763. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become Councillor members of the pension scheme.

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

The Members Salaries scheme for 2009/2010 onwards, which encompasses the salaries of all elected members including the Leader, Civic Head (Lord Provost) and Senior Councillors was agreed at a meeting of Dundee City Council on 1 July 2009. A copy of the scheme is available on the Council's website. (www.dundee.gov.uk/reports/agendas/pr010709.pdf).

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.

	2010/2011	2009/2010
	£	£
Salaries	557,633	556,964
Mileage, Travel & Subsistence etc	10,140	12,127
Training & Conferences	1,859	5,823
Telephone Expenses	4,894	2,775
	574,526	577,689
Provision of Council Cars	40,998	40,406
	615,524	618,095

The full Annual Return of Councillors Salaries & Expenses for 2010/11 is available on the Council's website. (www.dundee.gov.uk/dundeeecity/uploaded_publications/publication_2438.pdf).

Senior Employees

The salary of Senior Employees is set by reference to national agreements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/144 sets the amount of salary for the Chief Executive of Dundee City Council for the period 2008 to 2011. The salaries of the Directors and Heads of Service are determined with reference to the Chief Executive's salary taking into account the duties and responsibilities of their posts. The Council's Policy & Resources Committee is responsible for agreeing the salaries of Directors and Heads of Service. Senior Employees are entitled to participate in the Council's Contract Car Hire Scheme, subject to meeting certain criteria. The Council's Policy & Resources Committee is also responsible for agreeing the terms of the Contract Car Hire Scheme.

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

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

The Council has determined that 13 employees meet the criteria for designation as a Senior Employee in 2010/2011, with all 13 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
	2010/2011	2009/2010
£50,000 - £54,999	60	51
£55,000 - £59,999	38	22
£60,000 - £64,999	13	17
£65,000 - £69,999	7	3
£70,000 - £74,999	8	12
£75,000 - £79,999	9	7
£80,000 - £84,999	2	1
£85,000 - £89,999	2	2
£90,000 - £94,999	1	2
£95,000 - £99,999	2	4
£100,000 - £104,999	4	-
£105,000 - £109,999	-	-
£110,000 - £114,999	1	-
£115,000 - £119,999	-	1
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	1	-
Total	148	122

ACCRUED PENSION BENEFITS

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

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

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

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

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009, contribution rates were set at 6% for all non-manual employees. The tiers and members contribution rates for 2010/2011 remain at the 2009/2010 rates (due to a decrease in the cost of living index for 2010/2011) and are as follows:

Whole Time Pay	Contribution Rate 2010/2011	Contribution Rate 2009/2010
On earnings up to and including £18,000	5.5%	5.5%
On earnings above £18,000 and up to £22,000	7.25%	7.25%
On earnings above £22,000 and up to £30,000	8.5%	8.5%
On earnings above £30,000 and up to £40,000	9.5%	9.5%
On earnings above £40,000	12%	12%

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

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service.

Senior Councillors

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

Senior Employees

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

Assumptions and Contextual Information

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

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

- (i) the figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.
- (ii) the accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time. In 2010/2011, the scheme member contribution rate for Senior Councillors was in the range of 5.5% to 6.7% of pensionable pay and for Senior Employees was in the range of 9.5% to 10.6% of pensionable pay. In 2010/2011, the employer contribution rate was 18.5% of pensionable pay for both Senior Councillors and Senior Employees.

David K Dorward, CPFA
Chief Executive
Dundee City Council
30 September 2011

ANNUAL REMUNERATION REPORT

TABLE 1a – REMUNERATION OF SENIOR COUNCILLORS

Councillor Name	Responsibility	Salary, Fees & Allowances	Taxable Expenses	Non-cash Expenses & Benefits-in-Kind	Total Remuneration 2010/2011	Total Remuneration 2009/2010
		£	£	£	£	£
Ken Guild	Leader	32,470	0	0	32,470	32,470
John R Letford	Lord Provost	24,353	0	0	24,353	24,353
Will Dawson	Convener, City Development	21,563	0	0	21,563	21,563
Bob Duncan	Convener, Leisure Arts & Communities	21,563	0	0	21,563	21,563
Jimmy Black	Convener, Housing, DCS & Environmental Services	21,563	0	0	21,563	21,563
Elizabeth F Fordyce	Convener, Education	21,563	0	0	21,563	21,563
Jim Barrie	Convener, Social Work & Health	21,563	0	0	21,563	21,563
Willie Sawers	Depute Convener, Policy & Resources	21,563	0	0	21,563	21,563
Roderick A J Wallace	Convener, Development Management	21,563	0	0	21,563	21,563
Stewart Hunter	Depute Convener, Education	18,264	0	0	18,264	18,264
Alan Ross	Depute Convener, Leisure Arts & Communities	18,264	0	0	18,264	18,264
Craig Melville	Depute Convener, Housing, DCS & Environmental Services	18,264	0	0	18,264	18,264
Andy Dawson	Depute Convener, Licensing (until 25/10/10)	17,380	0	0	17,380	18,264
David Bowes	Depute Convener, City Development (from 7/12/09)	18,264	0	0	18,264	18,264
Kevin Keenan	Leader of the Opposition	21,563	0	0	21,563	21,563
Total		319,763	0	0	319,763	320,647

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

Councillor Name	Responsibility	Salary, Fees & Allowances	Taxable Expenses	Non-cash Expenses & Benefits-in-Kind	Total Remuneration 2010/2011	Total Remuneration 2009/2010
		£	£	£	£	£
Tom Ferguson	Convener, Tayside Valuation Joint Board	20,294	0	0	20,294	19,847
George Regan	Vice Convener, Tayside Joint Police Board	18,264	0	0	18,264	18,040
Christina Roberts	Vice Convener, Tayside Fire & Rescue Board	18,264	0	0	18,264	18,040
Helen Wright	Convener, Community Justice Authority	<u>20,294</u>	<u>0</u>	<u>0</u>	<u>20,294</u>	<u>19,617</u>
Total		<u>77,116</u>	<u>0</u>	<u>0</u>	<u>77,116</u>	<u>75,544</u>

Note

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

	2010/11	2009/10
	£	£
Tayside Valuation Joint Board	4,060	3,613
Tayside Joint Police Board	2,030	1,806
Tayside Fire & Rescue Board	2,030	1,806
Community Justice Authority	<u>4,060</u>	<u>3,383</u>
	<u>12,180</u>	<u>10,608</u>

ANNUAL REMUNERATION REPORT

TABLE 2 – REMUNERATION OF SENIOR EMPLOYEES

Employee Name	Post Title	Salary, Fees & Allowances	Bonuses	Taxable Expenses	Compensation for Loss of Employment	Benefits Other Than in Cash	Total Remuneration 2010/2011	Total Remuneration 2009/2010
		£	£	£	£	£	£	£
David K Dorward	Chief Executive (wef 1/10/09, was previously Depute Chief Executive (Finance))	138,743	0	0	0	2,704	141,447	118,662
Patricia McIlquham	Depute Chief Executive (Support Services)	105,217	0	0	0	0	105,217	98,746
Marjory Stewart	Director of Finance (wef 2/10/09, was previously Head of Finance)	97,782	0	0	0	3,026	100,808	92,697
Chris Ward	Assistant Chief Executive	84,045	0	0	0	0	84,045	81,994
Jim Collins	Director of Education	101,217	0	0	0	0	101,217	100,826
Alan Baird	Director of Social Work	101,217	0	0	0	0	101,217	98,746
Elaine Zwirlein	Director of Housing	92,625	0	0	0	0	92,625	90,364
Michael P Galloway	Director of City Development (wef 8/6/09, was previously Director of Planning & Transportation)	101,217	0	0	0	0	101,217	98,124
Ken Laing	Director of Dundee Contract Services	84,045	0	0	0	3,379	87,424	85,186
Stewart Murdoch	Director of Leisure & Communities	89,190	0	0	0	0	89,190	87,013
James K Laing	Head of Waste Management	77,166	0	0	0	0	77,166	75,283
Ged Bell	Head of Information Technology	77,166	0	0	0	1,464	78,630	77,750
Iain M M Martin	Head of Personnel	77,166	0	0	0	875	78,041	76,243
Total		<u>1,226,796</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,448</u>	<u>1,238,244</u>	<u>1,181,634</u>

TABLE 2 NOTES

1. Salary, Fees & Allowances figure for David K Dorward, Chief Executive, includes £6,002 Returning Officer fee in respect of the UK Parliament election in May 2010.
2. Salary, Fees & Allowances figure for Patricia McIlquham, Depute Chief Executive (Support Services), includes £4,000 Depute Returning Officer fee in respect of the UK Parliament election in May 2010.
3. Figures for Benefits Other Than in Cash relate to participation in the Council's Contract Car Hire Scheme. The equivalent figures for 2009/2010 are included within Total Remuneration for that year.

TABLE 3 – SENIOR COUNCILLORS ACCRUED PENSION BENEFITS

Councillor Name	Responsibility	Pension as at 31 March 2011	Pension Difference from 31 March 2010	Lump Sum as at 31 March 2011	Lump Sum Difference from 31 March 2010	Pension Contribution 2010/2011	Pension Contribution 2009/2010
		£000	£000	£000	£000	£	£
Ken Guild	Leader	1.6	0.7	2.0	0.2	6,007	6,007
Will Dawson	Convener, City Development	1.1	0.4	1.4	0.1	3,989	3,989
Bob Duncan	Convener, Leisure Arts & Communities	1.1	0.4	1.4	0.1	3,989	3,989
Jimmy Black	Convener, Housing, DCS & Environmental Services	1.1	0.4	1.4	0.1	3,989	3,989
Jim Barrie	Convener, Social Work & Health	1.3	0.5	1.5	0.2	3,989	3,989
Willie Sawers	Depute Convener, Policy & Resources	1.1	0.4	1.4	0.1	3,989	3,989
Stewart Hunter	Depute Convener, Education	1.2	0.5	1.3	0.1	3,379	3,379
Alan Ross	Depute Convener, Leisure Arts & Communities	0.9	0.3	0.9	0.1	3,379	3,379
Craig Melville *	Depute Convener, Housing, DCS & Environmental Services	0.6	0.3	0	0	3,533	3,379
Kevin Keenan	Leader of the Opposition	1.6	0.4	2.0	0	3,989	3,989
Total		11.6	4.3	13.3	1.0	40,232	40,078

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

ANNUAL REMUNERATION REPORT

TABLE 4 – SENIOR EMPLOYEES ACCRUED PENSION BENEFITS

Employee Name	Post Title	Pension as at 31 March 2011 £000	Pension Difference from 31 March 2010 £000	Lump Sum as at 31 March 2011 £000	Lump Sum Difference from 31 March 2010 £000	Pension Contribution 2010/2011 £	Pension Contribution 2009/2010 £
David K Dorward	Chief Executive (wef 1/10/09, was previously Depute Chief Executive (Finance))	65	10	183	23	25,667	21,412
Patricia McIlquham	Depute Chief Executive (Support Services)	41	2	115	3	18,725	18,268
Marjory Stewart	Director of Finance (wef 2/10/09, was previously Head of Finance)	34	4	92	7	18,090	16,713
Chris Ward	Assistant Chief Executive	23	2	60	1	15,548	15,169
Jim Collins	Director of Education	45	3	126	3	18,725	18,268
Alan Baird	Director of Social Work	40	2	111	2	18,725	18,268
Elaine Zwirlein	Director of Housing	29	2	78	2	17,136	16,717
Michael P Galloway	Director of City Development (wef 8/6/09, was previously Director of Planning & Transportation)	33	3	90	5	18,725	18,153
Ken Laing	Director of Dundee Contract Services	25	2	66	1	15,548	15,169
Stewart Murdoch	Director of Leisure & Communities	38	3	105	2	16,500	16,097
James K Laing	Head of Waste Management	32	2	90	3	14,275	13,927
Ged Bell	Head of Information Technology	23	2	63	2	14,275	13,927
Iain M M Martin	Head of Personnel	30	2	84	2	14,275	13,927
Total		<u>458</u>	<u>39</u>	<u>1,263</u>	<u>56</u>	<u>226,214</u>	<u>216,015</u>

TABLE 4 NOTES

1. Pension Contribution 2010/2011 figure for David K Dorward, Chief Executive, includes £1,110 contributions payable on Returning Officer fee in respect of the UK Parliament election in May 2010.

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

I certify that I have audited the financial statements of Dundee City Council for the year ended 31 March 2011 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets and Cash-Flow Statements, the authority-only Non Domestic Rate Income Account, the Council Tax Income Account, Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Common Good Fund Account and the related notes. 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 2010/11 (the 2010/11 Code).

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 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Director of Finance and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2010/11 Code of the state of the affairs of Dundee City Council as at 31 March 2011 and of its income and expenditure 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 2010/11 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

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

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

Mark Taylor CPFA
Assistant Director
Audit Scotland - Audit Services
Osborne House, 1/5 Osborne Terrace
Edinburgh, EH12 5HG

30 September 2011