



DUNDEE CITY COUNCIL

**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2008**

AUDITED

September 2008

DUNDEE CITY COUNCIL

STATEMENT OF ACCOUNTS 2007/2008

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FOREWORD BY THE HEAD 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 2007/2008.

Accounting Policies (see pages 7 to 11)

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.

Statement of Responsibilities for the Statement of Accounts (see page 12)

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

The Accounting Statements (see pages 13 to 74)

Income & Expenditure Account:

sets out the budgeted and actual expenditure for all of the Council's services and also shows how the expenditure has been financed. Both expenditure and income are measured using essentially the same accounting conventions (ie UK Generally Accepted Accounting Practice or "UKGAAP") that a large, but unlisted, company would use in preparing its financial statements.

Statement of Movement on the General Fund Balance:

reconciles the surplus or deficit for the year on the Income & Expenditure Account to the amount required by statute and non-statutory proper accounting practice to be charged or credited to the General Fund Balance.

Statement of Total Recognised Gains and Losses:

brings together all the recognised gains and losses of the Council during the period, including those not reflected in the Income & Expenditure Account.

Balance Sheet:

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 2008. All inter-departmental balances have been eliminated upon consolidation.

Cash Flow Statement:

details 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: Income & Expenditure 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. Both expenditure and income are measured using essentially the same accounting conventions (ie UK General Accepted Accounting Practice or "UKGAAP") that a large, but unlisted, company would use in preparing its financial statements.

Statement of Movement on the Housing Revenue Account Balance:

reconciles the surplus or deficit for the year on the Housing Revenue Account Income & Expenditure Account to the amount required by statute and non-statutory proper accounting practice to be charged or credited to the Housing Revenue Account Balance. In 2007/2008, the Housing Revenue Account had an excess of expenditure over income and £0.547m of this deficit was transferred to the Income & Expenditure Account and then a corresponding amount was appropriated from the Renewal and Repair Fund.

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.

Superannuation Funds Accounts:

sets out the accounting policies, fund account and net assets statement for the two Superannuation Funds which the Council administers.

FOREWORD BY THE HEAD OF FINANCE

Common Good Fund and Charitable Trust Funds Accounts:

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.

Statement on the System of Internal Financial Control (see page 75)

This statement sets out the framework within which financial control is managed and reviewed. The main components of the system are listed, together with any significant weaknesses that have been identified and the remedial action taken.

Virement from Contingency/Fund Balances

The 2007/2008 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 together with a specific contingency of £1.87m to address additional costs arising from the Single Status Agreement. An amount of £136,000 was vired from these contingencies to offset additional expenditure incurred by departments. In addition, virements totalling £2.1m were made from General Fund Balances, mainly to fund departmental expenditure commitments that had been carried forward from 2006/2007. During the course of the financial year, the Council received additional new monies totalling £598,000 from the Scottish Government to fund additional cost pressures, mainly in Education services.

The "Budgeted Net Expenditure/(Income)" column in the Income & Expenditure Account (see page 13 and note 13 on page 22) reflects the impact of the transfers from contingencies 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 2007/2008 Revenue Budget was agreed at the meeting of the Special Finance Committee on 20 February 2007. In setting the 2007/2008 Council Tax level it was agreed that £1.3m would be taken from balances. The Policy & Resources Committee received monthly revenue monitoring reports during 2007/2008 in order to keep elected members fully apprised as to the projected outturn position.

The following table reconciles the Revenue Budget approved by the Special Finance Committee on 20 February 2007 to the revised budget figures that are included in the aforementioned accounting statements shown on pages 13 and 14.

	Budgeted Net Expenditure/ (Income) £m
Approved Revenue Budget 20 February 2007	1.300
<u>Add</u>	
Expenditure Carried Forward from 2006/2007	2.049
Insurance Fund Deficit	0.350*
Transfer from Renewal & Repair Fund	0.962*
Depreciation Charges (Net)	45.045*
Financial Instruments Adjustment	0.195
<u>Less</u>	
On-Street Car Parking Surplus	(0.394)
Gain on Disposal of Assets	(1.920)*
FRS17 Adjustment	(0.266)*
Loan Repayments and CFCR	<u>(18.714)*</u>
Budgeted Net Expenditure Per Income & Expenditure Account	28.607
<u>Less</u>	
Items marked * above	(25.457)
Transfer from Financial Instruments Adjustment Account	<u>(0.174)</u>
Budgeted Net Expenditure per Statement of Movement on the General Fund Balance	<u>2.976</u>

FOREWORD BY THE HEAD OF FINANCE

Revenue Expenditure

The Statement of Movement on the General Fund Balance (see page 14) shows an actual surplus for the year of £0.105m, against a budgeted deficit of £2.976m, ie this represents an overall net underspend of £3.081m against the 2007/2008 Revenue Budget. The main components of the net underspend are as follows:

	£m
Net Underspend on Council Services	(1.635)
Underspend on Contingencies	(1.934)
Equal Pay Costs	0.742
Reduced Contributions to Joint Boards	(0.338)
Additional Housing Benefits Subsidy Costs	0.197
Additional DCS Surpluses	(0.319)
Additional Local Taxation Income	(0.602)
Additional Revenue Support Grant	(0.202)
Savings on Loan Charges	(0.918)
Contributions to Reserves	2.748
Underspend on CFCR Expenditure	(0.084)
Reduced Pension Contributions	(0.725)
Other Miscellaneous Net Underspends	<u>(0.011)</u>
	<u>(3.081)</u>

The net underspend of £1.635m on Council services was due to a number of under and overspends within departmental budgets, including underspends in Economic Development, Waste Management, Environmental Health & Trading Standards and Finance Revenues. Some of these underspends are as a result of planned efficiency initiatives. Given the size and diversity of the Council's Revenue Budget and the services that it provides, there can be a significant number of variances from budget in any given financial year. It should also be noted that expenditure commitments totalling £2.1m (including Education Devolved School Management balances) will be carried forward to 2008/2009.

General Fund Balances

The excess of income over expenditure for the financial year 2007/2008 was £0.105m. When added to the opening General Fund balance of £8.477m, this gives a General Fund balances figure of £8.582m at 31 March 2008. It is, however, estimated that there are expenditure commitments amounting to £1.869m outstanding at 31 March 2008. These have arisen due to underspends in 2007/2008 and these underspends will be carried forward to 2008/2009 and fully utilised in the new financial year. It was agreed that the sum of £1.783m be taken from balances in setting the 2008/2009 Council Tax. In addition, there are ear-marked balances within the General Fund of £0.258m and £0.710m in respect of the Devolved School Management Scheme and Car Parking respectively. When all of these items are taken into account, it is estimated that the Council has uncommitted General Fund balances of £3.962m as at 31 March 2008. 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.

Other Cash-backed Resources

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 the purposes of the reserves can be found in Note 30 to the Core Financial Statements, on pages 33 to 35. In accordance with proper accounting practice, all in-year movements on these reserves are processed through the Income & Expenditure Account. The following table summarises the movements in 2007/2008:

	Capital Fund £m	Renewal & Repair Fund £m	Insurance Fund £m
Interest & Investment Income Applied	0.674	0.218	0.276
Expenditure Funded from Reserve	-	(0.972)	-
Transfer of HRA Deficit (Historical Cost Basis)	-	(0.547)	-
General Transfer (to) / from Income & Expenditure Account	0.307	2.000	(0.284)
Total Increase / (Decrease) in Reserve Balance in the Year	<u>0.981</u>	<u>0.699</u>	<u>(0.008)</u>

FOREWORD BY THE HEAD OF FINANCE

Principal Sources of Finance for Revenue Expenditure

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

	£m
Revenue Support Grant	185.2
Contributions from National Non-Domestic Pool	<u>51.7</u>
	<u>236.9</u>

The remainder of the principal sources of finance are Council Tax 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 2007/2008.

Capital Expenditure & Borrowing Facilities

Gross capital expenditure in 2007/2008 was £51.7m, of which £14.8m was spent within the Housing Department Programmes. The remaining £36.9m was spent on the Council's other services including Education, Social Work, Planning & Transportation, Leisure & Communities, Waste Management and Economic Development. The £51.7m of capital expenditure was funded through borrowing (£15.1m), various types of capital receipts (£35.2m) and directly from the 2007/2008 Income & Expenditure Account (£1.4m).

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.

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.

Public Private Partnership (PPP)

In December 2003, the Scottish Executive 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 Limited) was set up to construct and operate the schools for a period of 30 years. Construction began in March 2007, with the first tranche of schools completed in May 2008.

Pension Liability (FRS 17)

Under Financial Reporting Standard 17 (Retirement 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 £114.7m as at 31 March 2008. The estimated net pension liability at 31 March 2007 was £147.3m. An increase in the real interest rate caused a reduction in liabilities that was greater than the reduction in the value of assets, therefore the net liability decreased.

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 15 on page 23) shows that a surplus of £0.631m was generated in 2007/2008 and this has been transferred to the Income & Expenditure Account. The statutory financial target is for the Trading Account to break-even over a three year rolling period. This requirement has been exceeded by £1.706m during the period 2005-2008.

FOREWORD BY THE HEAD OF FINANCE

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 Executive. The Scottish Executive 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.

Equal Pay Costs/Single Status Agreement

The 2007/2008 Income & Expenditure Account includes a charge totalling £0.742m in respect of equal pay costs for certain categories of staff. In the 2005/2006 and 2006/2007 Income & Expenditure Accounts, charges totalling £3.700m were included for this item. In addition to the costs associated with its own staff, these charges also reflect the Council's liability to meet a share (33%) of the equal pay costs for Tayside Contracts staff. The charges largely cover estimated equal pay costs for the 5-year period to 31 March 2006 and include provision for Income Tax and National Insurance costs. The resolution of the equal pay issue is 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 will be implemented by Tayside Contracts on 1 July 2008.

Dundee Leisure

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.

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 of the operation of Dundee Airport to DAL are reflected in future years' Revenue Budgets.

Group Accounts

The Group Income & Expenditure Account shows a deficit of £38.417m, a movement of £16.547m from the deficit of £21.870m shown in the Council's Income & Expenditure Account. This is mainly due to incorporating the Council's share of deficits on the Income & Expenditure Accounts of the Police and Fire Boards. The impact of consolidation on the Balance Sheet is to decrease the net assets and reserves by £269.826m, 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 Financial Reporting Standard 17 (Retirement Benefits).

Acknowledgements

I would like to thank Councillor Joe Morrow, 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 2007/2008 Statement of Accounts.

Marjory Stewart, FCCA, CPFA
Head of Finance
Dundee City Council
30 June 2008

STATEMENT OF ACCOUNTING POLICIES

General

The Financial Statements are intended to "present fairly" the financial position and transactions of the Council. They have thus been prepared in accordance with:-

- the "Code of Practice on Local Authority Accounting in the United Kingdom 2007 - A Statement of Recommended Practice" (the SORP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LA(S)AAC)
- the Best Value Accounting Code of Practice 2007

The Financial Statements have also been prepared in accordance with the fundamental accounting principles and pervasive concepts identified in Financial Reporting Standard 18 (Accounting Policies) ie; relevance, reliability, comparability, understandability, materiality, accruals, going concern and primacy of legislative requirements. The historical cost accounting convention has been adopted in the preparation of the Financial Statements, modified for the revaluation to a "current value" basis of certain tangible fixed assets and the revaluation to a 'fair value' basis of certain financial instruments.

The Tayside Superannuation Funds have separate accounting policies (see page 64). The following accounting policies apply to all other statements included in the 2007/2008 Statement of Accounts.

Major Changes in Accounting Policy

The Council continues to adopt the accounting policies recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authorities (Scotland) Accounts Advisory Committee (LA(S)AAC).

The 2007 SORP contains two significant changes in accounting policy:

- i Revised arrangements for accounting for Financial Instruments, in accordance with Financial Report Standards 25, 26 and 29. The date of transition to these revised arrangements is 1 April 2007. In accordance with Financial Reporting Standard 3 (Reporting Financial Performance), the resulting adjustment between the closing Balance Sheet for 2006/07 and the restated opening Balance Sheet on 1 April 2007 should be treated as a prior period adjustment. It is not, however, necessary to restate comparative information to comply with the 2007 SORP. Rather, the opening Balance Sheet adjustment arising from the prior period adjustment can be disclosed simply as an adjustment to the opening General Fund balance. Due to the associated statutory guidance, however, the implementation of the new Financial Instruments standards did not result in any change to the Council's opening General Fund balance. It is therefore considered more informative to restate comparative Balance Sheet information. Accordingly, the following amendments have been made to the Balance Sheet figures shown in the audited 2006/07 Statement of Accounts:
 - Long Term Investments have reduced from £0.507m to £0.007m
 - Long Term Debtors have increased from £11.791m to £12.054m
 - Deferred Premiums on Early Repayment of Debt have reduced from £4.999m to £nil
 - Sundry Debtors have reduced from £75.596m to £75.403m
 - Short Term Investments have increased from £0.386m to £0.669m
 - Short Term Lending has increased from £18.825m to £19.018m
 - Sundry Creditors have reduced from £53.463m to £47.924m
 - Borrowing Repayable within a period in Excess of 12 Months has increased from £296.932m to £302.965m
 - Deferred Discounts on Early Repayment of Debt has reduced from £0.072m to £nil
 - a new Financial Instruments Adjustment Account has been introduced with a debit balance of £5.658m
 - a new Available-for-sale Financial Instruments Reserve has been introduced with a credit balance of £0.283m
- ii The replacement of the Fixed Asset Restatement Account and Capital Financing Account by a Revaluation Reserve and Capital Adjustment Account. In accordance with Financial Reporting Standard 3 (Reporting Financial Performance), this change would normally require a prior period adjustment which would comprise determining opening balances on the Revaluation Reserve and Capital Adjustment Account. The 2007 SORP acknowledges, however, that local authorities do not have the information to enable them to determine a reliable opening balance on the Revaluation Reserve. Accordingly, the new requirements are being applied prospectively and the balance on the Revaluation Reserve at 31 March 2007 is therefore zero. The balance on the Capital Adjustment Account at 31 March 2007 (£325.518m) is the combined total of the Fixed Asset Restatement Account (£172.206m) and Capital Financing Account (£153.312m).

STATEMENT OF ACCOUNTING POLICIES

Tangible Fixed Assets - Basis of Valuation

Council houses are included in the Balance Sheet at existing use value for social housing, using the Beacon Principle. The revaluation of Council houses is carried out on a quinquennial basis, the next revaluation date being as at 31 March 2009.

Other operational properties owned by the Council have been included in the Balance Sheet at market value in existing use or, in the case of specialised assets for which there is no market value, at depreciated replacement cost. All property related assets are revalued by means of a rolling programme, covering all properties over a five-year cycle. The current cycle began on 1 April 2004.

Investment properties within all Council Departments are revalued annually and included at open market value. The date of valuation was 31 March 2008. Surplus assets held for disposal are included at market value. Assets under construction are included at cost unless market conditions indicate that market value is significantly lower than cost, in which case the asset will be included at the lower value.

Vehicles, plant and equipment are included in the Balance Sheet at the lower of net current replacement cost (using historical cost as a proxy for replacement cost) or net realisable value. Infrastructure assets are included at depreciated historical cost. Community assets are included at historical cost, where relevant.

Any assets which have suffered impairment in the year are included at the impaired value.

Tangible Fixed Assets - Basis of Charges to Income & Expenditure Accounts

The charges made to Service Income & Expenditure Accounts, Central Support Services and Statutory Trading Accounts, equate to the sum of depreciation (where applicable) and impairment. A depreciation charge in respect of the Council's housing stock is calculated using the Major Repairs Allowance as a measure for depreciation. The straight-line method of depreciation is used for all other assets that are subject to depreciation. Assets have been assigned various useful lives, typically 10-60 years for buildings, 3-10 years for plant and equipment and 10-30 years for infrastructure. Residual values have been assumed where appropriate. No depreciation is charged in the year of acquisition but a full year's charge is made in the year of disposal.

Leases

Leases are categorised as either "finance" or "operating", in accordance with Statement of Standard Accounting Practice 21 (Accounting for Leases and Hire Purchase Contracts). Reference is also made to Financial Reporting Standard 5 (Reporting the Substance of Transactions) in determining the appropriate categorisation. Hire purchase contracts that bear the characteristics of a finance or operating lease are accounted for accordingly.

Finance Leases:

Where the Council is the lessee in a finance lease, the asset acquired is capitalised and included in the Balance Sheet together with an equivalent deferred liability. Measurement is initially on the basis of the outstanding obligation to make future principal repayments. Thereafter, the asset is subject to depreciation, revaluation and impairment review, in accordance with the relevant accounting policies. Leasing payments are apportioned between the finance charge and the reduction of the outstanding obligation (deferred liability). The finance charge element is charged to the Income & Expenditure Account over the period of the lease. Where the Council is the lessor in a finance lease, the amounts due are recorded in the Balance Sheet as a debtor at the amount of the net investment. The total gross earnings are allocated to accounting periods to give a constant periodic rate of return on the net cash investment in the lease in each period.

Operating Leases:

Where the Council is the lessee in an operating lease, the rentals payable (net of benefits received or receivable) are charged to revenue on a straight line basis over the term of the lease. Where the Council is the lessor in an operating lease, the asset is recorded in the Balance Sheet as a tangible fixed asset and is subject to depreciation, revaluation and impairment review, in accordance with the relevant accounting policies. Rental income is recognised on a straight line basis over the term of the lease.

Investments

Available-for-sale assets are initially measured and carried 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
- 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.

Stocks and Work in Progress

Stocks are valued at the lower of cost or net realisable value. Work in progress represents the value of work unbilled including attributable profit less any foreseeable losses.

STATEMENT OF ACCOUNTING POLICIES

Covenant Schemes

Assets which have been financed through Covenant schemes are included in the Balance Sheet at a value arrived at in accordance with the accounting treatment for tangible fixed assets. An amount is included in the Long Term Liabilities section as a Deferred Liability. The Deferred Liability represents the total indebtedness to the Development Company under Covenant schemes at 31 March 2008.

Impairment and Uncollectability of Financial Assets

Financial assets are reviewed for impairment in accordance with Financial Reporting Standard 26 (Financial Instruments : Measurement). Provisions are made for bad debts on Non-Domestic Rates, Community Charge, Council Tax, Statutory Additions and on other items of income, where appropriate. In all cases the level of provision is based on experience and an assessment of the prospects of recovering the related debts.

Provisions for Liabilities

Provisions are made for the following:-

- potential abatements of Non-Domestic Rate income due to vacant properties and valuation appeals and potential reductions in Council Tax income due to exemptions and discounts.
- self-insured/uninsured losses chargeable against the Insurance Funds operated by the Council.

Significant Estimation Techniques

The Council's Balance Sheet at 31 March 2008 includes various provisions totalling £29.462m. These provisions have been calculated using the undernoted estimation techniques.

Bad Debt Provisions

Non Domestic Rates - the provision of £0.909m has been calculated by applying a fixed percentage to each year's outstanding debt.

Community Charge - the provision of £2.674m has been calculated by projecting future collection levels based on the actual collection achieved in 2007/2008.

Council Tax - the provision of £11.292m 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 £2.328m 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 £1.745m 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 £0.722m 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 £1.431m has been calculated by applying an anticipated non-collection rate to the total debt.

Other Provisions

Council Tax - a provision is required for potential loss of income arising from reductions in the net charge levied by the Council, due to exemptions and discounts. The provision of £0.700m is based on the movements for charge years prior to 2007/2008.

Non Domestic Rates - a provision is required for potential loss of income arising from the settlement of valuation appeals. The provision of £3.076m is based on the value of appeals outstanding and an estimate of the percentage that will be successful.

Insurance - a provision is required to meet self-insured losses. The provision of £4.585m is based on the outstanding value of unsettled claims, considered in conjunction with aggregate stop-loss arrangements within the Council's insurance cover.

STATEMENT OF ACCOUNTING POLICIES

Government and EC Grants

Grants are accounted for on an accruals basis and income has been credited to either the appropriate Service Income & Expenditure Account or to the Government Grants/Capital Contributions Deferred Account. Capital grants and contributions are amortised to the appropriate Service Income & Expenditure Account over the useful life of the related asset to match the depreciation of the asset.

Capital Receipts

Income from the sale of assets is accounted for on an accruals basis and is credited initially to the Capital Receipts Reserve. Thereafter, the proportion applied to fund new capital expenditure in the year, and thus reduce borrowing in the year, is transferred to the Capital Adjustment Account. Alternatively, transfers may be made to the Capital Fund to fund capital expenditure in future financial years.

In the Consolidated Loans Fund, capital receipts are applied first to repay any outstanding debt on the asset sold. Any remaining sum is then applied to reduce the level of advances from the Consolidated Loans Fund.

Reserves

The Council maintains a number of reserve funds for purposes in line with relevant statute. Full details are given in the Movements on Reserves note on pages 33 and 34.

Basis of Funding and Charging for Capital

The Council's borrowing is managed through its Consolidated Loans Fund (CLF) which makes advances to individual service capital accounts to finance capital expenditure. Repayments to the Consolidated Loans Fund are made on an annuity basis. Interest chargeable to the Income & Expenditure Account has been calculated in accordance with Financial Reporting Standard 26 (Financial Instruments : Measurement). Interest charges are based on the carrying value of the liability, multiplied by the effective rate of interest for the instrument.

Repurchase of Borrowing

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income & Expenditure Account 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 Income & Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Soft Loans

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 Income & Expenditure Account 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 at the prevailing market rate of interest rather than the rate receivable from the external parties, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Public Private Partnership (PPP)

In accordance with Financial Reporting Standard 5 (Reporting the Substance of Transactions) as amended by Application Note F, the development costs associated with the Council's Schools' PPP project are charged to the Education Income & Expenditure Account in the year in which they are incurred.

Revenue and Capital Transactions

Revenue and Capital transactions are recorded in the accounts on an income and expenditure basis, i.e. recognised as they are earned or incurred, not as money is received or paid. All specific and material sums payable to and due by the Council as at 31 March 2008 have been brought into account. The recognition and measurement of income is in accordance with the Application Note to Financial Reporting Standard 5 concerning "Revenue Recognition".

Statutory Additions

Where a debt becomes the subject of a summary warrant, a 10% statutory addition is applied to the debt outstanding. The statutory addition is shown as a debtor in the Balance Sheet. In terms of applying receipts to these debts, it is the Council's policy to first apply these to the original debt. Only after the original debt has been extinguished will any receipts be applied to the statutory addition.

Central Support Services

Central Support Service costs are recharged to user departments, with the exception of Corporate and Democratic Core Costs and Non Distributed Costs. The Central Support Services administration costs shown in the Superannuation Funds Account are calculated in accordance with the provisions of the Local Government Superannuation (Scotland) Regulations 1987 (as amended).

STATEMENT OF ACCOUNTING POLICIES

Pensions

The Council participates in two different pension schemes, with defined benefits related to pay and service, as follows:-

Teachers:

This is an unfunded scheme administered by the Scottish Public Pensions Agency. The pension costs included in the accounts reflect the contribution rate set by the Scottish Government on the basis of a notional fund. The Scottish Teachers' Superannuation Scheme is an unfunded scheme administered nationally by the Scottish Government. Guidance issued by CIPFA/LASAAC concludes that the assets and liabilities underlying the scheme are not identifiable at individual employer level on a consistent basis and, accordingly, there are no FRS17 disclosure requirements.

Other Employees:

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The pension costs included in the accounts have been determined in accordance with Financial Reporting Standard 17 (Retirement Benefits).

Insurance

The Council's insurance arrangements are operated in accordance with the guidance contained in "Accounting for Insurance in Local Authorities in Scotland", issued by LA(S)AAC in December 2006.

Exceptional Items

Exceptional items are ones that are material in terms of the Council's overall expenditure and are not expected to recur frequently or regularly. Exceptional items are included in the net cost of the service to which they relate or on the face of the Income & Expenditure Account if that degree of prominence is necessary in order to give a fair presentation of the accounts. Further details are provided in the notes to the Core Financial Statements.

Prior Period Adjustments

Prior period adjustments are material adjustments applicable to prior years, arising from changes in accounting policies or the correction of fundamental errors. In accordance with Financial Reporting Standard 3 (Reporting Financial Performance) prior period adjustments are normally accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and Notes, and adjusting the opening balance of reserves for the cumulative effect.

Financial Relationships with Companies

The Accounting Code of Practice requires local authorities to prepare supplementary Group Accounts to incorporate the results of subsidiaries, associates and joint ventures. A joint venture and three associates have been consolidated using the "equity" method in the Group Accounts on pages 51 to 61. 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.

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 Head of Finance
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Responsibilities of the Head of Finance

The Head 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 Head 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 Head 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 fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2008.

Marjory Stewart, FCCA, CPFA
Head of Finance
Dundee City Council
30 June 2008

INCOME & EXPENDITURE ACCOUNT

Restated 2006/2007 Actual Net Expenditure/ (Income) £000	2007/2008			
	Actual Gross Expenditure £000	Actual Income £000	Actual Net Expenditure/ (Income) £000	Budgeted Net Expenditure/ (Income) £000
	Continuing Services			
118,099	138,117	(15,790)	122,327	122,080
2,845	72,372	(70,012)	2,360	4,423
(3,483)	49,459	(47,649)	1,810	1,193
21,824	33,831	(9,325)	24,506	24,198
17,203	23,288	(5,768)	17,520	18,092
8,659	19,108	(9,272)	9,836	9,205
1,718	16,694	(12,225)	4,469	6,566
67,575	98,376	(23,605)	74,771	74,748
3,738	4,288	(105)	4,183	3,862
(15,871)	258	(694)	(436)	(468)
4,778	12,214	(6,680)	5,534	6,535
32,916	33,587	-	33,587	33,925
<u>219</u>	<u>742</u>	<u>-</u>	<u>742</u>	<u>-</u>
260,220	502,334	201,125	301,209	304,359
	Discontinued Operations			
<u>2,306</u>	<u>2,550</u>	<u>(2,550)</u>	<u>-</u>	<u>54</u>
<u>262,526</u>	<u>504,884</u>	<u>(203,675)</u>	<u>301,209</u>	<u>304,413</u>
		Ref Note No		
(12,748)	Net (Gain)/Loss on Disposal of Assets		(1,920)	(1,920)
(808)	(Surplus)/Deficit of Trading Undertakings or Other Operations	15	(631)	(312)
(165)	Share of Tayside Contracts Surplus		(161)	(127)
18,934	Interest Payable and Similar Charges	38	19,611	22,010
(2,109)	Interest & Investment Income	38	(2,592)	(2,592)
978	Pensions Interest Cost & Expected Return on Pensions Assets	34	(146)	(146)
<u>266,608</u>	Net Operating Expenditure		<u>315,370</u>	<u>321,326</u>
	Income from Taxation & General Government Grants			
(55,984)	Income from Council Tax (incl Residual Community Charge - see note 9)		(56,601)	(55,999)
(175,978)	Revenue Support Grant		(185,163)	(184,961)
(52,478)	Contribution from National Non-Domestic Rate Pool		(51,736)	(51,759)
<u>(17,832)</u>	(Surplus)/Deficit for the Year		<u>21,870</u>	<u>28,607</u>

Note
The Income & Expenditure Account has been prepared in accordance with the Service Expenditure Analysis for Scotland that is set out in Section 3 of the 2007 CIPFA Best Value Accounting Code of Practice (BVACoP). This standard analysis seeks to promote consistency between local authorities in terms of both format and comparability of financial reporting. The Council's internal management structure is, however, somewhat different from the service structure set out in BVACoP. For completeness, Note 13 to the Core Financial Statements (see page 22) shows the Net Cost of Services of £301.209m re-classified in line with the Council's management/department structure.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income & Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the past 12 months. The Council is, however, required by statute to set its Revenue Budget and Council Tax level on a different accounting basis. The two main differences are that for the Revenue Budget and Council Tax purposes:

- capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The annual movement on the General Fund Balance compares the Council's spending against the Council Tax and other revenue that it received for the year, also taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The following statement summarises the differences between the outturn on the Income & Expenditure Account and the movement on the General Fund Balance. A detailed analysis of the reconciling amounts is shown at Note 17 to the Core Financial Statements (see page 24).

Actual 2006/2007 £000		Actual 2007/2008 £000	Budget 2007/2008 £000
(17,832)	(Surplus)/Deficit for the year on the Income and Expenditure Account	21,870	28,607
15,951	Net additional amount required by statute and non-statutory proper practices to be (credited) or charged to the General Fund Balance for the Year	(21,975)	(25,631)
<u>(1,881)</u>	General Fund (Surplus)/Deficit for the Year	<u>(105)</u>	<u>2,976</u>
<u>(6,596)</u>	General Fund Balance brought forward	<u>(8,477)</u>	<u>(8,477)</u>
<u>(8,477)</u>	General Fund Balance carried forward	<u>(8,582)</u>	<u>(5,501)</u>

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

Restated 2006/2007 £000		2007/2008 £000
(17,832)	(Surplus)/Deficit on the Income & Expenditure Account for the year	21,870
2,282	(Surplus)/Deficit arising on Revaluation of Fixed Assets	(68,689)
(283)	(Surplus)/Deficit arising on Revaluation of Available-for-sale Financial Assets*	102
(37,725)	Actuarial (Gains)/Losses on Pension Fund Assets & Liabilities	(33,044)
1,477	Capital Grant Transactions on the Capital Fund	-
(23)	Insurance Account Contribution to Capital Expenditure	-
11	Difference between Actuarial Pensions Contribution Figure and Actual Pensions Contribution Figure	10
-	Transactions of the Capital Adjustment Account arising from changes in the valuation of Council Houses	(2,600)
-	Transactions on the Capital Adjustment Account arising from the Transfer of Assets	(387)
5,658	Prior Period Adjustment to Establish Opening Balance on Financial Instruments Adjustment Account*	-
(46,435)	Total Recognised (Gains) & Losses for the Year	(82,738)

*The 2006/2007 figures have been restated to reflect the prior period adjustment arising from the revised arrangements for accounting for Financial Instruments. The overall effect of this restatement is to reduce the Council's total fund balances and reserves at 31 March 2007 by £5.375m.

BALANCE SHEET

Restated As at 31 March 2007 £000	Ref Note No	As at 31 March 2008 £000	£000
TANGIBLE FIXED ASSETS			
Operational Assets:			
202,259	18,19,23,26	192,831	
320,405	18,19,23,26	368,935	
40,652	18,19,23,24,26	48,420	
73,131	18,19,23,26	75,600	
<u>1,606</u>	18,19,23,26	<u>1,606</u>	
638,053			687,392
Non-Operational Assets:			
66,960	18,19,23,25,26	88,271	
9,780	18,19,23,26	16,481	
<u>17,955</u>	18,19,23,26	<u>2,212</u>	
<u>94,695</u>			<u>106,964</u>
732,748			794,356
7			7
<u>12,054</u>	20,28,38		<u>6,812</u>
744,809	21,28,38		801,175
CURRENT ASSETS			
569		695	
75,403	35	79,245	
(23,224)	35	(21,101)	
669	38	560	
19,018	38	35,245	
<u>98</u>	38	<u>103</u>	
<u>72,533</u>		<u>94,747</u>	
LESS CURRENT LIABILITIES			
(17,143)	38	(17,617)	
(47,924)	35	(56,104)	
<u>(14,819)</u>	38	<u>(18,076)</u>	
<u>(79,886)</u>		<u>(91,797)</u>	
<u>(7,353)</u>			<u>2,950</u>
737,456			804,125
(302,965)	38	(303,133)	
(249)	22,38	(49)	
(8,496)	29	(8,361)	
(79,555)		(96,228)	
<u>(147,285)</u>	34	<u>(114,710)</u>	
<u>(538,550)</u>			<u>(522,481)</u>
<u>198,906</u>			<u>281,644</u>
Net Assets			
Financed By Fund Balances and Reserves:			
325,518	30	305,490	
(5,658)	30	(5,831)	
-	30	68,689	
283	30	181	
12,141	30	13,122	
3,896	30	4,595	
1,534	30	1,526	
(147,285)	30,34	(114,710)	
<u>8,477</u>	30,32	<u>8,582</u>	
<u>198,906</u>			<u>281,644</u>

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

The unaudited accounts were issued on 30 June 2008 and the audited accounts were authorised for issue on 30 September 2008.

CASH FLOW STATEMENT

2006/2007 £000		2007/2008 £000	£000
	REVENUE ACTIVITIES		
	<i>Cash Outflows:</i>		
225,263	Cash Paid To and On Behalf of Employees	226,922	
167,550	Other Operating Cash Payments	174,760	
24,124	Housing Benefits Paid Out	25,293	
<u>56,967</u>	Non-Domestic Rate Payments to National Pool	<u>56,489</u>	
473,904			483,464
	<i>Cash Inflows:</i>		
(15,273)	Rents (After Rebates)	(17,233)	
(43,530)	Council Tax Income	(44,543)	
(214)	Community Charge Income	(235)	
(52,625)	Non-Domestic Rate Receipts from National Pool	(51,896)	
(57,346)	Non-Domestic Rate Receipts	(58,151)	
(175,978)	Revenue Support Grant	(185,163)	
(64,070)	DWP Grant (Benefits Subsidy)	(65,767)	
(55,297)	Other Government Grants	(57,884)	
(34,922)	Cash Received for Goods & Services	(33,965)	
<u>(14,533)</u>	Other Operating Cash Receipts	<u>(11,471)</u>	
<u>(513,788)</u>			<u>(526,308)</u>
(39,884)	<i>Net Cash (Inflow) From Revenue Activities</i>		(42,844)
	RETURNS ON INVESTMENTS & SERVICING OF FINANCE		
	<i>Cash Outflows:</i>		
17,550	Interest Paid	20,407	
	<i>Cash Inflow:</i>		
<u>(1,922)</u>	Interest Received	<u>(2,481)</u>	
15,628			17,926
	CAPITAL ACTIVITIES		
	<i>Cash Outflows:</i>		
58,083	Purchase of Fixed Assets (Non Revenue)	50,111	
4,563	Purchase of Fixed Assets (From Revenue)	4,762	
7	Purchase of Long-Term Investments (from Revenue)	-	
<u>846</u>	Creation of new Long-Term Debtors (Non Revenue)	<u>2,196</u>	
<u>63,499</u>		<u>57,069</u>	
	<i>Cash Inflows:</i>		
(21,104)	Sale of Fixed Assets and Insurance Receipts	(14,740)	
(21,066)	Capital Grants/Contributions etc Received	(21,911)	
<u>(867)</u>	Receipts in respect of Long-Term Debtors	<u>(6,920)</u>	
<u>(43,037)</u>		<u>(43,571)</u>	
20,462			13,498
(3,794)	<i>Net Cash (Inflow)/Outflow Before Financing</i>		(11,420)
	MANAGEMENT OF LIQUID RESOURCES		
-	Net Increase/(Decrease) in Short-Term Deposits	-	
<u>(3,075)</u>	Net Increase/(Decrease) in Other Liquid Resources	<u>16,275</u>	
(3,075)			16,275
	FINANCING		
	<i>Cash Outflows:</i>		
25,725	Repayments of Amounts Borrowed	1,039	
<u>3</u>	Capital Element of Finance Lease Rental Payments	<u>-</u>	
<u>25,728</u>		<u>1,039</u>	
	<i>Cash Inflows:</i>		
(20,000)	New Long-Term Loans Raised	(2,251)	
<u>(133)</u>	New Short Term Loans Raised	<u>(391)</u>	
<u>(20,133)</u>		<u>(2,642)</u>	
5,595			(1,603)
<u>(1,274)</u>	<i>Net (Increase)/Decrease in Cash</i>		<u>3,252</u>

See notes 39, 40 and 41

NOTES TO THE CORE FINANCIAL STATEMENTS

1 ACQUIRED AND DISCONTINUED OPERATIONS

In 2007/2008 there were no acquired operations (2006/2007 None).

In 2007/2008, the transfer of Dundee Airport has been disclosed as a discontinuing operation (2006/2007 None). On 1 December 2007, the operation of Dundee Airport was transferred to Dundee Airport Limited (DAL), a wholly owned subsidiary of Highlands and Islands Airports Ltd (HIAL). The City Council has entered into a 175 year lease with DAL for the airport facilities, at a peppercorn rental of £1 per annum. The 2007/2008 Income & Expenditure Account shows a break-even position for the operation of the Airport for the 8 months to 1 December 2007. This is largely due to the receipt of a Section 70 Grant of £1.342m from the Scottish Government, in advance of the formal transfer to DAL. In the last full year of operation (2006/2007), the Airport incurred a deficit of £2.306m excluding capital financing costs. The Council has therefore enjoyed a significant financial benefit from the transfer of the Airport and these savings have been reflected in future years' Revenue Budgets.

Under the terms of the lease, tangible fixed assets with a net book value of £7.149m have been made available to DAL. In accordance with the relevant accounting guidance, these assets have now been removed from the Council's Balance Sheet and an equivalent charge has been made in the 2007/2008 Income & Expenditure Account (under Net (Gain) / Loss on Disposal of Assets). The Council will retain the outstanding capital debt on Airport assets and will continue to meet the resultant capital financing costs (currently around £750,000 per annum), although these costs will be partly offset by Government grant. The Council also continues to be responsible for flood prevention measures at the Airport site.

2 EXCEPTIONAL ITEMS

In 2007/2008 a charge totalling £742,000 has been included in the Income & Expenditure Account in respect of equal pay costs for certain categories of staff. In the 2005/2006 and 2006/2007 Income & Expenditure Accounts, charges totalling £3,700,000 were included for this item. In addition to the costs associated with its own staff, these charges also reflect the Council's liability to meet a share (33%) of the equal pay costs for Tayside Contracts staff. The charges largely cover equal pay costs for the 5-year period to 31 March 2006 and include provision for Income Tax and National Insurance costs. This item was also disclosed as an exceptional item in 2006/2007.

In 2007/2008, the Council received compensation of £800,000 from a private company in exchange for the early renunciation of a lease of one of the Council's commercial units. This income is included within the Net Cost of Services (Planning & Development Services) in the Income and Expenditure Account.

(In 2006/2007 an exceptional item was disclosed in respect of a credit of £16,243,000 that was included under "Non-Distributed Costs" following a change in the regulations governing the Local Government Pension Scheme in Scotland).

3 EXTRAORDINARY ITEMS

In 2007/2008 there were no extraordinary items (2006/2007 None).

4 PRIOR PERIOD ADJUSTMENTS

The 2007 SORP contains two significant changes in accounting policy:

- i Revised arrangements for accounting for Financial Instruments, in accordance with Financial Report Standards 25, 26 and 29. The date of transition of these revised arrangements is 1 April 2007. In accordance with Financial Reporting Standard 3 (Reporting Financial Performance), the resulting adjustment between the closing Balance Sheet for 2006/2007 and the restated opening Balance Sheet on 1 April 2007 should be treated as a prior period adjustment. It is not, however, necessary to restate comparative information to comply with the 2007 SORP. Rather, the opening Balance Sheet adjustment arising from the prior period adjustment can be disclosed simply as an adjustment to be opening General Fund balance. Due the associated statutory guidance, however, the implementation of the new Financial Instruments standards did not result in any change to the Council's opening General Fund balance. It is therefore considered more informative to restate comparative Balance Sheet information. Accordingly, the following amendments have been made to the Balance Sheet figures shown in the audited 2006/07 Statement of Accounts:

- Long Term Investments have reduced from £0.507m to £0.007m
- Long Term Debtors have increased from £11.791m to £12.054m
- Deferred Premiums on Early Repayment of Debt have reduced from £4.999m to £nil
- Sundry Debtors have reduced from £75.596m to £75.403m
- Short Term Investments have increased from £0.386m to £0.669m
- Short Term Lending has increased from £18.825m to £19.018m
- Sundry Creditors have reduced from £53.463m to £47.924m
- Borrowing Repayable within a Period in Excess of 12 Months has increased from £296.932m to £302.965m
- Deferred Discounts on Early Repayment of Debt has reduced from £0.072m to £nil
- a new Financial Instruments Adjustment Account has been introduced with a debit balance of £5.658m
- a new Available-for-sale Financial Instruments Reserve has been introduced with a credit balance of £0.283m

NOTES TO THE CORE FINANCIAL STATEMENTS

4 PRIOR PERIOD ADJUSTMENTS (CONTD)

- ii The replacement of the Fixed Asset Restatement Account and Capital Financing Account by a Revaluation Reserve and Capital Adjustment Account. In accordance with Financial Reporting Standard 3 (Reporting Financial Performance), this change would normally require a prior period adjustment which would comprise determining opening balances on the Revaluation Reserve and Capital Adjustment Account. The 2007 SORP acknowledges, however, that local authorities do not have the information to enable them to determine a reliable opening balance on the Revaluation Reserve. Accordingly, the new requirements are being applied prospectively and the balance on the Revaluation reserve at 31 March 2007 is therefore zero. The balance on the Capital Adjustment Account at 31 March 2007 (£325.518m) is the combined total of the Fixed Asset Restatement Account (£172.206m) and Capital Financing Account (£153.312m).

(In 2006/2007, a prior period adjustment was made in respect of the various revised requirements contained in the 2006 SORP).

5 PUBLICITY ACCOUNT

Section 5 of the Local Government Act 1986 requires local authorities to keep a separate account of expenditure on publicity. During 2007/2008 the Council incurred the expenditure shown below on publicity.

2006/2007 £000		2007/2008 £000
133	Employment Advertising	121
82	General Advertising	101
<u>174</u>	Others	<u>76</u>
<u>389</u>		<u>298</u>

6 AGENCY ARRANGEMENTS

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 Income & Expenditure Account, are:

2006/2007			2007/2008	
Income £000	Expenditure £000		Income £000	Expenditure £000
		Education		
573	573	Special Education services to Angus Council	666	666
		Social Work:		
6,530	6,530	Provision of Social Work services to NHS Tayside	7,343	7,343
110	110	Provision of Day Care Services to Perth & Kinross Council	219	219
-	-	Provision of Day Care Services to Angus Council	<u>167</u>	<u>167</u>
<u>6,640</u>	<u>6,640</u>		<u>7,729</u>	<u>7,729</u>
		Economic Development		
4	2	Scottish Enterprise Tayside in respect of Skillseekers Initiative	3	-
		Support Services		
<u>284</u>	<u>284</u>	Crown and Procurator Fiscal Offices	<u>479</u>	<u>350</u>
<u>7,501</u>	<u>7,499</u>	TOTAL	<u>8,877</u>	<u>8,745</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

7 LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. Detailed below is the income and related expenditure arising from work that has been carried out under the Local Authority (Goods and Services) Act 1970 (as amended by subsequent legislation) during the financial year 2007/2008.

2006/2007			2007/2008	
Income £000	Expenditure £000		Income £000	Expenditure £000
		Education		
15	15	Purchasing services to Perth & Kinross Council	-	-
18	18	Purchasing services and instrument repair services to Angus Council	6	6
<u>14</u>	<u>14</u>	Payroll services to Dundee College	<u>14</u>	<u>14</u>
<u>47</u>	<u>47</u>		<u>20</u>	<u>20</u>
		Dundee Contract Services		
108	108	Repairs and maintenance services to Housing Associations	-	-
		Finance		
<u>10</u>	<u>10</u>	Financial services to Dundee College	<u>10</u>	<u>10</u>
<u>165</u>	<u>165</u>	Total	<u>30</u>	<u>30</u>

8 PENSION COSTS

The Council participates in two different pension schemes, with defined benefits related to pay and service.

Teachers

This is an unfunded scheme administered by the Scottish Public Pensions Agency. The employer's contribution rate for 2007/2008 in respect of teachers' pensions was 13.5% (2006/2007 12.5%). In 2007/2008 the Council paid £10.9m (2006/2007 £9.9m) to the Scottish Public Pensions Agency in respect of teachers' pension costs which represents 19.9% of teachers' pensionable pay including 6.4% employee contribution (2006/2007 18.5% and 6.0% respectively). In addition the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2007/2008 these amounted to £0.07m (2006/2007 £0.06m) representing 0.13% of pensionable pay (2006/2007 0.12%).

Other Employees

The Council administers the Tayside Superannuation Fund on behalf of various scheduled and admitted bodies. The Council itself is recognised as a scheduled body within Superannuation Regulations and therefore its employees can be admitted to the Fund. In 2007/2008 the Council paid an employer's contribution of £19.2m (2006/2007 £17.8m) into the Tayside Superannuation Fund, representing 17.3% of pensionable pay (2006/2007 16.1%). The employer's contribution rate in 2007/2008 was 295% of the employee's contribution rate, which is 6% for APTC and 5% for Manual Workers. The employer's contribution rate was determined by the Fund's Actuary based on the triennial actuarial valuation at 31 March 2005 with the resultant revised contribution rates effective from 1 April 2006. There was no increase in the contribution rate in 2007/2008. Under Superannuation Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund.

In addition the Council is responsible for all pension payments relating to added years' benefits it has awarded, together with the related increases. In 2007/2008 these amounted to £1.5m (2006/2007 £1.9m), representing 1.7% of pensionable pay (2006/2007 1.7%).

The capital cost of any discretionary increases in pension payments (eg discretionary added years) agreed by the Council whether funded by the pension scheme or by the Council is as follows:

- a awarded in 2007/2008 £0.126m (2006/2007 £1.112m)
- b awarded prior to 2007/2008 for which payments are still being made £18.735m (2006/2007 £19.352m)

NOTES TO THE CORE FINANCIAL STATEMENTS

9 COMMUNITY CHARGE INCOME

2006/2007 Actual £000		2007/2008 Actual £000
	Adjustments for Previous Year:	
(4)	Gross Charge	(3)
(4)	Net Charge	(3)
<u>304</u>	Released from Provision for Bad Debts	<u>238</u>
<u>300</u>		<u>235</u>

Note: Community Charge Income relates to movements in the net levy at 1 April 1993 when Community Charge was replaced by the Council Tax and movements in the provision for bad debts.

10 OFFICERS REMUNERATION

The following table shows the number of employees whose whole total remuneration fell within the specified bandings:

Restated Number of Employees 2006/2007	Salary Banding	Number of Employees 2007/2008
23	£50,000 - £59,999	57
23	£60,000 - £69,999	21
3	£70,000 - £79,999	10
6	£80,000 - £89,999	3
-	£90,000 - £99,999	4
-	£100,000 - £109,999	-
1	£110,000 - £119,999	-
-	£120,000-£129,999	1

The 2006/2007 figures have been restated to disclose the number of employees whose total remuneration fell within the bandings above. In the 2006/2007 Statement of Accounts, the information disclosed related to taxable remuneration.

11 MEMBERS ALLOWANCES

The total amount of members' allowances paid, under the Local Authorities Etc (Allowances) (Scotland) Regulations 1995, for the year to 31 March 2008, was £505,519 (2006/2007 £447,737).

12 RELATED PARTIES - TRANSACTIONS

During the financial year the Council entered into a number of transactions with the following bodies:

2006/2007		Revenue	2007/2008	
Charges To £000	Charges From £000		Charges To £000	Charges From £000
990	4,203	Dundee Energy Recycling Limited	1,627	4,375
93	138	Dundee City Developments Limited	359	150
51	100	Dundee Ice Arena Limited	114	120
15	347	Dundee Contemporary Arts Limited	13	253
16	642	Dovetail Enterprises (1993) Limited	127	599
142	90	Tayside Fire & Rescue Board	368	35
354	423	Tayside Joint Police Board	452	378
418	13,603	Tayside Contracts Joint Committee	584	16,686
134	4	Tayside Valuation Joint Board	126	-
206	840	Tay Road Bridge Joint Board (see note below)	9,439	-
88	335	Dundee Leisure Ltd	92	342
-	8	Discovery Education Companies (3 no)	-	-

In 2007/2008, there were no other material transactions with any other related parties that are not already disclosed elsewhere in the Statement of Accounts. In 2007/2008, the Tay Road Bridge Joint Board repaid £8.827m of loan debt outstanding to Dundee City Council following the abolition of the bridge tolls.

NOTES TO THE CORE FINANCIAL STATEMENTS

13 REVISED SERVICE EXPENDITURE ANALYSIS

The Income & Expenditure Account shown on page 13 has been prepared in accordance with the Service Expenditure Analysis for Scotland that is set out in Section 3 of the 2007 CIPFA Best Value Accounting Code of Practice (BVACoP). This standard analysis seeks to promote consistency between local authorities in terms of both format and comparability of financial reporting. The Council's internal management structure is, however, somewhat different from the service structure set out in BVACoP. For completeness, the Net Cost of Services of £301.209m (as shown in the Income & Expenditure Account) has been re-classified in line with the Council's management/department structure as follows:

2006/2007		2007/2008			
Actual Net Expenditure/ (Income) £000	Council Services	Actual Gross Expenditure £000	Actual Income £000	Actual Net Expenditure/ (Income) £000	Budgeted Net Expenditure/ (Income) £000
113,314	Education	132,242	(13,857)	118,385	117,920
67,340	Social Work	98,130	(23,605)	74,525	74,525
9,334	Planning & Transportation (incl Car Parks)	22,054	(11,050)	11,004	10,261
3,140	Economic Development	15,228	(12,193)	3,035	5,191
24,943	Leisure & Communities	37,737	(11,234)	26,503	26,288
14,709	Waste Management	18,659	(3,686)	14,973	15,358
2,640	Environmental Health & Trading Standards	3,781	(1,014)	2,767	2,964
578	Central Support Services (see note 14)	2,948	(2,169)	779	1,124
5,321	Miscellaneous Services	13,103	(7,401)	5,702	6,561
1,142	Other Housing	4,365	(3,536)	829	915
-	Supporting People	12,446	(12,187)	259	259
2,272	DCS Land Services Client	2,494	(185)	2,309	2,309
18,068	Contribution to Tayside Joint Police Board	18,303	-	18,303	18,591
13,929	Contribution to Tayside Fire & Rescue Board	14,284	-	14,284	14,284
919	Contribution to Tayside Valuation Joint Board	1,000	-	1,000	1,050
452	Housing Benefits	52,892	(52,923)	(31)	(228)
3,738	Corporate and Democratic Core	4,288	(105)	4,183	3,862
(178)	Net (Surplus)/Deficit on Insurance Account	471	(187)	284	520
(15,871)	Non Distributed Costs	258	(694)	(436)	(468)
-	Contingencies & Unforeseen Items	-	-	-	85
<u>219</u>	Exceptional Item (see note 2)	<u>742</u>	<u>-</u>	<u>742</u>	<u>1,849</u>
266,009	Net Cost of General Fund Services	455,425	(156,026)	299,399	303,220
<u>(3,483)</u>	Housing Revenue Account	<u>49,459</u>	<u>(47,649)</u>	<u>1,810</u>	<u>1,193</u>
<u>262,526</u>	Net Cost of Services	<u>504,884</u>	<u>(203,675)</u>	<u>301,209</u>	<u>304,413</u>

14 CENTRAL SUPPORT SERVICES MEMORANDUM ACCOUNT

The table below shows the outturn position for the Council's various Central Support Services. The gross expenditure is shown for each service, together with the various internal and external sources of income and the resultant net expenditure for the financial year. The overall net expenditure for 2007/2008 of £779,000 is included within "Central Services to the Public" in the Income & Expenditure Account.

2006/2007 Net Expenditure/ (Surplus) £000	Central Support Service	Gross Expenditure £000	Recharges to Council Departments £000	Recharge to Corporate & Democratic Core £000	Other Internal Income £000	External Income £000	Total Income £000	2007/2008 Net Expenditure/ (Surplus) £000
84	Chief Executive (incl Corporate Planning)	1,194	(30)	(980)	-	(92)	(1,102)	92
15	Press Office	302	(283)	(22)	-	-	(305)	(3)
59	Personnel	1,990	(1,715)	(199)	(40)	(35)	(1,989)	1
(28)	Information Technology Administration &	6,806	(5,869)	(29)	(273)	(283)	(6,454)	352
67	Legal Services	5,137	(3,054)	(1,269)	(544)	(236)	(5,103)	34
308	Architectural Services	5,062	(4,891)	-	-	-	(4,891)	171
<u>73</u>	Finance General	<u>6,502</u>	<u>(2,567)</u>	<u>(1,789)</u>	<u>(491)</u>	<u>(1,523)</u>	<u>(6,370)</u>	<u>132</u>
<u>578</u>		<u>26,993</u>	<u>(18,409)</u>	<u>(4,288)</u>	<u>(1,348)</u>	<u>(2,169)</u>	<u>(26,214)</u>	<u>779</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

15 DUNDEE CONTRACT SERVICES STATUTORY TRADING ACCOUNT

Legislation relating to Compulsory Competitive Tendering (CCT) was repealed with effect from 1 April 2003, as a result of the Local Government in Scotland Act 2003 (the Act). Section 10 of the Act sets out a requirement for Trading Accounts to be maintained and disclosed for significant trading operations. Further, a financial target is prescribed for significant trading operations: they must achieve break-even over a three year rolling period. In June 2003, CIPFA issued guidance on complying with the new requirements. The guidance was not overly prescriptive and allowed for a degree of discretion in the identification of the significant trading operations for which Statutory Trading Accounts must be maintained. The Council completed the process of identifying the relevant services in January 2004. The aforementioned process and subsequent reviews have concluded that the Council should maintain a Statutory Trading Account for those services provided by Dundee Contract Services. The following disclosures are made in accordance with the Accounting Code of Practice.

Target 2005/06 £000	Actual 2005/06 £000	Target 2006/07 £000	Actual 2006/07 £000		Actual 2007/08 £000	Target 2007/08 £000	3-Year Actual 2005/08 £000	3-Year Target 2005/08 £000
(24,843)	(25,185)	(25,549)	(27,407)	Income	(26,748)	(25,196)	(79,340)	(75,588)
<u>24,306</u>	<u>24,918</u>	<u>25,586</u>	<u>26,599</u>	Expenditure	<u>26,117</u>	<u>24,884</u>	<u>77,634</u>	<u>74,776</u>
<u>(537)</u>	<u>(267)</u>	<u>37</u>	<u>(808)</u>	(Surplus)/Deficit	<u>(631)</u>	<u>(312)</u>	<u>(1,706)</u>	<u>(812)</u>

Services Provided

Dundee Contract Services is a quality assured organisation 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. The department also 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. It has its own joiners' workshop, mechanical workshops, sawmill, nursery and glasshouses. In addition, it operates its own plant and fleet of vehicles although transport and equipment is hired when considered necessary. A 24-hour emergency service is available which is required for securing and making safe dangerous buildings, dealing with burst pipes, dangerous trees and extensive flooding caused by severe weather conditions. This service is an integral part of the day to day repair and maintenance provided to council house tenants. The department's main customer is the housing department with income also being generated from other Council departments and other public bodies.

Financial Targets

The Council is required to achieve a statutory financial target of break even over a three year rolling period for significant trading organisations. In addition the Council set a financial target of £0.812m in excess of the statutory requirement for the three financial years ending 31 March 2008.

Financial Performance

The surplus for the current financial year of £0.631m exceeds the break even requirements of the Local Government in Scotland Act 2003. It also exceeds the Council's own financial target for 2007/2008 by £0.319m. Actual income exceeded the target figure due to increased demand for services, particularly in respect of major contracts. This increased income was partially offset by a corresponding rise in expenditure on direct materials and sub-contractor costs.

The total income generated of £26.748m was £0.659m (2.4%) less than the previous year's actual figure of £27.407m. In turn the department's profitability has decreased in comparison to the previous year.

The statutory financial target is for the Trading Account to break even over a three year rolling period and this requirement has been exceeded by £1.706m during the financial years 2005/2006 to 2007/2008. The surplus achieved was also £0.894m over the Council's own financial target of £0.812m for the same period. This is largely a result of the increase in turnover and profitability experienced in 2006/2007 and 2007/2008 compared to 2005/2006.

Treatment of Surplus

There was no internal reappropriation of the surplus generated during the period under review.

16 EXTERNAL AUDIT FEES

The External Auditors of Dundee City Council are appointed by the Accounts Commission for Scotland, for a period of 5 years. The total fee payable to Audit Scotland in respect of the 2007/2008 financial year, for external audit services undertaken in accordance with the Code of Audit Practice, is £399,900 (2006/2007 £393,700). During 2007/2008, the External Auditor did not provide any other services to Dundee City Council other than the duties undertaken in accordance with the Code of Audit Practice (2006/2007 None).

NOTES TO THE CORE FINANCIAL STATEMENTS

17 **RECONCILING ITEMS IN THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

The following provides an analysis of the additional items required by statute and non-statutory proper practices to be credited or charged to the General Fund in determining the Movement on the General Fund Balance for the year (see page 14).

2006/2007 £000		2007/2008 £000	£000
	Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(32,302)	Depreciation and impairment of fixed assets	(48,028)	
2,742	Government Grants deferred amortisation matching depreciation and impairments	2,983	
12,748	Net gain or (loss) on sale of fixed assets	1,920	
-	Amount by which finance costs calculated in accordance with the SORP are different from the amount of finance costs calculated in accordance with statutory requirements.	(174)	
<u>10,753</u>	Amount by which pension costs calculated in accordance with the SORP (ie in accordance with FRS17) are different from the contributions due under the pension scheme regulations	<u>(459)</u>	
(6,059)			(43,758)
	Amounts not included in the Income & Expenditure Account but required to be taken into account when determining the Movement on the General Fund Balance for the year		
16,930	Repayment of debt	18,705	
<u>3,136</u>	Capital Expenditure charged to the General Fund Balance	<u>1,406</u>	
20,066			20,111
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
1,944	Net transfer to or (from) earmarked reserves		1,672
<u>15,951</u>	Net additional amount required to be (credited) or charged to the General Fund balance for the year		<u>(21,975)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

18 SUMMARY OF CAPITAL EXPENDITURE AND DISPOSALS

	Council Dwellings £000	Other Land & Buildings £000	Operational Equipment £000	Infrastr. Assets £000	Community Assets £000	Invest. Properties £000	Assets Under Construct. £000	Surplus Assets Held for Disposal £000	Total £000
Gross Book Value									
As at 31 March 2007	202,259	350,079	58,999	103,616	1,606	66,960	9,780	18,113	811,412
Movements in 2007/2008:									
Expenditure	3,587	11,356	15,489	8,952	345	2,382	9,152	190	51,453
Disposals	(3,593)	(3,953)	(3,811)	(3,629)	-	(292)	(4)	(1,683)	(16,965)
Revaluations/Other Adjustments	(987)	23,928	(761)	227	(345)	19,221	(2,447)	(14,363)	24,473
As at 31 March 2008	<u>201,266</u>	<u>381,410</u>	<u>69,916</u>	<u>109,166</u>	<u>1,606</u>	<u>88,271</u>	<u>16,481</u>	<u>2,257</u>	<u>870,373</u>
Depreciation									
As at 31 March 2007	-	(29,674)	(18,347)	(30,485)	-	-	-	(158)	(78,664)
Movements in 2007/2008:									
Charge for the Year	(8,435)	(12,805)	(5,918)	(4,208)	-	-	-	(133)	(31,499)
Disposals	-	239	2,699	1,127	-	-	-	10	4,075
Revaluations/Other Adjustments	-	29,765	70	-	-	-	-	236	30,071
As at 31 March 2008	<u>(8,435)</u>	<u>(12,475)</u>	<u>(21,496)</u>	<u>(33,566)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45)</u>	<u>(76,017)</u>
Net Book Value									
As at 31 March 2007	<u>202,259</u>	<u>320,405</u>	<u>40,652</u>	<u>73,131</u>	<u>1,606</u>	<u>66,960</u>	<u>9,780</u>	<u>17,955</u>	<u>732,748</u>
As at 31 March 2008	<u>192,831</u>	<u>368,935</u>	<u>48,420</u>	<u>75,600</u>	<u>1,606</u>	<u>88,271</u>	<u>16,481</u>	<u>2,212</u>	<u>794,356</u>

19 SOURCES OF FINANCE FOR CAPITAL EXPENDITURE

2006/2007 £000		2007/2008 £000	
61,593	Capital Expenditure on Fixed Assets	51,453	
7	Long-Term Investments	-	
<u>193</u>	Long-Term Debtors	<u>271</u>	
<u>61,793</u>	Capital to be Financed for the year		<u>51,724</u>
	Financed by:		
28,417	Loan	15,148	
13,952	Capital Receipts (incl Insurance Receipts)	14,809	
15,917	Government Grants/Capital Contributions	20,035	
371	Receipts from Long-Term Debtors	326	
<u>3,136</u>	Revenue	<u>1,406</u>	
<u>61,793</u>	Total Capital Financing for the year		<u>51,724</u>

20 LONG TERM INVESTMENTS

Restated As at 31 March 2007 £000		As at 31 March 2008 £000
<u>7</u>	Discovery Education (Holdings) Limited	<u>7</u>
<u>7</u>		<u>7</u>

The £500,000 loan to Dundee City Developments Ltd has been restated as a long-term debtor as at 31 March 2007.

NOTES TO THE CORE FINANCIAL STATEMENTS

21 **LONG TERM DEBTORS**

Restated As at 31 March 2007 £000		As at 31 March 2008 £000
1,148	Mortgages/Repairs Notices	1,134
7,775	Loans to Joint Boards and Joint Committee to fund Capital Expenditure	2,455
<u>3,131</u>	Other Loans	<u>3,223</u>
<u>12,054</u>		<u>6,812</u>

Within "Other Loans", there are a small number of loans that the Council has made to external parties at less than market rates (soft loans). In accordance with the requirements of the 2007 SORP, these soft loans have been reinstated to fair value by discounting future cash receipts using the prevailing market rate of interest.

22 **COMMITMENTS UNDER CAPITAL CONTRACTS**

In February 2008, the Council approved its 2008/2011 Capital Plan for General Services. This programme totals £166.9m of expenditure to be incurred in 2008/2009 and beyond. Of this expenditure £3.3m is legally committed under contracts and the remaining £163.6m relates to projects with committee approval to commence in 2008/2009 and beyond but for which contracts have not yet been entered into.

In addition, the Council approved a Standard Delivery Plan in October 2006 for the Scottish Housing Quality Standard (SHQS). The plan allows for £140.8m expenditure over the period to 2015. In June 2008, the Council approved the 2008-2011 Housing (HRA) Capital Budget that included expenditure relating to the above plan. This programme totals £85.0m of expenditure to be incurred over the period 2008-2011. Of this expenditure £3.8m is legally committed under contracts and the remaining £81.2m relates to projects with committee approval to commence in 2008/2009 and beyond but for which contracts have not yet been entered into.

The Council has a "Covenant" arrangement with a consortium of banks. This covenant was entered into prior to 1 April 2004 to allow capital expenditure to be carried out on Council projects with funding provided by the banks so that the expenditure did not require to count against the Council's Capital Section 94 Capital Consent at the time of being incurred. For this arrangement an undischarged liability of £0.249m existed as at 31 March 2008 (being £0.049m deferred liability and £0.200m loans outstanding).

NOTES TO THE CORE FINANCIAL STATEMENTS

23 INFORMATION ON ASSETS HELD

The tangible fixed assets owned by the Council include the following approximate numbers:

Number as at 31 March 2007		Number as at 31 March 2008
15,683	Council Dwellings	15,163
	Operational Land and Buildings	
49	Office Buildings	48
63	Schools	62
9	Sports Centres and Swimming Pools	8
23	Residential Homes and Care Centres	24
11	Neighbourhood Centres	12
55	Sports Pavilions	53
8	Airport Buildings	-
31	Off Street Car Parks	31
12	Public Conveniences	12
13	Libraries	13
8	Museums and Galleries	8
19	Cemetery Buildings	19
1	District Court	1
<u>290</u>	Miscellaneous Buildings	<u>300</u>
<u>592</u>		<u>591</u>
	Community Assets	
87	Parks and Community Land	87
11	Cemeteries (Land only)	11
14	Museum/Library Collections	14
<u>1</u>	Monuments	<u>1</u>
<u>113</u>		<u>113</u>
	Non-Operational Assets	
483	Shops, Offices, Industrial Units and Commercial Property	537
18	Assets Under Construction	18
<u>151</u>	Other Non-Operational Assets	<u>95</u>
<u>652</u>		<u>650</u>
760	Infrastructure Assets	814
837	Vehicles, Plant and Equipment	829

NOTES TO THE CORE FINANCIAL STATEMENTS

24 LEASES - DISCLOSURE BY LESSEES

Finance Leases

The Council held no assets on finance lease during 2007/2008 and accordingly, there were no finance lease rentals paid to lessors during 2007/2008 (2006/2007 £4,000). The Council have no commitments to making payments to lessors in 2008/2009 in respect on finance leases.

Operating Leases

Operating lease rental payments of £1,995,000 were made during 2007/2008 (2006/2007 £2,380,000). These payments related to the asset categories Other Land and Buildings (£403,000) and Vehicles, Plant and Equipment (£1,592,000). In addition, the Council operates a contract car hire scheme and home computer initiative for its employees. In financial year 2007/2008, total payments of £1,455,000 (2006/2007 £1,386,000) were made by the Council to the lessors, offset by contributions of £1,004,000 (2006/2007 £1,023,000) from employees.

In respect of operating leases, the Council is committed to making payments to lessors of £2.163m in 2008/2009. This comprises the following elements:

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Total £000
Leases expiring in 2008/2009	156	273	429
Leases expiring between 2009/2010 and 2012/2013	41	1,487	1,528
Leases expiring after 2012/2013	<u>206</u>	<u>-</u>	<u>206</u>
Total	<u>403</u>	<u>1,760</u>	<u>2,163</u>

25 LEASES - DISCLOSURE BY LESSORS

Finance Leases

There were no assets leased to third parties on finance lease during 2007/2008 (2006/2007 None).

Operating Leases

Dundee City Council has entered into a number of property agreements that are managed corporately by the Economic Development Department. These agreements are accounted for as operating leases. The aggregate rentals receivable from these agreements in 2007/2008 was £4.851m (2006/2007 £4.233m).

The gross value of these assets as at 31 March 2008 was £82.373m (31 March 2007 £74.713m). These assets are classed as Investment Properties and, in accordance with the relevant accounting policy, the accumulated depreciation as at 31 March 2008 relating to these assets was Nil (31 March 2007 Nil).

NOTES TO THE CORE FINANCIAL STATEMENTS

26 VALUATION OF THE COUNCIL'S ASSETS

Council houses are revalued on a quinquennial basis, but updated for disposals/acquisitions each year. The next revaluation is due in 2008/2009. Council houses are valued on the basis of Existing Use Value for Social Housing, using the beacon approach to valuation.

The Council has a five year rolling programme of revaluation for land, buildings and surplus assets, with 2007/2008 being the fourth year of this rolling programme. All related assets held for Education, Support Services and Dundee Contracts were revalued as at 31 March 2008. The rolling programme of revaluation was carried out by a team of staff from the Council's Economic Development Department led by Mr John Dobbie FRICS and conducted in accordance with The Royal Institution of Chartered Surveyors Appraisal and Valuation Manual (the "Red Book"). Each valuer was either a Fellow or Professional Associate of the Royal Institution of Chartered Surveyors (RICS).

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets:

	Council Dwellings £000	Other Land and Buildings £000	Operational Equipment £000	Investment Properties £000	Surplus Assets Held for Disposal £000	Grand Total £000
Valued at Historical Cost	-	-	-	-	-	-
Valued at Current Value in:						
2004/2005	-	12,437	2,515	-	1,211	16,163
2005/2006	-	6,011	2,223	-	5,244	13,478
2006/2007	-	3,840	26,273	-	287	30,400
2007/2008	<u>-</u>	<u>58,671</u>	<u>4,527</u>	<u>71,848</u>	<u>31</u>	<u>135,077</u>
	<u>-</u>	<u>80,959</u>	<u>35,538</u>	<u>71,848</u>	<u>6,773</u>	<u>195,118</u>

Operational properties of a specialised nature (e.g. schools) were valued on the basis of what it would cost to build a replacement, less allowances made to reflect the age, wear and tear and obsolescence of the existing asset (DRC - Depreciated Replacement Cost). Operational properties of a non-specialised nature (eg Council Offices) were valued by reference to the open market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use (EUV - Existing Use Value). Non-operational properties were valued by reference to their Open Market Value (OMV).

Investment properties within all Council Departments are revalued annually and included at open market value. The date of valuation was 31 March 2008. Surplus assets held for disposal are included at market value. Assets under construction are included at cost unless market conditions indicate that market value is significantly lower than cost, in which case the asset will be included at the lower value.

Vehicles, plant and equipment have been included in the balance sheet at the lower of net current replacement cost (using historical cost as a proxy for replacement cost) or net realisable value in existing use. Infrastructure assets are included in the balance sheet at the value of depreciated historical cost. Community assets are included in the balance sheet at historical cost where relevant.

Since 1 April 2000, Dundee City Council has been required to comply with the requirements of Financial Reporting Standard 15 (Tangible Fixed Assets). One of the main requirements of FRS15 is that depreciation should be provided for all assets, which are considered to have a finite useful life, where this can be estimated with reasonable certainty at the time of acquisition/revaluation. Depreciation does not have to be provided for land, non-operational investment properties and assets under construction. The only legitimate grounds for not charging depreciation is that the depreciation charge would be immaterial. A depreciation charge in respect of the Council's housing stock is calculated using the Major Repairs Allowance as a measure for depreciation. The depreciation charge for 2007/2008 is £8,434,570. The straight-line method of depreciation is used by Dundee City Council for all other assets and the total depreciation charge for 2007/2008 is £23,064,509. No depreciation is charged in the year of acquisition but a full year's charge is made in the year of disposal.

For each class of tangible fixed asset held by Dundee City Council, there are different useful economic lives. Land and Community Assets have an infinite life. Operational and non-operational buildings (except investment properties) have various useful lives depending on each individual building. The useful economic lives vary from 5 years, 10 years, 20 years and 30 years to greater than 50 years. Operational equipment has a useful life of between 3 and 10 years depending on the nature of the asset. For infrastructure assets, signage has a useful life of 10 years, traffic lights, footpaths etc have a useful life of 15 years, roads, sea defences etc have useful life of 30 years and bridges have a useful life of 60 years.

Investment properties are not subject to depreciation but are required to be re-valued annually. The increase in balance sheet values in 2007/2008 due to the revaluation of investment properties is £4,888,200.

NOTES TO THE CORE FINANCIAL STATEMENTS

26 VALUATION OF THE COUNCIL'S ASSETS (CONT)

Dundee City Council is also required to comply with Financial Reporting Standards 11 (Impairment of Fixed Assets and Goodwill). One of the main requirements of FRS11 is that an impairment review of fixed assets should be carried out if events or changes in circumstances indicate that the carrying amount of the fixed assets may not be recoverable. During 2007/2008, there were a number of assets which were subject to impairment either due to consumption or as a result of a fall in prices.

27 ANALYSIS OF NET ASSETS EMPLOYED

Restated As at 31 March 2007 £000		As at 31 March 2008 £000
75,302	General Fund	156,573
121,635	Housing Revenue Account	122,796
<u>1,969</u>	Dundee Contract Services (Statutory Trading Account)	<u>2,275</u>
<u>198,906</u>	Total	<u>281,644</u>

28 INVESTMENTS IN RELATED COMPANIES

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

Dundee Energy Recycling Limited (DERL)

Dundee Energy Recycling Limited is a special purpose company, established in order to construct and operate a new 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. A loan facility of £2.3m is in place to provide working capital and assist with the cash flow. The loan carries an interest rate of 5% per annum. The carrying value of the investment in the company in the Council's Balance Sheet is Nil (31 March 2007 Nil). The Council owned 40% of the £100 Ordinary Share Capital of DERL at 31 March 2008 (40% at 31 March 2007). Dundee City Council has two officers as Directors on the Board of DERL (maximum number of Directors is six). The Council's interest in DERL is considered to constitute a "joint venture" in terms of the Accounting Code of Practice. The DERL project was developed under the Private Finance Initiative (PFI).

The following information has been extracted from DERL's draft statutory accounts:

<u>31.12.2006</u> (Audited) £000		<u>31.12.2007</u> (Unaudited) £000
(950)	Profit/(Loss) Before Taxation	(631)
(950)	Profit/(Loss) After Taxation	(631)
-	Dividends Paid	-
3,853	Net Assets (Represented by Share Capital and Reserves)	3,222

Dundee City Developments Limited

Dundee City Developments Limited 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 provided this company with an interest free loan of £500,000 primarily to provide the company with initial working capital. The interest free loan is currently shown as a long-term debtor in the Council's Balance Sheet. 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 member's liability is limited to a maximum amount of £1.

The following information has been extracted from Dundee City Developments Limited's draft statutory accounts:

<u>30.04.2007</u> (Audited) £000		<u>30.04.2008</u> (Unaudited) £000
165	Profit/(Loss) Before Taxation	179
159	Profit/(Loss) After Taxation	179
-	Dividends Paid	-
1,881	Net Assets (Represented by Share Capital and Reserves)	1,840

NOTES TO THE CORE FINANCIAL STATEMENTS

28 INVESTMENTS IN RELATED COMPANIES (CONT)

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 a 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. 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).

The following information has been extracted from Dundee Leisure Limited's draft management accounts:

<u>31.03.2007</u> <u>(Audited)</u> <u>£000</u>		<u>31.03.2008</u> <u>(Unaudited)</u> <u>£000</u>
(1,419)	Profit/(Loss) Before Taxation	43
(1,419)	Profit/(Loss) After Taxation	43
-	Dividends Paid	-
(1,419)	Net Liabilities (Represented by Reserves)	(1,113)

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 will have a contract with one of the above companies who will carry out the projects works and services. Dundee City Council has a 1.5% shareholding in Discovery Education (Holdings) Ltd. The Council owns £7,600 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 following information has been extracted from Discovery Educations (Holdings) Ltd Statutory accounts.

	<u>31.03.07</u> <u>Audited</u> <u>£000</u>
Profit/(Loss) Before Taxation	-
Profit/(Loss) After Taxation	-
Dividends Paid	-
Net Assets (Represented by Share Capital)	474

There are also four other companies in which the Council has an interest but does not have an investment. These companies are listed below.

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).

The following information has been extracted from Dundee Ice Arena Limited's draft management accounts:

<u>31.03.2007</u> <u>(Audited)</u> <u>£000</u>		<u>31.03.2008</u> <u>(Unaudited)</u> <u>£000</u>
40	Profit/(Loss) Before Taxation	(43)
40	Profit/(Loss) After Taxation	(43)
-	Dividends Paid	-
129	Net Assets (Represented by Reserves)	58

NOTES TO THE CORE FINANCIAL STATEMENTS

28 INVESTMENTS IN RELATED COMPANIES (CONT)

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).

The following information has been extracted from Dundee Contemporary Arts Limited's statutory accounts:

<u>31.03.2006</u> <u>(Audited)</u> <u>£000</u>		<u>31.03.2007</u> <u>(Audited)</u> <u>£000</u>
(27)	Profit/(Loss) Before Taxation	53
(27)	Profit/(Loss) After Taxation	53
-	Dividends Paid	-
(44)	Net Assets/(Liabilities) (Represented by Reserves)	(45)

Dundee Cultural Developments Limited

Dundee Cultural Development Limited Company was established to carry out the promotion and development of a range of cultural and economic initiatives within the City of Dundee. The Council has provided the company with an interest free loan of £25,000. The company is limited by guarantee and the members' liability is limited to £1. The Council has two officers appointed as Directors to the Board (total number of Directors is 8).

The following information has been extracted from Dundee Cultural Developments Limited's management accounts:

<u>31.03.2006</u> <u>£000</u>		<u>31.03.2007</u> <u>£000</u>
3	Net Assets (Represented by Reserves)	3

The company was dissolved on 31 March 2008 and the £25,000 loan is to be repaid to the City Council.

Dovetail Enterprises 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 2011 and as a result has increased its share of the Standard Security to 33% of the company's liquidated assets. As at 31 March 2007, £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).

The following information has been extracted from Dovetail Enterprises Limited's statutory accounts:

<u>31.03.2006</u> <u>(Audited)</u> <u>£000</u>		<u>31.03.2007</u> <u>(Audited)</u> <u>£000</u>
24	Profit/(Loss) Before Taxation	154
24	Profit/(Loss) After Taxation	154
-	Dividends Paid	-
(1,144)	Net Liabilities (Represented by Reserves)	(408)

29 PROVISIONS OTHER THAN BAD DEBTS

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.

Non-Domestic Rate Income

This provision has been made in respect of potential abatements to the gross rates levied by the Council. An abatement is a credit against the original charge levied and can arise for a variety of reasons the most common of which are non-domestic properties falling vacant during the year and reductions in valuations due to the settlement of appeals. The provision is made based upon information provided each year by the Regional Assessor regarding the value of appeals outstanding and their likelihood of success. Negotiations to conclude appeals can take several years.

NOTES TO THE CORE FINANCIAL STATEMENTS

29 PROVISIONS OTHER THAN BAD DEBTS (CONT)

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.

Provision Movements 2007/2008	Balance as at 31 March 2007 £000	Movements in Provisions 2007/2008 £000	Balance as at 31 March 2008 £000
Council Tax Income - Exemptions/Discounts	700	-	700
Non-Domestic Rate Income - Abatements	3,458	(382)	3,076
Self-Insured/Uninsured Losses - Tayside Regional Council	693	-	693
- Dundee District Council	1,000	-	1,000
- Dundee City Council	<u>2,645</u>	<u>247</u>	<u>2,892</u>
	<u>8,496</u>	<u>(135)</u>	<u>8,361</u>

30 MOVEMENTS ON RESERVES

The Council maintains a number of reserves for purposes outwith those classified as provisions. Some of these reserves are required to be held for statutory reasons and some are needed to comply with proper accounting practice. The movements on these reserves during 2007/2008 are analysed below, together with an explanation of the purpose of each reserve.

	CAA £000	FIA Account £000	Revaluation Reserve £000	A-f-s Reserve £000	CRR £000	Capital Fund £000
Balance at 1 April 2007 (Restated)	(325,518)	5,658	-	(283)	-	(12,141)
(Gains)/Losses for the Year	(2,599)	-	(68,689)	102	-	-
<i>Transfers between Reserves:</i>						
Net Book Value of Asset Disposals	12,889	-	-	-	-	-
Proceeds of Asset Disposals	-	-	-	-	(14,809)	-
Proceeds of Asset Disposals	(14,809)	-	-	-	14,809	-
Transfers to Earmarked Reserves	-	-	-	-	-	(981)
Depreciation & Impairment	48,028	-	-	-	-	-
Repayment of Debt	(18,705)	-	-	-	-	-
Government Grants Amortisation	(2,983)	-	-	-	-	-
CFCR	(1,406)	-	-	-	-	-
FRS17 Adjustments	-	-	-	-	-	-
Financial Instruments Adjustments	-	173	-	-	-	-
<i>Other Adjustments:</i>						
Transfer of Assets	(387)	-	-	-	-	-
Pensions Contributions Adjustment	-	-	-	-	-	-
Balance at 31 March 2008	<u>(305,490)</u>	<u>5,831</u>	<u>(68,689)</u>	<u>(181)</u>	<u>-</u>	<u>(13,122)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

30 MOVEMENTS ON RESERVES (CONT)

	Renewal & Repair Fund £000	Insurance Fund £000	Pensions Reserve £000	General Fund £000
Balance at 1 April 2007 (Restated)	(3,896)	(1,534)	147,285	(8,477)
(Gains)/Losses for the Year	-	-	(33,044)	21,870
<i>Transfers between Reserves:</i>				
Net Book Value of Asset Disposals	-	-	-	(12,889)
Proceeds of Asset Disposals	-	-	-	14,809
Proceeds of Asset Disposals	-	-	-	-
Transfers to Earmarked Reserves	(699)	8	-	1,672
Depreciation & Impairment	-	-	-	(48,028)
Repayment of Debt	-	-	-	18,705
Government Grants Amortisation	-	-	-	2,983
CFCR	-	-	-	1,406
FRS17 Adjustments	-	-	459	(459)
Financial Instruments Adjustments	-	-	-	(174)
<i>Other Adjustments:</i>				
Transfer of Assets	-	-	-	-
Pensions Contributions Adjustment	-	-	10	-
Balance at 31 March 2008	<u>(4,595)</u>	<u>(1,526)</u>	<u>114,710</u>	<u>(8,582)</u>

EXPLANATION OF RESERVES

Capital Adjustment Account (CAA)

Appropriations between this account and the Statement of Movement on the General Fund Balance are required for Capital Financed from Current Revenue (CFCR) and for the difference between loan repayments and the amount of depreciation etc provided in the accounts. Capital receipts from asset sales that are applied to fund new capital expenditure in the year are transferred to this account from the Capital Receipts Reserve. The net book value of assets that are disposed of is debited to the Capital Adjustment Account. The balance on this account is not available to fund future expenditure. The opening balance on the Capital Adjustment Account (£325.518m) consists of the previous balances on the Fixed Asset Restatement Account (£172.206m) and the Capital Financing Account (£153.312m).

Financial Instruments Adjustment Account (FIA Account)

This account provides a balancing mechanism between the different rates at which gains and losses on financial instruments (eg premiums on the early repayment of debt) are recognised under the SORP and are required by statute to be credited/charged to the General Fund. The deficit balance on this account does not require to be funded.

Revaluation Reserve

This reserve records the unrealised gains that have arisen from the accounting policy of revaluing fixed assets to current value, rather than continuing to hold them at historical cost. The balance on this reserve is not available to fund future expenditure.

Available-for-sale Financial Instruments Reserve (A-f-s Reserve)

This reserve records the unrealised gains that have arisen from the accounting policy of revaluing available-for-sale investments to current value, rather than continuing to hold them at historical cost. The balance on this reserve is not available to fund future expenditure.

Capital Receipts Reserve (CRR)

Income from the sale of assets is credited initially to this reserve. Thereafter, the proportion applied to fund new capital expenditure in the year, and thus reduce borrowing in the year, is transferred to the Capital Adjustment Account. Alternatively, transfers may be made to the Capital Fund to fund capital expenditure in future financial years.

Capital Fund

Income from the sale of assets may be transferred to this fund from the Capital Receipts Reserve. Other capital receipts may also be credited to this fund. The balance on the Capital Fund is available to meet capital expenditure in future financial years.

Renewal and Repair Fund

The monies held within this Fund are available for the purposes of repairing and renewing any buildings, plant or equipment belonging to the Council.

NOTES TO THE CORE FINANCIAL STATEMENTS

30 MOVEMENTS ON RESERVES (CONT)

Insurance Fund Reserve

This represents the element of the Council's Insurance Fund that is not specifically earmarked as provisions for self-insured and uninsured losses.

Pensions Reserve

The pension costs included in the Income & Expenditure Account have been determined in accordance with Financial Reporting Standard 17 (Retirement Benefits). The cost of providing pensions for employees, however, continues to be funded in accordance with the statutory requirements governing the Local Government Pension Scheme. An appropriation between the Pensions Reserve and the Statement of Movement on the General Fund Balance is required to offset the net change in the pension liability that has been recognised in the Income & Expenditure Account. This appropriation ensures that FRS17 has no net impact on the Council's General Fund. The actuarial gain or loss for the year is also credited to, or charged against, the Pensions Reserve. The deficit balance shown on the Pensions Reserve does not require to be funded.

General Fund

This represents the accumulated balances generally available to the Council which are not otherwise earmarked for specific purposes (apart from those balances held for DSM Schools and Car Parking). General Fund balances may also be committed at the Balance Sheet date in respect of underspends to be carried forward to the next financial year and amounts used in setting the Council Tax for the next financial year.

31 CONTINGENT ASSETS & LIABILITIES

A Contingent Liability exists at 31 March 2008 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 2005/06, 2006/07 and 2007/08 accounts. It is estimated that the maximum liability to the Council is £283,000. 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 2007 (£235,000).

32 GENERAL FUND BALANCES

The Balance Sheet shows that the Council has a General Fund balance of £8.582m as at 31 March 2008 (31 March 2007 £8.477m). It is estimated that there are expenditure commitments amounting to £1.869m outstanding at 31 March 2008. These have arisen due to underspends in 2007/2008 and these underspends will be carried forward to 2008/2009 and fully utilised in the new financial year. It was agreed that the sum of £1.783m be taken from balances in setting the 2008/2009 Council Tax. In addition, there are earmarked balances within the General Fund of £0.258m and £0.710m in respect of the Devolved School Management Scheme and Car Parking respectively. When all of these items are taken into account, it is estimated that the Council has uncommitted General Fund balances of £3.962m as at 31 March 2008.

The holding of uncommitted balances is generally recognised as good professional practice and is a key element of a sound and prudent financial management strategy. The uncommitted element of the General Fund balance provides a contingency against unexpected events that necessitate expenditure not previously budgeted for. It also acts as a working balance to minimise overdraft positions resulting from uneven cash flows. In line with proper accounting practice, the Council has an agreed protocol covering the purpose, utilisation, management, control and review of all of its reserves and balances. In respect of the General Fund balances, this includes an annual review of the adequacy of these balances after taking into account the strategic, operational and financial risks facing the Council. This review is carried out as part of the budget-setting process and generally informs decisions as to any use of balances in setting the Council Tax level.

NOTES TO THE CORE FINANCIAL STATEMENTS

33 RELATED PARTIES - BALANCES

The following represents material indebtedness to/from the Council with the following bodies:

As at 31 March 2007			As at 31 March 2007	
Amounts Due From	Amounts Due To		Amounts Due From	Amounts Due To
£000	£000		£000	£000
438	59	Dundee Energy Recycling Limited	358	110
29	5	Dundee City Developments Limited	62	25
53	53	Dundee Ice Arena Limited	98	-
87	6	Dundee Contemporary Arts Limited	169	1
1	13	Dovetail Enterprises (1993) Limited	-	3
860	4	Tayside Fire & Rescue Board	839	5
3,084	22	Tayside Joint Police Board	3,132	696
825	1,548	Tayside Contracts Joint Committee	1,144	1,783
96	-	Tayside Valuation Joint Board	100	26
28	384	Tay Road Bridge Joint Board	23	396
23	46	Dundee Leisure Ltd	396	316
-	-	Discovery Education Companies (3 no)	-	-

In 2007/2008, there were no other material transactions with any other related parties that are not already disclosed elsewhere in the Statement of Accounts.

34 PENSIONS - DEFINED BENEFITS SCHEMES

In accordance with Financial Reporting Standard 17 (Retirement Benefits) the Council is required to include figures in the Statement of Accounts relating to assets, liabilities, income and expenditure of the pension schemes for its employees. As explained in the Accounting Policies the Council participates in two formal schemes; the Local Government Superannuation Scheme (Tayside Superannuation Fund), a Defined Benefits Scheme which is administered by the City Council, and the Teachers' Scheme. The Scottish Teachers' Superannuation Scheme is an unfunded scheme administered nationally by the Scottish Government. Guidance issued by CIPFA/LASAAC concludes that the assets and liabilities underlying the scheme are not identifiable at individual employer level on a consistent basis and, accordingly, there are no FRS17 disclosure requirements. In addition the Council has liabilities for discretionary pension payments outside the main schemes.

The movement in the Council's pension liability can be analysed as follows:

2006/2007			2007/2008	
£000	£000		£000	£000
	(195,752)	Deficit at 1 April		(147,285)
(23,963)		Current Service Cost	(22,068)	
17,822		Employer Contributions	19,277	
1,821		Contribution in respect of Unfunded Benefits	1,604	
15,277		Past Service Costs	(110)	
774		Settlements/Curtailments	692	
<u>(978)</u>		Net Return on Assets	<u>146</u>	
	10,753			(459)
	37,725	Actuarial Gain/(Losses)		33,044
	<u>(11)</u>	Difference between Actuarial Contribution Figure and		
		Actual Contribution Figure		<u>(10)</u>
	<u>(147,285)</u>	Deficit at 31 March		<u>(114,710)</u>

The net revenue account charge is calculated as follows:

2006/2007			2007/2008
£000	Operating Costs		£000
23,963	Current Service Cost		22,068
(15,277)	Past Service Cost		110
<u>(774)</u>	(Gains)/Losses on settlements and curtailments		<u>(692)</u>
<u>7,912</u>	Total Operating Charge (A)		<u>21,486</u>
	Expected Returns		
35,993	Expected Return on Employer Assets		41,260
<u>(36,971)</u>	Interest on Pension Scheme Liabilities		<u>(41,114)</u>
<u>978</u>	Net Return (B)		<u>146</u>
<u>8,890</u>	Net Income & Expenditure Account Cost (A) - (B)		<u>21,340</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

34

PENSIONS - DEFINED BENEFITS SCHEMES (CONT)

The history of experienced gains and losses is as follows:

	2003/2004 £000	2004/2005 £000	2005/2006 £000	2006/2007 £000	2007/2008 £000
Difference between the expected and actual return on assets	47,388	22,587	93,963	11,625	(71,072)
Value of assets	400,489	459,834	556,623	606,016	592,069
Percentage of assets	<u>11.8%</u>	<u>4.9%</u>	<u>16.9%</u>	<u>1.9%</u>	<u>(12.0%)</u>
Experience gains/(losses) on liabilities	(2,413)	-	(2,665)	-	-
Present value of liabilities	475,792	650,857	752,375	753,301	706,779
Percentage of the present value of liabilities	<u>(0.5%)</u>	<u>0.0%</u>	<u>(0.4%)</u>	<u>0.0%</u>	<u>0.0%</u>
Actuarial gains/(losses)	44,975	(5,750)	55	37,725	33,044
Present value of liabilities	475,792	650,857	752,375	753,301	706,779
Percentage of the present value of liabilities	<u>9.5%</u>	<u>(0.9%)</u>	<u>0.0%</u>	<u>5.0%</u>	<u>4.7%</u>
Effect of change in accounting methodology	N/A	(105,532)	N/A	N/A	N/A
Present value of liabilities	N/A	650,857	N/A	N/A	N/A
Percentage of the present value of liabilities	N/A	<u>(16.2%)</u>	N/A	N/A	N/A

The Council's assets and liabilities amounted to:

31 March 2007 £000		31 March 2008 £000
606,016	Share of assets in Tayside Superannuation Fund	592,069
<u>(732,837)</u>	Estimated liabilities in Tayside Superannuation Fund	<u>(687,917)</u>
(126,821)	Net assets/(liabilities) in Tayside Superannuation Fund	(95,848)
<u>(20,464)</u>	Estimated liabilities for discretionary pensions	<u>(18,862)</u>
<u>(147,285)</u>	Net Pension Liabilities	<u>(114,710)</u>

Assets are valued at fair value, principally market value for investments and consist of:

31 March 2007 £000		31 March 2008 £000
436,452	Equity investments	407,047
64,854	Gilts	75,339
24,949	Bonds	28,802
65,998	Property	64,378
<u>13,763</u>	Cash	<u>16,503</u>
<u>606,016</u>		<u>592,069</u>

The expected rates of return on assets for the year to 31 March are:

2006/2007		2007/2008
7.2%	Equities	7.6%
4.4%	Gilts	4.3%
5.4%	Bonds	6.6%
6.7%	Property	7.1%
5.0%	Cash	5.0%
6.7%	Total	7.0%

Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The valuations are based on a valuation as at 31 March 2005 rolled forward by Barnett Waddingham the independent actuaries to the Fund. The main assumptions used in the calculations are:

2006/2007		2007/2008
3.3%	rate of inflation	3.7%
4.8%	rate of increase in salaries	5.2%
3.3%	rate of increase in pensions	3.7%
5.4%	rate of discounting scheme liabilities	6.6%

The 2007/2008 accounts of the Joint Boards for Police, Fire and Valuation and the Tayside Contracts Joint Committee all show net pension liabilities as at 31 March 2008, as measured under FRS17. Further information regarding these liabilities can be found in the 2007/2008 accounts of these bodies. As a constituent member, Dundee City Council funds a proportion of the annual pension costs of the three Joint Boards, which are determined in accordance with the relevant regulations.

NOTES TO THE CORE FINANCIAL STATEMENTS

35 ANALYSIS OF SUNDRY DEBTORS AND SUNDRY CREDITORS

The following table shows an analysis of the totals for sundry debtors and sundry creditors that are included in the Balance Sheet.

Restated As at 31 March 2007 £000		As at 31 March 2008 £000
	Sundry Debtors	
14,152	Government, EC and Other Grants	15,614
3,612	Rates due and unpaid	2,782
<u>(1,191)</u>	<u>Less</u> provision for Bad Debts	<u>(909)</u>
2,421		1,873
3,816	Community Charge due and unpaid	2,958
<u>(3,532)</u>	<u>Less</u> provision for Bad Debts	<u>(2,674)</u>
284		284
18,854	Council Tax due and unpaid	17,083
<u>(12,124)</u>	<u>Less</u> provision for Bad Debts	<u>(11,292)</u>
6,730		5,791
3,649	Statutory Additions due and unpaid	3,498
<u>(2,421)</u>	<u>Less</u> provision for Bad Debts	<u>(2,328)</u>
1,228		1,170
31,320	General Debtors	37,310
<u>(3,956)</u>	<u>Less</u> provision for Bad Debts	<u>(3,898)</u>
<u>27,364</u>		<u>33,412</u>
<u>52,179</u>		<u>58,144</u>
	Sundry Creditors	
(6,232)	Government, EC and Other Grants	(12,840)
(680)	Loans Fund Interest etc	(843)
<u>(41,012)</u>	General Creditors	<u>(42,421)</u>
<u>(47,924)</u>		<u>(56,104)</u>

36 EVENTS AFTER THE BALANCE SHEET DATE

There were no events that occurred between 1 April 2008 and 30 September 2008 that would require adjustment to the 2007/2008 financial statements (2006/2007 None). The later date is the date on which the audited accounts were authorised for issue by the Head of Finance.

Reference is made, however, to the recent turbulence in stock markets world-wide and the impact on the Tayside Superannuation Funds. As at 19 September 2008, an unaudited valuation from Northern Trust showed the value of the Main Fund and Transport Fund assets under management to be £1,504m. This compares with a value of £1,571m shown in the Superannuation Accounts at 31 March 2008. This represents a reduction in valuation of 4.3%, caused mainly by the fall in equities markets. This reflects the more volatile nature of these assets but, in the longer-term time horizon of a Pension Fund, is not of significant concern. If it were to prove so, the Funds' Actuary would take this post-valuation change into account when assessing the position of the Fund at 31 March 2008 and the future contributions required.

NOTES TO THE CORE FINANCIAL STATEMENTS

37 COMMUNITY CARE & HEALTH (SCOTLAND) ACT 2002

Dundee Independent Living and Community Equipment Service (DILCEC)

DILCEC became operational in August 2007 and is a partnership between Dundee City Council and NHS Tayside. It has two key areas:

- i The Independent Living Centre provides a free and impartial demonstration, information and advice service on practical ways of coping with a disability. The service is for disabled people and their carers in the Dundee area and is based on a permanent exhibition of a representative range of products and solutions for daily living that is provided on an open access basis. People can make an appointment to visit or can drop in. It is also a full member of the Assist UK, a network of similar services around the country.
- ii The Community Equipment Centre provides a comprehensive loan service for disabled people and people with health issues in Dundee area, covering equipment provided by both health (nursing, rehabilitation and mobility equipment) and social work (daily living equipment) to maintain people in their own homes.

The service is split into three main areas:-

- Storage of equipment, ready for provision/delivery either to the person in their own home or to a service provider who would then issue to the end user.
- Cleaning and infection control of equipment that is returned/collected once no longer required by the end user.
- Repair, refurbishment and restocking of used equipment ready for return to the store, ready for re-issue.

The gross expenditure and income for the partnership during 2007/2008 was as follows:

2006/2007 Actual £000		2007/2008 Actual £000
---	Expenditure	<u>642</u>
	Income	
	- Dundee City Council	288
---	- NHS Tayside	<u>354</u>
---		<u>642</u>

38 FINANCIAL INSTRUMENTS

In accordance with Financial Reporting Standard 25 (Financial Instruments: Presentation and Disclosures) the Council is required to include figures in the Statement of Accounts, analysed into various defined categories, relating to financial instruments. Financial instruments are defined as "any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another." The financial instruments held by the Council include borrowing, investments, cash, loans receivable and other receivables.

Financial Instrument Balances

The financial assets and financial liabilities disclosed in the Council's Balance Sheet are made up of the following categories of financial instruments:

31 March 2007			31 March 2008	
Current £000	Long-term £000		Current £000	Long-term £000
		Financial Assets		
		Loans and receivables		
19,018	-	Temporary Advances	35,245	-
98	-	Cash and Bank	103	-
-	778	Soft Loans	-	864
-	11,276	Other Loans at Market Rates	-	5,948
		Available-for-sale financial assets		
669	-	- Short Term Investments	560	-
		Unquoted equity investment at cost		
-	7	- Other Investments	-	7
-	-	Financial Assets at fair value through profit or loss	-	-
<u>19,785</u>	<u>12,061</u>	Total Financial Assets	<u>35,908</u>	<u>6,819</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

38 FINANCIAL INSTRUMENTS (CONT)

		Financial liabilities			
		Financial liabilities at amortised cost			
6,512	302,965	Borrowing Repayable	6,545	303,133	
10,631	-	Temporary Advances from Other Accounts	11,072	-	
200	49	Covenant Deferred Liability	49	-	
14,819	-	Bank Overdraft	18,076	-	
-	-	Financial liabilities at fair value through profit and loss	-	-	
<u>32,162</u>	<u>303,014</u>	Total Financial liabilities	<u>35,742</u>	<u>303,133</u>	

Reclassification and Derecognition

There were no financial assets or liabilities reclassified or derecognised during the year.

Collateral

There has been no collateral pledged or held in respect of the above financial assets and liabilities.

Defaults

There were no defaults that occurred in respect of the above financial assets and liabilities.

Allowance Account for Credit Losses

There were no financial assets impaired by credit losses.

Financial Instrument Gains & Losses

The gains and losses for 2007/2008 recognised in the Income & Expenditure Account and Statement of Total Recognised Gains and Losses in relation to the Council's financial instruments are made up as follows:

	Financial Liabilities	Financial Assets	Financial Assets	Financial Assets	
	Measured at amortised cost	Loans and receivables	Available-for-sale assets	Unquoted equity investment at cost	Total
	£000	£000	£000	£000	£000
Interest expense	19,611	-	-	-	19,611
Losses on derecognition	-	-	-	-	-
Impairment losses	-	-	-	-	-
Interest payable and Similar Charges	19,611	-	-	-	19,611
Income and Investment income	-	(2,566)	(26)	-	(2,592)
Gains on derecognition	-	-	-	-	-
Interest and Investment income	-	(2,566)	(26)	-	(2,592)
Gains on revaluation			-		
Losses on revaluation			102		
Amounts recycled to I & E A/c after impairment			-		
Surplus arising on revaluation of financial assets			102		
Net (gain)/loss for the year	19,611	(2,566)	76		

Fair Value of Financial Assets and Liabilities

Details of the fair values that have been calculated for financial assets and financial liabilities together with the assumptions and methodologies for calculating them and explanations for any significant variations from the carrying values are provided below. Fair values as at 31 March 2007 have not been calculated.

NOTES TO THE CORE FINANCIAL STATEMENTS

38 FINANCIAL INSTRUMENTS (CONT)

31 March 2007				31 March 2008	
Carrying Amount	Fair Value		Ref	Carrying Amount	Fair Value
£000	£000		(see below)	£000	£000
Financial liabilities					
Financial liabilities at amortised cost					
309,477	n/a	- Borrowing Repayable	i	309,678	362,315
10,631	10,631	- Temporary Advances from Other Accounts	ii	11,072	11,072
249	249	- Covenant Deferred Liability	iii	49	49
14,819	14,819	- Bank Overdraft	iv	18,076	18,076
-	n/a	Financial liabilities at fair value through profit and loss		-	-
Financial Assets					
Loans and receivables					
19,018	n/a	- Temporary Advances	i	35,245	35,228
98	n/a	- Cash and Bank	iv	103	103
778	n/a	- Soft Loans	v	864	864
11,276	11,276	- Other Loans at Markets Rates	vi	5,948	5,948
Available-for-sale financial assets					
669	n/a	- Short Term Investments	vii	560	560
Unquoted equity investment at cost					
7	n/a	- Other Investments	vii	7	n/a
-	n/a	Financial Assets at fair value through profit or loss	vii	-	-

Methodology and Assumptions

i Borrowing Repayable and Temporary Advances

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.

Net Present Value - 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 (PWL) 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 2008, using bid prices where applicable.

ii Temporary Advances from Other Accounts

These amounts relate to the cash balances of Superannuation Fund, Charities and Common Good Funds. These are effectively loaned to the Council on a short-term basis and interest is payable by the Council on all balances outstanding. The current value and fair value are deemed to be the same amount.

iii Covenant Deferred Liability

This relates to the deferred liability on a Covenant arrangement with a consortium of banks. Due to the short term nature of this liability the current value and fair value are deemed to be the same amount.

NOTES TO THE CORE FINANCIAL STATEMENTS

38 FINANCIAL INSTRUMENTS (CONT)

iv Bank Overdraft/Cash and Bank

The fair value is the same as the carrying amount as these balances relates to short-term borrowings or deposits held with the Council's bank.

v Soft Loans

The fair value of soft loans is the same as the carrying amount. Soft loans have been restated from a historical cost basis to a fair value basis by discounting future cash receipts using the prevailing market rate of interest.

vi Other Loans at Markets Rates

These balances are made up of loans to external parties at market rates. As these are held at the market value the carrying value and fair value will not be materially different.

vii Short Term Investments

The fair value is the same as the carrying amount as these available-for-sale financial assets are made up of investments with quoted market prices. The fair value of these investments is their current market price which is also the value they are included at in the Council's balance sheet.

viii Other Investments

It is not necessary to provide a fair value for these investments. These relate to equity shares with no quoted market prices, and as such the fair value cannot be measured reliably.

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 may fail to pay amounts due to the authority
Liquidity risk -	the possibility that the Council might not have the funds available to meet its commitments to make payments
Market risk -	the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements

The following details the Council's exposure to any significant risks and how these risks can arise together with the Council's objectives, policies and processes for managing these risks.

Credit Risk

Loans and Receivables - Temporary Advances

The risk to the Council is managed by restricting investments to cash deposits with highly rated financial institutions (Fitch above F1). This policy also sets maximum exposure to individual banks and restricts to periods of less than one year. The fair value of these advances as at 31 March 2008 was £35.082m. None of these are past due or impaired. The analysis of principal by credit risk (on an historical cost basis) is shown below:

2007 £000		2008 £000
12,000	Above F1	19,600
<u>6,825</u>	F1	<u>15,500</u>
<u>18,825</u>		<u>35,100</u>

Liquidity Risk

Financial Liabilities at amortised cost - Borrowing Repayable

As the Council has access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council may be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. In order to minimise exposure to this risk the Council has sets limits to control the level of debts maturing at any point in time.

NOTES TO THE CORE FINANCIAL STATEMENTS

38 FINANCIAL INSTRUMENTS (CONT)

A maturity analysis of principal debt outstanding (on a historical cost basis) is shown below:

2007 £000		2008 £000
6,512	Less than 1 year	6,545
6,122	Between 1 and 2 years	6,005
24,467	Between 2 and 5 years	36,114
23,148	Between 5 and 10 years	11,986
<u>243,195</u>	More than 10 years	<u>243,956</u>
<u>303,444</u>		<u>304,606</u>

The limits set by the Council to minimise liquidity risk are as follows:

Less than 1 year	0 - 10%
Between 1 and 2 years	0 - 15%
Between 2 and 5 years	0 - 25%
Between 5 and 10 years	0 - 25%
More than 10 years	50 - 95%

All these limits were complied with during the year. The Council has access to short-term borrowing facilities through money brokers and has multi-option facilities of £4m (including a bank overdraft facility of £2m) with its banker.

Market Risk

Financial Liabilities at amortised cost - Borrowing Repayable

The interest rate risk is the only significant market risk for the Council. A movement in interest rates affects the income receivable on cash deposits and interest payable on variable rate borrowings. The Council has set an upper limit of 30% on the amount of its borrowing which may be variable to reduce this risk.

If interest rates had only been 95% of their value during the year the income of the Council would have fallen by £131,000. An interest rate of 105% of the value would have had an equal and opposite effect on the basis that all other variables remain constant.

39 CASH FLOW STATEMENT - RECONCILIATION OF INCOME & EXPENDITURE ACCOUNT DEFICIT TO NET CASHFLOW FROM REVENUE ACTIVITIES

Restated 2006/2007 £000		2007/2008	
£000		£000	£000
17,832	Surplus/(Deficit) for the year per Income & Expenditure Account		(21,870)
	<u>Non-cash Transactions</u>		
32,302	Depreciation & Impairment	48,028	
(2,742)	Government Grants etc Amortisation	(2,983)	
(10,753)	FRS17 Adjustments	459	
-	Financial Instruments Adjustments	28	
<u>(671)</u>	Other Adjustments	<u>(2,442)</u>	
18,136			43,090
	<u>Items on an Accruals Basis</u>		
29	(Increase)/decrease in Stores & Work-in-Progress	(126)	
3,776	(Increase)/decrease in Debtors	(442)	
<u>(4,031)</u>	Increase/(decrease) in Creditors	<u>7,042</u>	
(226)			6,474
	<u>Items Classified Elsewhere in the Cash Flow Statement</u>		
18,934	Add Interest Payable & Similar Charges	19,611	
(2,044)	Less Interest & Investment Income	(2,541)	
<u>(12,748)</u>	Less Gain on Disposal of Fixed Assets	<u>(1,920)</u>	
4,142			15,150
<u>39,884</u>	Net Cash Inflow from Revenue Activities		<u>42,844</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

40 CASH FLOW STATEMENT - RECONCILIATION OF THE MOVEMENT IN CASH TO THE MOVEMENT IN NET DEBT

2006/2007		2007/2008	
£000		£000	£000
1,274	Increase/(Decrease) in Cash in the Period	(3,252)	
(3,075)	Movement in Liquid Resources	16,275	
5,596	(Increase) in Borrowing	(1,603)	
<u>200</u>	Reduction in Long-Term Liability	<u>200</u>	
3,995	Change in Net Debt		11,620
<u>(314,215)</u>	Opening Net Debt at 1 April		<u>(310,220)</u>
<u>(310,220)</u>	Closing Net Debt at 31 March		<u>(298,600)</u>

Analysis of Movement in Net Debt

	1 April 2007	Cash Flows	Non Cash	31 March 2008
	£000	£000	Changes	£000
			£000	
Cash				
Cash & Bank	98	5	-	103
Bank Overdraft	<u>(14,819)</u>	<u>(3,257)</u>	-	<u>(18,076)</u>
	<u>(14,721)</u>	<u>(3,252)</u>	-	<u>(17,973)</u>
Liquid Resources *	<u>18,825</u>	<u>16,275</u>	-	<u>35,100</u>
Borrowing				
Short-Term Advances from Other Accounts	(10,983)	(392)	-	(11,375)
Short-Term Loans	(346)	226	-	(120)
Long-Term Loans Repayable within One Year	(5,814)	814	(1,122)	(6,122)
Long-Term Loans	<u>(296,932)</u>	<u>(2,251)</u>	<u>1,122</u>	<u>(298,061)</u>
	<u>(314,075)</u>	<u>(1,603)</u>	-	<u>(315,678)</u>
Covenant Deferred Liability	<u>(249)</u>	<u>200</u>	-	<u>(49)</u>
TOTAL NET DEBT	<u>(310,220)</u>	<u>11,620</u>	-	<u>(298,600)</u>

*Liquid Resources are defined as funds invested externally by the Council which are repayable on demand or have a fixed maturity period of less than 12 months.

41 CASH FLOW STATEMENT - ANALYSIS OF GOVERNMENT GRANTS

Restated		
2006/2007		2007/2008
Actual		Actual
£000		£000
175,978	Revenue Support Grant	185,163
64,070	DWP Grant (Benefits Subsidy)	65,767
11,748	Supporting People	12,055
6,674	National Priorities Action Fund	7,156
4,859	Criminal Justice Services	5,386
4,170	Community Regeneration Fund	6,484
1,548	Changing Children's Services Fund	935
2,295	Benefits Administration Grant	2,312
2,210	Community Wardens/Anti Social Behaviour	2,374
1,000	Working for Families Fund	1,000
620	Ardler Debt Servicing	600
247	Modernising Government/Efficiency and Reform	415
228	Housing Implementation Act	846
668	Housing Estate Regeneration Fund	2,250
2,532	Private Sector Housing Grant	2,173
1,407	Concessionary Travel	-
2,496	Central Waterfront	718
330	Vacant and Derelict Land Fund	837
1,399	Strategic Waste Fund	1,558
254	Night Time Noise Team	461
<u>10,612</u>	Other Various	<u>10,324</u>
<u>295,345</u>		<u>308,814</u>

COUNCIL TAX INCOME ACCOUNT

2006/2007 £000				2007/2008 £000	£000
72,958		Gross Charge			74,004
(6,858)	Deduct	- Exemptions		(7,346)	
(56)		- Disabled Relief		(57)	
<u>(8,018)</u>		- Discounts		<u>(8,078)</u>	
<u>(14,932)</u>					<u>(15,481)</u>
58,026		Net Council Tax			58,523
(13,171)	Deduct	- Rebates		(12,798)	
<u>13,369</u>		- Less: DWP Grant (Benefits Subsidy)		<u>12,997</u>	
198					199
(14)		- MOD Properties			(11)
14		- Contribution Received			11
<u>(2,490)</u>		Provision for Bad Debts/Exemptions/Discounts			<u>(2,249)</u>
<u>55,734</u>		Total Council Tax Income for Current Financial Year			<u>56,473</u>
(779)		Adjustment to Previous Years' Council Tax			(617)
<u>729</u>		Adjustment to Previous Years' Provision for Bad Debts			<u>510</u>
<u>(50)</u>		Total Adjustments for Previous Years			<u>(107)</u>
<u>55,684</u>		Total Council Tax Income			<u>56,366</u>

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

1 COUNCIL TAX INCOME

The Council Tax is based on the value of a domestic property together with a personal element which takes into account the number and circumstances of that property's occupants.

Each property is placed in one of eight valuation bands (A-H) in accordance with their value as at 1 April 1991. The Council Tax Charge levied for each property is calculated in proportion to the Council Tax Charge for a Band D property by applying fractions. A discount of 25% on the Council Tax charge is made where there are fewer than two residents of a property. Discounts of 50% are made for unoccupied property. Persons in detention, Students, Mentally Handicapped people etc, are disregarded for Council Tax purposes. Reductions in Council Tax payable are also granted for disabled people.

The valuation bands and the fractions used in calculating the Council Tax payable for each valuation band are set out below, together with details of the 2007/2008 charges levied. Details of the calculation of the Council Tax base are shown at Note 2.

<u>Council Tax Charge</u> <u>2006/2007</u> £	<u>Valuation Band</u>	<u>Property Valuation Range</u>	<u>Fraction of Band D</u>	<u>Council Tax Charge</u> <u>2007/2008</u> £
807.33	A	Up to £27,000	6/9	807.33
941.89	B	£ 27,001 - £ 35,000	7/9	941.89
1,076.44	C	£ 35,001 - £ 45,000	8/9	1,076.44
1,211.00	D	£ 45,001 - £ 58,000	9/9	1,211.00
1,480.11	E	£ 58,001 - £ 80,000	11/9	1,480.11
1,749.22	F	£ 80,001 - £106,000	13/9	1,749.22
2,018.33	G	£106,001 - £212,000	15/9	2,018.33
2,422.00	H	Over £212,000	18/9	2,422.00

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

2 CALCULATION OF THE COUNCIL TAX BASE

2006/2007		2007/2008								
Council Tax Base	A	B	C	D	E	F	G	H	TOTAL	
71,944	Total Number of Properties	30,792	16,698	7,999	7,974	5,999	1,993	883	44	72,382
6,911	<u>Less</u> Exemptions/Deductions	4,010	1,410	742	1,209	364	90	26	14	7,865
8,901	<u>Less</u> Adjustment for Single Chargepayers	4,566	1,927	812	629	381	95	42	4	8,456
56,132	Effective Number of Properties	22,216	13,361	6,445	6,136	5,254	1,808	815	26	56,061
	Band D Equivalent Factor (Ratio)	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
47,508	Band D Equivalent Number of Properties	<u>14,807</u>	<u>10,392</u>	<u>5,729</u>	<u>6,136</u>	<u>6,422</u>	<u>2,612</u>	<u>1,358</u>	<u>52</u>	47,508
<u>12</u>	<u>Add</u> Contribution in lieu in respect of Class 18 dwellings (Band D equivalent)									<u>12</u>
47,520	NOMINAL TAX YIELD									47,520
<u>(1,663)</u>	<u>Less</u> Provision for Non-Collection 3.2% (3.5% in 2006/2007)									<u>(1,521)</u>
<u>45,857</u>										<u>45,999</u>
		COUNCIL TAX BASE 2007/2008 (equivalent to a Band D Council Tax of £1,211)								

NON-DOMESTIC RATE INCOME ACCOUNT

2006/2007		2007/2008
£000		£000
75,181	Gross Rate Levied	73,956
320	Transitional Surcharge	173
<u>(1,688)</u>	Transitional Relief	<u>(671)</u>
73,813		73,458
	Deduct:	
(5,475)	Exemptions, Voids and Partially Occupied Properties	(5,431)
(1,365)	Disabled Relief	(1,407)
(6,209)	Other Reliefs, Charities, etc	(6,136)
(1,053)	Relieved on Appeal	(1,232)
<u>(2,407)</u>	Provision for Bad Debts/Abatements	<u>1,519</u>
<u>57,304</u>		<u>57,733</u>
	Adjustments to Previous Years:	
17	Interest on Overpaid Rates	(70)
<u>(131)</u>	Bad Debts/Abatements	<u>322</u>
<u>57,190</u>		<u>57,985</u>
	Allocated as follows:	
57,337	Contribution to National Non-Domestic Rate Pool	58,145
<u>(147)</u>	City Council Non-Domestic Rates	<u>(160)</u>
<u>57,190</u>		<u>57,985</u>
	National Non-Domestic Rate Pool:	
57,337	Contribution to National Non-Domestic Rate Pool	58,145
<u>52,625</u>	Contribution from National Non-Domestic Rate Pool	<u>51,896</u>
<u>4,712</u>	Net Contribution to National Non-Domestic Rate Pool	<u>6,249</u>

NOTES TO THE NON-DOMESTIC RATE INCOME ACCOUNT

1 NON-DOMESTIC RATE INCOME/CONTRIBUTION FROM NATIONAL NON-DOMESTIC RATE POOL

With effect from 1993/94 all Non-Domestic Rate Income collected by local authorities (from non-domestic ratepayers) is paid into a national pool and redistributed to levying authorities. The Non-Domestic Rate Income is redistributed from the national pool in proportion to the resident population of each local authority concerned and therefore bears no direct relationship to the amount collected by those authorities.

A common non-domestic rate poundage (The Uniform Business Rate) is set by the Cabinet Secretary for Finance and Sustainable Growth for each financial year. The rate poundage for 2007/2008 was 44.1p (2006/2007 44.9p) for properties with a rateable value of over £11,500, with a 0.3p (2006/2007 0.4p) supplement for properties with a rateable value of £29,000 or over. The purpose of this supplement is to finance the revised reduction for properties with a rateable value of £11,500 and under which is based on a sliding scale between 5% and 50%.

2 RATEABLE SUBJECTS AND VALUES

2006	<u>Non-Domestic Rateable Subjects at 1 April</u>	2007
2,983	Commercial	2,975
668	Industrial	672
<u>1,980</u>	Miscellaneous	<u>1,977</u>
<u>5,631</u>		<u>5,624</u>
2006	<u>Non-Domestic Rateable Values at 1 April</u>	2007
£000		£000
75,687	Commercial	76,104
25,044	Industrial	25,293
<u>64,595</u>	Miscellaneous	<u>64,783</u>
<u>165,326</u>		<u>166,180</u>

HOUSING REVENUE ACCOUNT: INCOME AND EXPENDITURE ACCOUNT

Restated 2006/2007 Net Expenditure/ (Income) £000		2007/2008	
		Actual Expenditure/ (Income) £000	Budgeted Expenditure/ (Income) £000
	INCOME		
(37,976)	Dwelling Rents (gross)	(38,498)	(38,303)
(868)	Non-dwelling Rents (gross)	(867)	(836)
(92)	Housing Support Grant	(107)	(98)
(8,002)	Other Income	(8,427)	(5,388)
(46,938)		(47,899)	(44,625)
	EXPENDITURE		
19,146	Repairs and Maintenance	20,720	16,650
12,573	Supervision and Management	12,216	12,337
9,898	Depreciation and Impairment of Fixed Assets	15,000	15,000
1,442	Bad Debts and Voids	1,377	1,435
396	Other Expenditure	396	396
43,455		49,709	45,818
	Net Cost of HRA Services as included in the whole authority Income and Expenditure Account	1,810	1,193
(3,483)			
235	HRA share of Corporate and Democratic Core	235	387
-	HRA share of other amounts included in the whole authority Net Cost of Services	-	-
(3,248)	Net Cost of HRA Services	2,045	1,580
	HRA share of the operating income and expenditure included in the whole authority accounts:		
(4,309)	(Gain) or loss on sale of HRA fixed assets	(4,191)	(4,191)
6,939	Interest payable and similar charges	7,512	7,558
-	Amortisation of premiums and discounts	48	48
(201)	Interest and investment income	(269)	(200)
64	Pensions interest costs and expected return on pension assets	(9)	(9)
<u>(755)</u>	(Surplus)/Deficit for the year on HRA services	<u>5,136</u>	<u>4,786</u>

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

Actual 2006/2007 £000		Actual 2007/2008 £000	£000	Budget 2007/2008 £000	£000
	Increase or Decrease in the Housing Revenue Account Balance for the year comprising:				
(755)	(Surplus)/Deficit for the year on the HRA Income & Expenditure Account		5,136		4,786
	Additional amounts required by statute or non-statutory proper practices to be taken into account in determining the increase or decrease in the HRA Balance				
-	Difference between items of income and expenditure determined in accordance with the SORP and determined in accordance with statutory requirements or non-statutory proper practices.		(179)		(179)
4,309	Gain or (loss) on sale of HRA Fixed Assets		4,191		4,191
(259)	HRA Share of Contributions from the Pensions Reserve		(123)		(22)
-	Capital Expenditure funded by the HRA		17		-
	Transfer from the Capital Adjustment Account:				
(9,911)	Depreciation and Impairment	(15,022)		(15,022)	
14	Amortisation of Government Grants	22		22	
<u>5,926</u>	Loan Repayments	<u>6,505</u>		<u>6,224</u>	
(3,971)	Transfer to/(from) the General Fund		(8,495)		(8,776)
676			(547)		-
<hr/>			<hr/>		<hr/>
755			(7,775)		(7,425)
<hr/>			<hr/>		<hr/>
-	Increase or decrease on the HRA Balance for the year		-		-
<hr/>			<hr/>		<hr/>
-	HRA Balance brought forward		-		-
<hr/>			<hr/>		<hr/>
-	HRA Balance carried forward		-		-
<hr/>			<hr/>		<hr/>

NOTES TO THE HOUSING REVENUE ACCOUNT

1 GROSS RENT INCOME

This is the total rent income for the year. Average annual rents charged were £50.47 per week in 2007/2008 (2006/2007 £48.50).

2 HOUSING STOCK

The Council was responsible for managing 15,163 dwellings as at 31 March 2008 (31 March 2007 15,683). The stock was made up as follows:

2007			2008	
<u>Number</u>	<u>%</u>		<u>Number</u>	<u>%</u>
3,542	23	Houses	3,452	23
11,014	70	Flats	10,597	70
1,127	7	Maisonettes	1,114	7
<u>15,683</u>	<u>100</u>		<u>15,163</u>	<u>100</u>

The change in housing stock during the year can be summarised as follows:

16,124	Stock at 1 April	15,683
(243)	Less: Sales	(216)
(198)	Less: Demolitions etc	(304)
<u>15,683</u>	Stock at 31 March	<u>15,163</u>

Within the Housing Stock of 15,163 a total of 1,070 properties have been earmarked for demolition and are not generating rental income.

3 RENT ARREARS AND BAD DEBTS

The amount of rent arrears written off at 31 March 2008 was £360,294 (31 March 2007 £398,159) which is equivalent to 0.96% (2006/2007 1.07%) of rent collectable from tenants. The provision for doubtful debts was decreased to £722,250 (2006/2007 £772,956).

Rent arrears at 31 March 2008 were £1,168,768 or 3.11% (31 March 2007 £1,358,346 or 3.65%) of rent collectable and this equated to an average rent arrears per house of £82.93 (2006/2007 £93.66). These figures are net of prepaid rents as at 31 March 2008.

4 EXCEPTIONAL OR PRIOR YEAR ITEMS

There are no exceptional or prior year items in 2007/2008 (2006/2007 None).

GROUP ACCOUNTS

INTRODUCTION

The Statement of Recommended Practice (SORP) requires local authorities to consider all their interests in other organisations (including statutory bodies) and to prepare a full set of 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 the 2007 SORP. 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 SORP. A joint venture is defined as "an interest on a long term basis in an entity and that entity is jointly controlled by the local authority and one or more other public or private sector entities under a contractual arrangement". Further, Dundee City Developments Limited and Dundee Leisure Limited are considered to be associates in terms of the SORP.

The group financial statements comprise a Group Income & Expenditure Account, Reconciliation of the Single Entity Deficit to the Group Deficit, Group Statement of Total Recognised Gains & Losses, Group Balance Sheet and Group Cash Flow Statement, together with relevant supporting notes.

Copies of the accounts for the undernoted organisations can be obtained from the Head 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 directly managed funds which include the Common Good Fund and two Charitable Trust Funds (the Fleming Trust and the Burial Grounds Perpetuity Fund). 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 Income & Expenditure Account and Balance Sheet. This method of consolidation involves the following:

- bringing into the Group Income & Expenditure Account the Council's share of the profits and losses of the joint venture and share of the surpluses/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 of the associates.

The Group Income & Expenditure Account shows a deficit of £38.417m, a movement of £16.547m from the deficit of £21.870m shown in the Council's Income & Expenditure Account. This is mainly due to incorporating the Council's share of deficits on the Income & Expenditure Accounts of the Police and Fire Boards.

The impact of consolidation on the Balance Sheet is to decrease the net assets and reserves by £269.826m, 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 Financial Reporting Standard 17 (Retirement Benefits).

There is a divergence of accounting policy between DERL and the Group. The Lease of the Fixed Assets in Plant Equipment has been treated by DERL as a Finance lease and so capitalised in their Balance sheet. The City Council has included the same as an operating lease. As a result of this, an adjustment is required on consolidation to align the policies and eliminate the valuation of the Groups share of DERL's Fixed Asset to leave a Net liability of £1.289m, which is included in the Group Accounts. There are no other material differences in the accounting policies employed by the Council and by its associates and joint venture which would necessitate an adjustment upon consolidation.

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 2006/2007. 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 SORP 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, draft statutory accounts for the year ended 31 March 2008 were used.

The Board's draft Income & Expenditure Account shows a net deficit for 2007/2008 of £26.050m, of which £11.827m (45.4%) has been included in the Group Accounts. The Board's draft Balance Sheet shows a net liability of £449.150m, of which £203.913m (45.4%) has been included in the Group Accounts.

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 2006/2007. 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 SORP and accounted for it on a 'net equity' basis. The City Council's share is 52% based on the percentage of funding requisitions for the Board. The Board's accounting period is 31 March. For the purpose of consolidation and disclosure, draft statutory accounts for the year ended 31 March 2008 were used.

The Board's draft Income & Revenue Expenditure Account shows a net deficit for 2007/2008 of £9.280m, of which £4.825m (52%) has been included in the Group Accounts. The Board's draft Balance Sheet shows a net liability of £142.030m, of which £73.855m (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 2006/2007. 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 SORP and accounted for it on a 'net equity' basis. The City Council's share is 34.68% 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, draft statutory accounts to the year ended 31 March 2008 were used. The Board's draft Income & Expenditure Account shows a net surplus for 2007/2008 of £0.021m of which £0.008m (34.68%) has been included in the Group Accounts. The Board's draft Balance Sheet shows a net liability of £1.660m, of which £0.575m (34.68%) has been included in the Group Accounts.

DUNDEE CITY DEVELOPMENTS LIMITED

Dundee City Developments Limited 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 provided this company with a loan of £500,000 primarily to provide the company with initial working capital. The loan is currently shown as a long-term debtor in the Council's Balance Sheet. 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 SORP. The percentage for consolidation is 28.57%, based on the actual board membership as at 30 April 2008 (28.57% at 30 April 2007). 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, draft Statutory Accounts to 30 April 2008 have been used and adjusted to 31 March 2008. The company's draft Profit & Loss Account shows a profit of £0.178m for the year to 31 March 2008, of which £0.050m (28.57%) has been included in the Group Accounts. The company's draft Balance Sheet shows a net asset of £1.840m of which £0.526m has been included in the Group Accounts.

DUNDEE ENERGY RECYCLING LIMITED

Dundee Energy Recycling Limited is a special purpose company, established in order to construct and operate a new 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. A loan facility of £2.3m is in place to provide working capital and assist with cash flow. The carrying value of the investment in the company in the Council's Balance Sheet at 31 March 2008 is Nil (31 March 2007 Nil). The Council owned 40% of the £100 Ordinary Share Capital of DERL at 31 March 2008 (40% at 31 March 2007). 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 SORP. 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 draft statutory accounts to 31 December 2007 have been used. The company's draft Profit & Loss Account shows a loss of £0.631m for the year to 31 December 2007, of which £0.252m (40%) has been included in the Group Accounts. The company's draft Balance Sheet shows a net asset of £3.222m. As a result of the divergence of accounting policy regarding the treatment of the Fixed Asset in Plant and Equipment, an adjustment is required on consolidation to align the policies and eliminate the valuation of the Groups share of DERL's Fixed Asset to leave a Net liability of £1.289m, which is included in the Group Accounts.

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 a 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. 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 SORP. The percentage for consolidation is 46.67%, based on the actual board membership as at 31 March 2008. The company has been consolidated in the Group Accounts on a "net equity" basis. Dundee Leisure's accounting period is 31 March. For the purpose of consolidation and disclosure, draft management accounts to 31 March 2008 have been used. The company's draft Profit & Loss Account shows a loss of £0.043m for the year to 31 March 2008, of which £0.020m (46.67%) has been included in the Group Accounts. The company's draft Balance Sheet shows a net liability of £1.113m, of which £0.519m (46.67%) has been included in the Group Accounts.

INVESTMENT IN RELATED COMPANIES

Further disclosure on the investments in related companies is shown on page 30, note 28. In relation to the audited accounts of the related organisations, no qualifications are expected to the opinion in respect of the accounts of the related companies, joint boards or the joint arrangement for 2007/2008 (2006/2007 None).

GROUP INCOME & EXPENDITURE ACCOUNT

2006/2007 Actual Net Expenditure/ (Income) £000		2007/2008		Actual Net Expenditure/ (Income) £000
		Actual Gross Expenditure £000	Actual Income £000	Actual Net Expenditure/ (Income) £000
	Continuing Services			
118,099	Education Services	138,117	(15,790)	122,327
2,692	General Fund Housing	72,475	(70,247)	2,228
(3,483)	Housing Revenue Account	49,459	(47,649)	1,810
21,805	Cultural and Related Services	33,903	(9,412)	24,491
17,203	Environmental Services	23,288	(5,768)	17,520
8,659	Roads and Transport Services	19,108	(9,272)	9,836
1,718	Planning and Development Services	16,694	(12,225)	4,469
67,575	Social Work	98,376	(23,605)	74,771
3,738	Corporate and Democratic Core	4,288	(105)	4,183
(15,871)	Non Distributed Costs	258	(694)	(436)
4,778	Central Services to the Public	12,214	(6,680)	5,534
32,916	Joint Boards	33,587	-	33,587
219	Exceptional Item	742	-	742
143	Common Good	148	-	148
(2,276)	Share of Turnover of Joint Venture	-	(2,382)	(2,382)
2,605	Share of Other Operating Expenses of Joint Venture	2,576	-	2,576
54,240	Share of Operating Results of Associates	52,621	-	52,621
(51,661)	Share of Joint Boards' Requisitions	-	(52,785)	(52,785)
263,099	Net Cost of Continuing Services	<u>557,854</u>	<u>(256,614)</u>	301,240
	Discontinued Operations:			
<u>2,306</u>	Service Transferring to Dundee Airport Ltd	<u>2,550</u>	<u>(2,550)</u>	-
265,405	Net Cost of Services	<u>560,404</u>	<u>(259,164)</u>	301,240
(12,748)	Net (Gain)/Loss on Disposal of Assets			(1,920)
(14)	Share of Net (Gain)/Loss on Disposal of Assets (Associates and Joint Venture)			(35)
(973)	(Surplus)/Deficit of Trading undertakings or other operations			(792)
18,934	Interest Payable and Similar Charges			19,611
685	Share of Interest Payable (Associates and Joint Venture)			497
(2,359)	Interest and Investment Income			(2,872)
(345)	Share of Interest and Investment Income (Associates and Joint Venture)			(359)
978	Pensions Interest Cost and Expected Return on Pensions Assets			(146)
14,810	Share of Pensions Interest Cost and Expected Return on Pensions Assets (Associates)			16,693
284,373	Net Operating Expenditure			331,917
	Income from Taxation & General Government Grants			
(55,984)	Income from Council Tax (incl Residual Community Charge)			(56,601)
(175,978)	Revenue Support Grant			(185,163)
(52,478)	Contribution from National Non-Domestic Rate Pool			(51,736)
<u>(67)</u>	(Surplus)/Deficit for the Year			<u>38,417</u>

RECONCILIATION OF THE SINGLE ENTITY DEFICIT TO THE GROUP DEFICIT

2006/2007 £000		2007/2008 £000
(17,832)	(Surplus)/Deficit on the Authority's Single Entity Income & Expenditure Account for the year	21,870
-	<u>Less</u> Subsidiary and Associate Dividend Income and any other distributions from Group Entities included in the Single Entity Deficit on the Income & Expenditure Account	-
	<u>Add</u> (Surplus)/Deficit arising from Other Entities included in the Group Accounts	
-	Subsidiaries	-
17,664	Associates	16,574
380	Joint Ventures	252
(279)	Others	(279)
(67)	Group (Surplus)/Deficit for the Year	38,417

GROUP STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

Restated 2006/2007 £000		2007/2008 £000
(67)	Net (Surplus)/Deficit for the year	38,417
2,465	(Surplus)/Deficit arising on revaluation of fixed assets	(70,299)
(283)	(Surplus)/Deficit arising on Revaluation of Available for Sale Financial Assets*	165
(49,978)	Actuarial (gains)/losses on pension fund assets and liabilities	(70,949)
1,477	Capital Grant Transactions on the Capital fund	-
(23)	Insurance Account Contribution to Capital Expenditure	-
(144)	Difference between Actuarial Pensions Contribution Figure and Actual pensions Contribution Figure	176
-	Transactions on the Capital Adjustment Account arising from changes in the valuation of Council Houses	(2,600)
-	Transactions of the Capital Adjustment Account arising from the Transfer of Assets	(387)
5,658	Prior Period Adjustment to Establish Opening Balance on Financial Instrument Adjustment Account*	-
122	Other Miscellaneous Adjustments	(148)
<u>(40,773)</u>	Total Recognised (Gains) and Losses for the Year	<u>(105,625)</u>

* The 2006/2007 figures have been restated to reflect the prior period adjustment arising from the revised arrangements for accounting for Financial Instruments (£5.375m), a reduction in the Council's share of the Profit & Loss Accounts of Associates and Joint Ventures (£2.680m), and other miscellaneous adjustments (£0.025m). The overall effect of this restatement is to reduce the Group's total fund balances and reserves at 31 March 2007 by £8.080m.

GROUP BALANCE SHEET

Restated As at 31 March 2007		As at 31 March 2008	
£000	TANGIBLE FIXED ASSETS	£000	£000
	Operational Assets:		
202,259	Council Dwellings	192,831	
325,157	Other Land and Buildings	375,419	
42,388	Vehicles, Plant and Equipment	50,323	
73,131	Infrastructure Assets	75,600	
<u>1,606</u>	Community Assets	<u>1,606</u>	
644,541	Non-Operational Assets:		695,779
66,961	Investment Properties	88,271	
9,780	Assets Under Construction	16,481	
<u>17,955</u>	Surplus Assets Held for Disposal	<u>2,212</u>	<u>106,964</u>
739,237			802,743
	LONG TERM INVESTMENTS		
(298,497)	Investments in Associates		(278,336)
	Investment in Joint Venture:		
974	Share of Gross Assets	427	
<u>(2,011)</u>	Share of Gross Liabilities	<u>(1,716)</u>	
(1,037)			(1,289)
1,137	Other Investments		1,137
<u>12,054</u>			<u>6,812</u>
452,894			531,067
	LONG TERM DEBTORS		
	CURRENT ASSETS		
1,148	Stores and Work In Progress	1,250	
77,271	Sundry Debtors	81,606	
(23,224)	Less Bad Debt Provisions	(21,101)	
981	Short Term Investments	975	
22,569	Short Term Lending	38,881	
<u>98</u>	Cash and Bank	<u>103</u>	
<u>78,843</u>		<u>101,714</u>	
	LESS CURRENT LIABILITIES		
(17,143)	Borrowing Payable on Demand or Within 12 Months	(17,617)	
(49,223)	Sundry Creditors	(57,615)	
<u>(16,052)</u>	Bank Overdraft	<u>(19,533)</u>	
<u>(82,418)</u>		<u>(94,765)</u>	
<u>(3,575)</u>			<u>6,949</u>
449,319	Total Assets Less Net Current Liabilities		538,016
(303,380)	Borrowing Repayable within a Period in Excess of 12 Months	(303,865)	
(974)	Deferred Liabilities	(643)	
(8,496)	Provisions	(8,361)	
<u>(79,555)</u>	Government Grants/Capital Contributions Deferred	<u>(96,228)</u>	
<u>(392,405)</u>			<u>(409,097)</u>
56,914	Net Assets before Pension Liabilities		128,919
<u>(150,721)</u>	Liability Related to Defined Benefit Pension Scheme		<u>(117,101)</u>
<u>(93,807)</u>	Net Assets / (Liabilities)		<u>11,818</u>
	Financed By Fund Balances and Reserves:		
339,609	Capital Adjustment Account	319,398	
(5,658)	Financial Instrument Adjustment Account	(5,848)	
-	Revaluation Reserve	68,689	
283	Available-for-Sale Finance Instrument Reserve	181	
114	Usable Capital Receipts Reserve	207	
12,141	Capital Fund	13,122	
421	Revaluation Reserve of Associate	358	
3,932	Renewal and Repair Fund	4,666	
1,534	Insurance Fund Reserve	1,526	
(467,061)	Pensions Reserve	(414,046)	
9,717	Common Good & Charitable Trust Fund Balances	11,552	
8,523	General Fund	8,681	
3,580	Associates - Joint Boards' General Reserves	4,456	
<u>(942)</u>	Profit & Loss Account of Associates and Joint Ventures	<u>(1,124)</u>	
<u>(93,807)</u>			<u>11,818</u>

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

The unaudited accounts were issued on 30 June 2008 and the audited accounts were authorised for issue on the 30 September 2008.

GROUP CASH FLOW STATEMENT

2006/2007 £000		2007/2008 £000	£000
	REVENUE ACTIVITIES		
	<i>Cash Outflows:</i>		
233,969	Cash Paid To and On Behalf of Employees	235,930	
176,298	Other Operating Cash Payments	184,775	
24,124	Housing Benefits Paid Out	25,293	
<u>56,967</u>	Non-Domestic Rate Payments to National Pool	<u>56,489</u>	
491,358			502,487
	<i>Cash Inflows:</i>		
(15,273)	Rents (After Rebates)	(17,233)	
(43,530)	Council Tax Income	(44,543)	
(214)	Community Charge Income	(235)	
(52,625)	Non-Domestic Rate Receipts from National Pool	(51,896)	
(57,346)	Non-Domestic Rate Receipts	(58,151)	
(175,978)	Revenue Support Grant	(185,163)	
(64,070)	DWP Grant (Benefits Subsidy)	(65,767)	
(55,297)	Other Government Grants	(57,884)	
(53,042)	Cash Received for Goods & Services	(53,100)	
<u>(14,533)</u>	Other Operating Cash Receipts	<u>(11,471)</u>	
<u>(531,908)</u>			<u>(545,443)</u>
(40,550)	<i>Net Cash (Inflow) From Revenue Activities</i>		(42,956)
	RETURNS ON INVESTMENTS & SERVICING OF FINANCE		
	<i>Cash Outflows:</i>		
17,601	Interest Paid	20,463	
46	Interest Element of Finance Lease Rental Payments	44	
<u>(1,922)</u>	<i>Cash Inflow:</i>		
15,725	Interest Received	<u>(2,481)</u>	
			18,026
	CAPITAL ACTIVITIES		
	<i>Cash Outflows:</i>		
58,556	Purchase of Fixed Assets (Non Revenue)	50,239	
4,563	Purchase of Fixed Assets (From Revenue)	4,762	
7	Purchase of Long-Term Investments (from Revenue)	-	
846	Creation of new Long-Term Debtors (Non Revenue)	2,196	
<u>63,972</u>		<u>57,197</u>	
	<i>Cash Inflows:</i>		
(21,140)	Sale of Fixed Assets and Insurance Receipts	(14,759)	
(21,078)	Capital Grants/Contributions etc Received	(21,911)	
<u>(867)</u>	Receipts in respect of Long-Term Debtors	<u>(6,920)</u>	
<u>(43,085)</u>		<u>(43,590)</u>	
20,887			13,607
(3,938)	<i>Net Cash Outflow Before Financing</i>		(11,323)
	MANAGEMENT OF LIQUID RESOURCES		
-	Net Increase/(Decrease) in Short-Term Deposits	-	
<u>(3,075)</u>	Net Increase/(Decrease) in Other Liquid Resources	<u>16,275</u>	
(3,075)			16,275
	FINANCING		
	<i>Cash Outflows:</i>		
25,725	Repayments of Amounts Borrowed	1,039	
<u>125</u>	Capital Element of Finance Lease Rental Payments	<u>127</u>	
<u>25,850</u>		<u>1,166</u>	
	<i>Cash Inflows:</i>		
(20,000)	New Long-Term Loans Raised	(2,251)	
<u>(133)</u>	New Short Term Loans Raised	<u>(391)</u>	
<u>(20,133)</u>		<u>(2,642)</u>	
<u>5,717</u>			<u>(1,476)</u>
<u>(1,296)</u>	<i>Net (Increase)/Decrease in Cash</i>		<u>3,476</u>

See notes 2, 3, 4 and 5

NOTES TO THE GROUP ACCOUNTS

1 BALANCES WITH GROUP ENTITIES

The following represents material indebtedness to/from the Council with the other Group entities:

As at 31 March 2007			As at 31 March 2008	
Amounts Due From £000	Amounts Due To £000		Amounts Due From £000	Amounts Due To £000
438	59	Dundee Energy Recycling Limited	358	110
29	5	Dundee City Developments Limited	62	25
860	4	Tayside Fire & Rescue Board	839	5
3,084	22	Tayside Joint Police Board	3,132	696
825	1,548	Tayside Contracts Joint Committee	1,144	1,783
96	-	Tayside Valuation Joint Board	100	26
23	46	Dundee Leisure Limited	396	316

2 CASH FLOW STATEMENT - RECONCILIATION OF GROUP INCOME & EXPENDITURE ACCOUNT DEFICIT TO NET CASHFLOW FROM REVENUE ACTIVITIES

2006/2007 £000		2007/2008 £000	2007/2008 £000
67	Surplus/(Deficit) for the year per Group Income & Expenditure Account		(38,417)
	<u>Non-cash Transactions</u>		
32,302	Depreciation & Impairment	48,028	
(2,742)	Government Grants etc Amortisation	(2,983)	
(10,753)	FRS17 Adjustments	459	
17,765	Financial Instruments Adjustments	28	
(5)	Deficit arising from Other Entities included in the Group Accounts	16,836	
-	Other Adjustments	<u>(2,442)</u>	
36,567			59,926
	<u>Items on an Accruals Basis</u>		
29	(Increase)/decrease in Stores and Work-in-Progress	(126)	
3,776	(Increase)/decrease in Debtors	(442)	
<u>(4,031)</u>	Increase/(decrease) in Creditors	<u>7,042</u>	
(226)			6,474
	<u>Items Classified Elsewhere in the Cash Flow Statement</u>		
18,934	Add Interest Payable & Similar Charges	20,108	
(2,044)	Less Interest & Investment Income	(3,180)	
<u>(12,748)</u>	Add Gain on Disposal of Fixed Assets	<u>(1,955)</u>	
<u>4,142</u>			<u>14,973</u>
<u>40,550</u>	Net Cash Inflow from Revenue Activities		<u>42,956</u>

3 CASH FLOW STATEMENT - EFFECTS OF ACQUISITION OF SUBSIDIARY ACTIVITIES

The City Council has not acquired any subsidiaries during 2007/2008 (2006/2007 None).

NOTES TO THE GROUP ACCOUNTS

4 CASH FLOW STATEMENT - MATERIAL EFFECTS OF CASH FLOWS OF AN ENTITY ACQUIRED IN THE PERIOD

The City Council has not acquired any entities during 2007/2008 (2006/2007 None).

5 CASH FLOW STATEMENT - IMPACT OF CONSOLIDATING TAYSIDE CONTRACTS

Tayside Contracts has been included as an adjustment to the City Council's Cash Flow Statement. This has resulted in the following adjustments:

2006/2007 £000		2007/2008 £000
	Revenue Activities	
17,454	Cash Outflows	19,023
<u>(18,120)</u>	Cash Inflows	<u>(19,135)</u>
(666)		(112)
	Returns on Investment and Servicing of Finance	
51	Interest Paid	56
<u>46</u>	Interest Element of Finance Lease Rental Payments	<u>44</u>
97		100
	Capital Activities	
473	Purchase of Fixed Assets	128
(36)	Sale of Fixed Assets	(19)
<u>(12)</u>	Capital Grants Received	<u>-</u>
425		109
	Financing	
<u>122</u>	Capital Element of Finance Lease Rental Payments	<u>127</u>
<u>122</u>		<u>127</u>
<u>(22)</u>	NET EFFECT - DECREASE/(INCREASE) IN CASH	<u>224</u>

6 ASSOCIATE DISCLOSURE

The Group's share of the Tayside Joint Police Board's net Liabilities / Assets exceeded 15% of the corresponding items of the Group. In addition the Group's share of the Tayside Joint Police Board Gross Assets, Gross Liabilities and Operating Results exceeded 25% of the Group's Liabilities and Operating Results of the Group. The Group's share of Tayside Joint Police Board is as follows:

	£000
	<u>45.36%</u>
Turnover	23,145
Profit Before Tax	(11,816)
Taxation	-
Profit After Tax	(11,816)
Fixed Assets	17,199
Current Assets	9,540
Liabilities due within one year	(6,413)
Liabilities due after one year	(224,060)

7 COMMITMENT TO LOSSES

The Council is required to indicate any policy decision concerning the degree of commitment to meet accumulated losses of Associates, Joint Venture and Joint Arrangement. The Council has not made a policy decision to meet any degree of accumulated losses of its Associates, Joint Venture or Joint Arrangement.

	Balance Sheet Movements					Balance Sheet as at 31 March 2008 £000
	Balance Sheet as at 31 March 2007 £000	Gross Income £000	Gross Expenditure £000	Revaluation Reserve £000	Available for Sale Finance Instrument Reserve £000	
<u>Common Good</u>						
Fixed Assets	1	-	-	-	-	1
Current Assets	3,430	187	(128)	-	(127)	3,362
Current Liabilities	-	-	(20)	-	-	(20)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>3,431</u>	<u>187</u>	<u>(148)</u>	<u>-</u>	<u>(127)</u>	<u>3,343</u>
<u>Burial Grounds Perpetuity</u>						
Fixed Assets	1,130	-	-	-	-	1,130
Current Assets	345	160	(73)	-	-	432
Current Liabilities	(27)	-	-	-	-	(27)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>1,448</u>	<u>160</u>	<u>(73)</u>	<u>-</u>	<u>-</u>	<u>1,535</u>
<u>Fleming Trust</u>						
Fixed Assets	4,698	216	-	1,445	-	6,359
Current Assets	403	39	(11)	-	-	431
Current Liabilities	(25)	-	(93)	-	-	(118)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>5,076</u>	<u>255</u>	<u>(104)</u>	<u>1,445</u>	<u>-</u>	<u>6,672</u>

The Common Good Fund is administered by Dundee City Council for the former Burgh of Dundee. The Fund comprises of mainly financial investments and is used primarily to meet expenditure of one off projects for purposes which promote 'the general good of the inhabitants' of Dundee.

The Burial Grounds Perpetuity Fund is a trust set up with Dundee City Council as the sole trustee. The fund is used for the upkeep of Burial Grounds. The composition of the fund is almost entirely financial investments from which the income is used for the purposes of the Fund.

The Fleming Trust is administered by Dundee City as its sole Trustee and incurs expenditure for the residents of the Dundee area. The Fund comprises of investments in property in the form of houses in Fleming Gardens. The properties are used to provide housing to inhabitants in Dundee.

The above funds have been consolidated in the Group Accounts as required by SORP. The assets owned by the above Trusts are not the property of Dundee City Council and, with the exception of the Common Good Fund, are subject to charitable trust regulations.

TAYSIDE SUPERANNUATION FUND ACCOUNTS

2006/2007 £000	<u>FUND ACCOUNT</u>	2007/2008 £000 £000	
	CONTRIBUTIONS AND BENEFITS		
	Contributions receivable:		
(54,338)	From employers	(59,250)	
<u>(19,172)</u>	From members	<u>(19,898)</u>	(79,148)
(73,510)			
(9,796)	Transfers in		<u>(7,739)</u>
	Benefits payable:		
37,406	Pensions	40,365	
<u>10,184</u>	Lump Sums	<u>12,332</u>	
47,590			52,697
	Payments to and on account of Leavers:		
362	Refunds of Contributions	331	
<u>3,439</u>	Transfers Out	<u>4,526</u>	
3,801			4,857
<u>1,186</u>	Administration Expenses		<u>1,178</u>
(30,729)	Net Deposit from dealings with Members		(28,155)
	RETURNS ON INVESTMENTS		
	Investment Income		
(5,395)	Interest from Fixed Interest Securities	(6,186)	
(29,626)	Dividends from Equities	(28,117)	
(5,046)	Income from Index Linked Securities	(5,142)	
(2,864)	Income Pooled Investment Vehicles	(6,206)	
(1,627)	Interest on Cash Deposits	(1,613)	
(1,672)	Other Income	(2,423)	
(69,641)	Change in Market Value of Investments	108,654	
4,814	Investment Management Expenses	5,612	
544	Taxation	<u>638</u>	
<u>(110,513)</u>	Net Returns on Investments		<u>65,217</u>
141,242	NET (INCREASE)/DECREASE IN FUND IN THE YEAR		(37,062)
<u>1,446,325</u>	OPENING NET ASSETS OF THE SCHEME		<u>1,587,567</u>
<u>1,587,567</u>	CLOSING NET ASSETS OF THE SCHEME		<u>1,550,505</u>

Restated 2007 £000	<u>NET ASSETS STATEMENT (AS AT 31 MARCH)</u>	2008 £000 £000	
	INVESTMENT ASSETS AT MARKET VALUE		
	Listed Investments		
426,979	- UK Equities	383,835	
44,325	- UK Fixed Interest - Public Sector	61,810	
21,015	- UK Fixed Interest - Other	21,663	
39,998	- UK Index Linked	51,453	
440,586	- Overseas Equities	441,193	
39,704	- Overseas Open Ended Investment Companies	41,960	
31,906	- Overseas Fixed Interest - Other	5,309	
10,436	- Overseas Fixed Interest - Public Sector	34,052	
	Unlisted Investments		
104,048	- UK Open Ended Investment Companies	105,981	
207,214	- Overseas Open Ended Investment Companies	211,432	
180,325	- Property Unit Trusts	146,490	
<u>24,866</u>	Cash Balances held by Fund Managers	<u>26,244</u>	
1,571,402			1,531,422
	CURRENT ASSETS		
14,960	Sundry Debtors	19,115	
<u>6,210</u>	Revenue Deposits with Dundee City Council Loans Fund	<u>5,597</u>	
21,170		24,712	
	LESS CURRENT LIABILITIES		
(5,005)	Sundry Creditors	<u>(5,629)</u>	
<u>16,165</u>	NET CURRENT ASSETS		<u>19,083</u>
<u>1,587,567</u>	NET ASSETS		<u>1,550,505</u>

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

The unaudited accounts were issued on 30 June 2008 and the audited accounts were authorised for issue on 30 September 2008.

TAYSIDE TRANSPORT SUPERANNUATION FUND ACCOUNTS

2006/2007 £000	<u>FUND ACCOUNT</u> CONTRIBUTIONS AND BENEFITS	2007/2008 £000	£000
	Contributions receivable:		
(500)	From employers	(700)	
<u>(115)</u>	From members	<u>(115)</u>	
(615)			(815)
(40)	Transfers In		-
	Benefits payable:		
1,643	Pensions	1,676	
<u>101</u>	Lump Sums	<u>236</u>	
1,744			1,912
	Payments to and on account of Leavers:		
44	Transfer Out		-
<u>35</u>	Administration Expenses		<u>33</u>
1,168	Net Deposit from dealing with Members		1,130
	RETURNS ON INVESTMENTS		
	Investment Income		
(238)	Interest from Fixed Interest Securities	(337)	
(646)	Dividends from Equities	(664)	
(313)	Income from Index Linked Securities	(315)	
(65)	Income Pooled Investment Vehicles	(136)	
(45)	Interest on Cash Deposits	(68)	
(5)	Other Income	(49)	
(1,173)	Change in Market Value of Investments	1,895	
125	Investment Management Expenses	117	
<u>9</u>	Taxation	<u>7</u>	
<u>(2,351)</u>	Net Returns on Investments		<u>450</u>
1,183	NET INCREASE/(DECREASE) IN FUND DURING THE YEAR		1,580
<u>40,848</u>	OPENING NET ASSETS OF THE SCHEME		<u>42,031</u>
<u>42,031</u>	CLOSING NET ASSETS OF THE SCHEME		<u>40,451</u>
	NET ASSETS STATEMENT (AS AT 31 MARCH)		
2007 £000	INVESTMENT ASSETS AT MARKET VALUE	2008 £000	£000
	Listed Investments		
12,381	- UK Equities	9,568	
4,187	- UK Fixed Interest - Public Sector	5,639	
1,985	- UK Fixed Interest - Other	1,976	
3,778	- UK Index Linked	4,694	
9,713	- Overseas Equities	9,579	
986	- Overseas Fixed Interest - Public Sector	484	
3,014	- Overseas Fixed Interest - Other	3,106	
	Unlisted Investments		
577	- UK Open Ended Investment Companies	405	
238	- Overseas Open Ended Investment Companies	629	
4,075	- Property Unit Trusts	3,219	
<u>974</u>	Cash Balances held by Fund Managers	<u>779</u>	
41,908			40,078
	CURRENT ASSETS		
80	Sundry Debtors	9	
<u>154</u>	Revenue Deposits with Dundee City Council Loans Fund (Cash)	<u>476</u>	
234		485	
	LESS CURRENT LIABILITIES		
(111)	Sundry Creditors	(112)	
<u>123</u>	NET CURRENT ASSETS		<u>373</u>
<u>42,031</u>	NET ASSETS		<u>40,451</u>

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

The unaudited accounts were issued on 30 June 2008 and the audited accounts were authorised for issue on 30 September 2008.

SUPERANNUATION FUNDS ACCOUNTS

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1 Basis of Preparation

The accounts for the Funds' have been prepared in accordance with Statement of Recommended Practice (SORP): "The Financial Reports of Pension Schemes" and the Code of Practice on Local Authority Accounting published by the Chartered Institute of Public Finance and Accountancy.

The accounts summarise the transactions and net assets of the Funds' for the financial year to 31 March 2008. They do not take account of liabilities to pay pensions and other benefits in the future.

2 Investments

Investments are included at market values, which are assessed as follows:-

- a UK quoted securities are valued at middle market prices at close of business on the last working day of the financial year.
- b Overseas securities are valued at middle market prices from the relevant overseas stock exchanges converted at closing rates of exchange on the last day of the financial year.
- c Unlisted investments, which comprise the Fund Manager's Unit Trusts and Open Ended Investment Companies, are valued at middle market prices on the last working day of the financial year as supplied by the Fund Manager.

3 Debtors and Creditors

The accounts have been prepared on an accruals basis; that is income and expenditure is included as it is earned or incurred, not as it is received or paid, except for Transfer Values which are included when they are paid or received.

4 Investment Income

Income from fixed interest, index linked securities and other interest receivable is taken into account on an accruals basis. Income from all other Marketable Securities is taken into account on the date when stocks are quoted ex-dividend.

5 Foreign Currency Translation

Income and expenditure arising from transactions denominated in a foreign currency is translated into sterling at the exchange rate in operation or the closing price of the previous day to which the transaction occurred. Where the transaction is to be settled at a contracted rate, that rate is used.

6 Investment Management Expenses

Investment Management expenses consist of direct charges in line with Management Agreements, Management Charges levied on pooled funds, overseas charges and non-recoverable withholding tax, less Brokers' commission rebate.

7 Acquisition Costs

Any acquisition costs of investment are included in the book cost of the investment.

NOTES TO THE SUPERANNUATION FUNDS ACCOUNTS

TAYSIDE SUPERANNUATION FUND

Operations and Membership

Dundee City Council is the administering authority for the Tayside Superannuation Fund (previously Tayside Regional Council). The Tayside Superannuation Fund is a pension fund for employees of various public bodies and non-profit making organisations. As at 31 March 2008, 44 bodies were participants in the scheme being 14 "scheduled bodies" and 30 other organisations admitted at the discretion of the scheme administrators and known as "admitted bodies". The scheduled bodies were as follows:

Dundee City Council; Perth & Kinross Council; Angus Council; Tay Road Bridge Joint Board; Tayside Joint Police Board; Tayside Fire Joint Board; Tayside Valuation Joint Board; Tayside Contracts Joint Committee; Angus College; Dundee College; Perth College; Scottish Police Service Authority; Visit Scotland; Tactran.

Total membership of the fund increased to 19,195 employees at 31 March 2008 from 18,952 employees at 31 March 2007. The number of pensioners on the roll at 31 March 2008 was 10,480 compared with 10,193 at 31 March 2007.

The monies belonging to the Superannuation Fund are entirely separate from any of the employing bodies which participate in the Superannuation scheme. After meeting the cost of current benefits, all surplus cash income is invested and the increasing value of investment is then available to meet future liabilities to employees within the Fund. The Fund is valued every three years by an independent actuary to determine the level of contribution necessary by employing bodies to ensure that the fund is able to meet all future benefits. Contributions made by employees are fixed by statute.

Further information can be found in the Superannuation Fund's Annual Report and Accounts which will be available upon request from the Head of Finance, Dundee City Council, Floor 4, 28 Crichton Street, Dundee DD1 3RF.

Contributions Receivable and Benefits Payable

The contributions receivable from and benefits payable on behalf of Contributing bodies in 2006/2007 and 2007/2008 were as follows:-

	Contributions Receivable		Benefits Payable	
	2006/2007	2007/2008	2006/2007	2007/2008
	£000	£000	£000	£000
Dundee City Council	26,062	27,791	19,939	20,632
Other Scheduled Bodies	38,980	42,050	24,623	28,495
Admitted Bodies	<u>8,468</u>	<u>9,307</u>	<u>3,028</u>	<u>3,570</u>
TOTAL	<u>73,510</u>	<u>79,148</u>	<u>47,590</u>	<u>52,697</u>

Benefits Payable Include the Following Lump Sum Payments

	2006/07	2007/08
	£000	£000
Retirement Benefits	9,518	11,419
Death Benefits	<u>666</u>	<u>913</u>
	<u>10,184</u>	<u>12,332</u>

Pension Fund Administration-

During the year, Dundee City Council charged the Tayside Superannuation Fund £1,077,934 for administering the Fund (2006/2007 £1,064,310). These are actual costs incurred for Salaries and Wages, Information Technology, Legal Services etc.

Market Value of Investments Managed Externally

The Fund's investment assets are under the management of five external fund managers. At 31 March 2008 the market value of these investment assets was £1,531.4m (31 March 2007 £1,571.4m), managed as follows:

	2007		2008	
	£m	%	£m	%
Baillie Gifford & Co	381.1	24.2	367.3	24.0
Fidelity Pensions Management	432.2	27.5	433.3	28.3
Schroder Properties Limited	186.7	11.9	175.3	11.5
Goldman Sachs	155.1	9.9	181.1	11.8
Alliance Bernstein	<u>416.3</u>	<u>26.5</u>	<u>374.5</u>	<u>24.4</u>
	<u>1,571.4</u>	<u>100.0</u>	<u>1,531.4</u>	<u>100.0</u>

Purchases & Sales

Purchases and Sales in 2006/2007 and 2007/2008 amounted to:-

	2006/2007	2007/2008
	£m	£m
Purchases	902.9	537.4
Sales	692.1	436.4

Securities Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2008 was £151.4m (31 March 2007 £107.9m). This was covered by related collateral, at a level of 109.3%, consisting of UK and Overseas gilts, UK equities, certificates of deposit and letters of credit.

Additional Voluntary Contributions (AVCs)

As AVCs are invested separately from the investments of the scheme itself and secure extra benefits on a money purchase basis for these members that have elected to contribute, it has been decided in accordance with The Pensions Scheme (Management and Investment of Funds) Regulations 1998 not to include the relevant figures in the financial statements. All AVCs are managed by Standard Life and the contribution for 2007/2008 was £407,626 (2006/2007 £390,419) and value at 5 April 2008 was £4,252,461 (5 April 2007 £3,973,655).

TAYSIDE TRANSPORT SUPERANNUATION FUND

Operations and Membership

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 1991/92 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 Ltd was bought out by West Midlands Travel on 22 February 1997 and renamed as Travel Dundee.

At 31 March 2008 the number of contributing employees was 110 (121 at 31 March 2007) and the number of pensioners was 405 (403 at 31 March 2007). As with the Tayside Superannuation Fund an actuarial valuation is carried out every three years to ensure that the Fund can meet its future pension liabilities.

Further information can be found in the Superannuation Funds' Annual Report and Accounts which will be available upon request from the Head of Finance, Dundee City Council, Floor 4, 28 Crichton Street, Dundee DD1 3RF.

Pension Fund Administration

During the year, Dundee City Council charged the Tayside Transport Fund £28,207 for administering the fund (2006/2007 £28,524). These are actual costs incurred for Salaries and Wages, Information Technology, Legal Services etc.

Market Value of Investments Managed Externally

The market value of the Fund's investment assets at 31 March 2008 was £40.1m (31 March 2007 £41.9m) and these investment assets were managed as follows:

	2007		2008	
	£m	%	£m	%
Baillie Gifford & Co	23.0	55.0	19.7	49.2
Schroder Properties Limited	4.2	10.0	3.9	9.6
Goldman Sachs	<u>14.7</u>	<u>35.0</u>	<u>16.5</u>	<u>41.2</u>
	<u>41.9</u>	<u>100.0</u>	<u>40.1</u>	<u>100.0</u>

Purchases & Sales

Purchases and Sales in 2006/2007 and 2007/2008 amounted to:-

	2006/2007 £m	2007/2008 £m
Purchases	26.1	17.1
Sales	21.2	13.5

Securities Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2008 was £6.7m (31 March 2007 £4.2m). This was covered by related collateral, at a level of 109.3%, consisting of UK and Overseas gilts, UK equities, certificates of deposit and letters of credit.

ACTUARIAL VALUATION

Both the Tayside Superannuation Fund, and the Tayside Transport Superannuation Fund are subject to an actuarial valuation every three years. The actuarial valuations are carried out to determine the level of contributions required to be made by employing bodies in order to ensure that the Funds are able to meet all future benefit payments. The valuations carried out as at 31 March 2005 determined the employer contribution rates for the years 2006/2007, 2007/2008 and 2008/2009. The results of the valuations, the assumptions made and the bases of the valuations were as follows:-

TAYSIDE SUPERANNUATION FUND

The valuation carried out as at 31 March 2005 showed that the actuarial value and market value of the Fund's assets stood at £1,111.8m representing 91% of the Fund's then accrued liabilities. The conclusion reached by the valuation was that the required levels of contribution to be paid to the Fund by the City Council and the other participating bodies with effect from 1 April 2006 were:-

275% of employees' contributions for 2006/2007
295% of employees' contributions for 2007/2008
315% of employees' contributions for 2008/2009

The common rate of contribution is the rate which, in addition to the accumulated assets and contributions paid by members, is sufficient to meet 100% of the liabilities of the Fund. This rate takes into account the deficit at 31 March 2005. The deficit is spread over the average remaining working lifetime of the existing members (approximately 12 years).

The contribution rates following the 31 March 2005 valuation were calculated using the projected unit actuarial method and the main actuarial assumptions were as follows:-

Rate of return on investments	- equities	7.1% per annum
	- gilts	4.5% per annum
	- bonds and property	5.3% per annum
Rate of general pay increases		4.3% per annum
Rate of increases to pensions in payment		2.8% per annum
Valuation of assets		6 month smoothed market value

STATEMENT OF INVESTMENT PRINCIPLES

The Fund has an approved Statement of Investment Principles which is available upon request from the Head of Finance, Dundee City Council, Floor 4, 28 Crichton Street, Dundee DD1 3RF. This will also be made available on the Council's website (www.dundee.gov.uk).

ACTUARIAL VALUATION

TAYSIDE TRANSPORT SUPERANNUATION FUND

The valuation carried out as at 31 March 2005 showed that the actuarial value and market value of the Fund's assets stood at £34.5m, representing 89% of the Fund's then accrued liabilities. The required level of employer's contribution to be paid to the Fund by Travel Dundee Ltd with effect from 1 April 2006 were:-

£500,000 for 2006/2007
£700,000 for 2007/2008
£900,000 for 2008/2009

The contributions take into account the deficit at 31 March 2005. This deficit is spread over 10 years in line with the maximum period likely to be adopted in the private sector.

The contributions following the 31 March 2005 valuation were calculated using the attained age actuarial method and the main actuarial assumptions were as follows:-

Rate of return on investments	- equities	7.1% per annum
	- gilts	4.5% per annum
	- bonds and property	5.3% per annum
Rate of general pay increases		4.3% per annum
Rate of increases to pensions in payment		2.8% per annum
Valuation of assets		6 month smoothed market value

STATEMENT OF INVESTMENT PRINCIPLES

The Fund has an approved Statement of Investment Principles which is available upon request from the Head of Finance, Dundee City Council, Floor 4, 28 Crichton Street, Dundee DD1 3RF. This will also be made available on the Council's website (www.dundee.gov.uk).

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".

2006/2007 £000		2007/2008 £000
	<u>Income & Expenditure Account</u>	
	<u>Income</u>	
-	Gain on sale of shares	(3)
(132)	Interest on Loans	(163)
<u>(36)</u>	Dividends and Commission	<u>(21)</u>
(168)		(187)
	<u>Expenditure</u>	
58	Donations and Contributions	70
83	Other Expenditure	36
<u>-</u>	Impairment of Investments	<u>42</u>
141		148
<u>(27)</u>	Surplus for Year	<u>(39)</u>
Restated 2007 £000	<u>Balance Sheet as at 31 March</u>	2008 £000
<u>1</u>	<u>Tangible Fixed Assets</u>	<u>1</u>
	<u>Current Assets</u>	
3,430	Short Term Investments	3,342
<u>-</u>	Due by Loans Fund	<u>20</u>
<u>3,430</u>		<u>3,362</u>
	<u>Current Liabilities</u>	
<u>-</u>	Sundry Creditors	<u>20</u>
<u>-</u>		<u>20</u>
<u>3,430</u>		<u>3,342</u>
<u>3,431</u>	Net Assets	<u>3,343</u>
	Financed By Fund Balances and Reserves	
	Not Available for Use:	
238	- Available-for-sale Financial Instrument Reserve	111
<u>1</u>	- Capital Adjustment Account	<u>1</u>
<u>239</u>		<u>112</u>
	Available for Use:	
<u>3,192</u>	- Common Good Balance	<u>3,231</u>
<u>3,431</u>		<u>3,343</u>

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

The unaudited accounts were issued on 30 June 2008 and the audited accounts were authorised for issue on 30 September 2008.

NOTES TO THE COMMON GOOD FUND ACCOUNT

1 **SHORT TERM INVESTMENTS**

Included within the Short Term Investments figure of £3,342,000 shown above, £414,000 relates to marketable securities. These securities are valued at market value as at 31 March 2008.

2 **PRIOR PERIOD ADJUSTMENTS**

The comparative Balance Sheet information has been restated to reflect the prior period adjustment arising from the revised arrangements for accounting for Financial Instruments. The main effect of these changes resulted in the introduction of a new Available-for-sale Financial Instruments Reserve totalling £0.238m.

CHARITABLE TRUST FUNDS ACCOUNT

The Council acts as Trustees for 36 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.

<u>Income & Expenditure Account</u>		<u>2007/2008</u>				
Restated 2006/2007 Actual £000		Interest on Investments £000	Other Income £000	Total Income £000	Expenditure £000	(Surplus)/ Deficit £000
(56)	Fleming Trust	(20)	(235)	(255)	319	64
(58)	Hospital Fund	(27)	(50)	(77)	34	(43)
3	Dundee Festival Trust	(2)	-	(2)	4	2
(83)	Burial Grounds Perpetuity Fund	(72)	(87)	(159)	72	(87)
-	A T Cathro Bequest	-	(1)	(1)	1	-
(14)	Other Various Smaller Trusts (31 no)	(50)	(7)	(57)	134	77
<u>(208)</u>	Total	<u>(171)</u>	<u>(380)</u>	<u>(551)</u>	<u>564</u>	<u>13</u>
Restated 2007 £000	<u>Balance Sheet as at 31 March</u>			2008 £000		
5,252	Tangible Fixed Assets			9,612		
<u>1,130</u>	Long Term Investments			<u>1,130</u>		
6,382				10,742		
Current Assets						
122	Sundry Debtors			111		
1,889	Short Term Investments			2,393		
<u>7</u>	Bank			<u>45</u>		
<u>2,018</u>				<u>2,549</u>		
Less Current Liabilities						
78	Due to Loans Fund			26		
<u>26</u>	Sundry Creditors			<u>119</u>		
<u>104</u>				<u>145</u>		
<u>1,914</u>	Net Current Assets			<u>2,404</u>		
8,296	Total Assets Less Net Current Liabilities			13,146		
<u>12</u>	Borrowing Repayable within a Period in Excess of 12 months			<u>-</u>		
<u>8,284</u>	Net Assets			<u>13,146</u>		
Financed By Fund Balances and Reserves						
Not Available for Use:						
5,240	Capital Adjustment Account			5,425		
<u>-</u>	Revaluation Reserve			<u>4,187</u>		
5,240				9,612		
Available for Use:						
<u>3,044</u>	Fund Balances			<u>3,534</u>		
<u>8,284</u>				<u>13,146</u>		

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

The unaudited accounts were issued on 30 June 2008 and the audited accounts were authorised for issue on 30 September 2008.

NOTES TO CHARITABLE TRUST FUNDS ACCOUNT

1 FLEMING TRUST

Included in the expenditure shown above, the Fleming Trust incurred capital expenditure of £216,307 financed from revenue in 2007/2008 (2006/2007 £113,486). In 2006/07 this expenditure was charged directly to Fund Balances. The 2006/2007 figures have been restated to include this expenditure in the Income and Expenditure Account. No capital receipts were received in 2007/2008 (2006/2007 £Nil).

2 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 2008 was £6.675m (31 March 2007 £5.076m).

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 2008 was £963,000 (31 March 2007 £482,000).

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 2008 was £38,000 (31 March 2007 £40,000).

Burial Grounds Perpetuity Fund

The income accruing on this Fund is used for the upkeep of Burial Grounds. The balance on the Fund at 31 March 2008 was £1.535m (31 March 2007 £1.475m).

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 2008 was £23,000 (31 March 2007 £23,000).

3 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)
Broughty Ferry Lifeboat Disaster Fund (SC018889)

NOTES TO CHARITABLE TRUST FUNDS ACCOUNT

4 ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET

	Balance			Capital		Balance
	Sheet at	Gross	Gross	Expenditure/	Capital	Sheet at
	31 March	Income	Expenditure	Receipts	Accounting	31 March
	2007	£000	£000	£000	£000	2008
	£000	£000	£000	£000	£000	£000
Fleming Trust						
Fixed Assets	4,699	-	-	216	1,445	6,360
Long Term Investments	-	-	-	-	-	-
Current Assets	403	255	(226)	-	-	432
Current Liabilities	(24)	-	(93)	-	-	(117)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>5,078</u>	<u>255</u>	<u>(319)</u>	<u>216</u>	<u>1,445</u>	<u>6,675</u>
Capital Adjustment Account	4,699	-	-	216	-	4,915
Revaluation Reserve	-	-	-	-	1,445	1,445
Fund Balance	<u>379</u>	<u>255</u>	<u>(319)</u>	-	-	<u>315</u>
	<u>5,078</u>	<u>255</u>	<u>(319)</u>	<u>216</u>	<u>1,445</u>	<u>6,675</u>
Hospital Fund						
Fixed Assets	9	-	-	-	438	447
Long Term Investments	-	-	-	-	-	-
Current Assets	473	77	(34)	-	-	516
Current Liabilities	-	-	-	-	-	-
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>482</u>	<u>77</u>	<u>(34)</u>	-	<u>438</u>	<u>963</u>
Capital Adjustment Account	9	-	-	-	-	9
Revaluation Reserve	-	-	-	-	438	438
Fund Balance	<u>473</u>	<u>77</u>	<u>(34)</u>	-	-	<u>516</u>
	<u>482</u>	<u>77</u>	<u>(34)</u>	-	<u>438</u>	<u>963</u>
Dundee Festival Trust						
Fixed Assets	-	-	-	-	-	-
Long Term Investments	-	-	-	-	-	-
Current Assets	40	2	(4)	-	-	38
Current Liabilities	-	-	-	-	-	-
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>40</u>	<u>2</u>	<u>(4)</u>	-	-	<u>38</u>
Capital Adjustment Account	-	-	-	-	-	-
Revaluation Reserve	-	-	-	-	-	-
Fund Balance	<u>40</u>	<u>2</u>	<u>(4)</u>	-	-	<u>38</u>
	<u>40</u>	<u>2</u>	<u>(4)</u>	-	-	<u>38</u>
Burial Ground Perpetuity Fund						
Fixed Assets	-	-	-	-	-	-
Long Term Investments	1,130	-	-	-	-	1,130
Current Assets	345	159	(72)	-	-	432
Current Liabilities	(27)	-	-	-	-	(27)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>1,448</u>	<u>159</u>	<u>(72)</u>	-	-	<u>1,535</u>
Capital Adjustment Account	-	-	-	-	-	-
Revaluation Reserve	-	-	-	-	-	-
Fund Balance	<u>1,448</u>	<u>159</u>	<u>(72)</u>	-	-	<u>1,535</u>
	<u>1,448</u>	<u>159</u>	<u>(72)</u>	-	-	<u>1,535</u>

NOTES TO CHARITABLE TRUST FUNDS ACCOUNT

4 ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET (CONTD)

	Balance					Balance
	Sheet at	Gross	Gross	Capital	Capital	Sheet at
	31 March	Income	Expenditure	Expenditure/	Accounting	31 March
	2007	£000	£000	Receipts	£000	2008
	£000	£000	£000	£000	£000	£000
<u>AT Cathro Bequest</u>						
Fixed Assets	-	-	-	-	-	-
Long Term Investments	-	-	-	-	-	-
Current Assets	25	-	(1)	-	-	24
Current Liabilities	(2)	1	-	-	-	(1)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>23</u>	<u>1</u>	<u>(1)</u>	-	-	<u>23</u>
Capital Adjustment Account	-	-	-	-	-	-
Revaluation Reserve	-	-	-	-	-	-
Fund Balance	<u>23</u>	<u>1</u>	<u>(1)</u>	-	-	<u>23</u>
	<u>23</u>	<u>1</u>	<u>(1)</u>	-	-	<u>23</u>
<u>Others</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	544	-	(33)	24	2,270	2,805
Long Term Investments	-	-	-	-	-	-
Current Assets	732	58	(155)	507	(35)	1,107
Current Liabilities	(51)	-	51	-	-	-
Long Term Liabilities	<u>(12)</u>	-	-	<u>(23)</u>	<u>35</u>	-
Net Assets	<u>1,213</u>	<u>58</u>	<u>(137)</u>	<u>508</u>	<u>2,270</u>	<u>3,912</u>
Capital Adjustment Account	532	-	(33)	1	1	501
Revaluation Reserve	-	-	-	-	2,304	2,304
Fund Balance	<u>681</u>	<u>58</u>	<u>(104)</u>	<u>507</u>	<u>(35)</u>	<u>1,107</u>
	<u>1,213</u>	<u>58</u>	<u>(137)</u>	<u>508</u>	<u>2,270</u>	<u>3,912</u>
<u>Total</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	5,252	-	(33)	240	4,153	9,612
Long Term Investments	1,130	-	-	-	-	1,130
Current Assets	2,018	551	(492)	507	(35)	2,549
Current Liabilities	(104)	1	(42)	-	-	(145)
Long Term Liabilities	<u>(12)</u>	-	-	<u>(23)</u>	<u>35</u>	-
Net Assets	<u>8,284</u>	<u>552</u>	<u>(567)</u>	<u>724</u>	<u>4,153</u>	<u>13,146</u>
Capital Adjustment Account	5,240	-	(33)	217	1	5,425
Revaluation Reserve	-	-	-	-	4,187	4,187
Fund Balance	<u>3,044</u>	<u>552</u>	<u>(534)</u>	<u>507</u>	<u>(35)</u>	<u>3,534</u>
	<u>8,284</u>	<u>552</u>	<u>(567)</u>	<u>724</u>	<u>4,153</u>	<u>13,146</u>

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the 2007/2008 Statement of Accounts for Dundee City Council.

In respect of the Council's internal control system, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by senior officers of the Council. In particular, the system includes:

- comprehensive revenue and capital budgeting systems covering a three-year period;
- setting targets to measure financial and other performance;
- the preparation of monthly financial monitoring reports which indicate actual and projected expenditure against budget;
- formal revenue and capital budgetary control procedure manuals;
- annual financial reports which indicate actual financial performance against budget;
- clearly defined Standing Orders and Schemes of Administration covering Financial Regulations, Tender Procedures and Delegation of Powers;
- approved Anti-Fraud & Corruption Strategies, including "whistle blowing" arrangements under the Public Interest Disclosure Act 1998;
- clearly defined capital expenditure guidelines;
- formal project appraisal techniques and project management disciplines.

The Internal Audit Service is provided by an in-house team and is independent of the activities it audits. This is essential to enable auditors to perform their duties in a manner that facilitates impartial and effective professional judgements and recommendations to management. The Service operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom and takes cognisance of the standards promoted by CIPFA and other external organisations such as Audit Scotland. In undertaking its duties internal audit has unrestricted access to all Council records and is responsible for providing an independent and objective opinion to the Council on the degree to which the internal control environment supports and promotes the achievement of the Council's objectives. The key thrust of internal audit's work therefore is to objectively examine, evaluate and report on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. Within the Council the Chief Internal Auditor reports on internal audit matters to the Audit and Risk Management Sub-Committee, chaired by the Depute Convener of the Policy and Resources Committee and also reports to the Head of Finance and has open access to the Chief Executive and Depute Chief Executive (Finance). The existence of Internal Audit does not diminish the responsibility of management to establish the extent of internal control in the organisation's systems and dependence should not be placed on Internal Audit as a substitute for effective controls.

The work carried out by the Internal Audit Service during 2007/2008 included provision of advice on systems control and a number of reviews across a wide range of Council activities. A total of 38 internal audit reports were issued that included various recommendations and action plans that were developed in consultation with management which, as they are implemented, should result in continued improvement in the control environment.

During the course of the financial year, the Council's external auditor also carried out a number of reviews in areas including Corporate Governance, Capital Project Management and various Information Communication Technology system reviews. Reports from the above reviews have been issued recently and the Council are still considering their findings with a view to agreeing action plans in the near future.

As part of the prudential regime for controlling capital expenditure, the Council established a Corporate Asset Management Group to develop its asset management strategy and plan. The final plan was completed by the group during 2007/2008 and was subsequently approved by the Policy & Resources Committee in December 2007. The main aim of the plan is to provide a framework to inform the decision making process in relation to property and provide measurable indicators from which the performance of assets can be assessed. In addition, the Council also issued revised Option Appraisal guidelines in light of the latest Best Practice Guide issued by CIPFA.

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

My review of the effectiveness of the system of internal financial control is informed by:

- the work of senior officers of the Council;
- the work of the Council's internal audit service, as described above;
- the Council's external auditor in his annual audit report and other interim reports.

In conclusion, it is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2008.

In respect of the Joint Boards, Joint Committee and other Companies that fall within the Council's Group boundary, my 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 other senior Company officials;
- the work of the relevant bodies respective external auditors (and, where relevant, internal audit function) and other interim reports.

In conclusion, it is my opinion that reasonable assurance can be placed upon the internal financial control systems of the other bodies that fall within the Council's Group boundary.

Marjory Stewart, FCCA, CPFA
Head of Finance
Dundee City Council
30 June 2008

INDEPENDENT AUDITOR'S REPORT

The Statement of Accounts set out on pages 7 to 72 is subject to audit in accordance with the requirements of Part VII of the Local Government (Scotland) Act 1973.

The Auditor appointed for this purpose by the Accounts Commission for Scotland is:

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

INDEPENDENT AUDITOR'S REPORT

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 and its group for the year ended 31 March 2008 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash-Flow Statement, Council Tax Income Account, Non-Domestic Rate Income Account, Housing Revenue Account Income and Expenditure Account, Statement of Movement on the Housing Revenue Account Balance, the Tayside Superannuation Funds Accounts, the Tayside Transport Superannuation Fund Accounts, Common Good Fund Account, Charitable Trust Funds Account and the related notes and the Statement of Accounting Policies together with the Group Accounts. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with 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 Head of Finance and auditor

The Head of Finance's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2007 - A Statement of Recommended Practice (the 2007 SORP) are set out in the Statement of Responsibilities for the financial statements.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.

I report my opinion as to whether the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the 2007 SORP the financial position of the local authority and its group and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

I also report to you if, in my opinion, the local authority has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on the System of Internal Financial Control reflects compliance with the SORP, and I report if, in my opinion, it does not. I am not required to consider, nor have I considered, whether this statement covers all risk and controls, or form an opinion on the effectiveness of the local authority's corporate governance procedures or its risk and control procedures.

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. My audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Head of Finance in the preparation of the financial statements, and of whether the accounting policies are appropriate to the local authority's and its group's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements

- present fairly, in accordance with relevant legal and regulatory requirements and the 2007 SORP, the financial position of the local authority and its group as at 31 March 2008 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

**Mark Taylor CPFA, Assistant Director
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30 September 2008**