



**DUNDEE CITY COUNCIL**

**STATEMENT OF ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2009**

**AUDITED**

**September 2009**

# DUNDEE CITY COUNCIL

## STATEMENT OF ACCOUNTS 2008/2009

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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 2008/2009.

## **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 80)**

### *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 2009. 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 2008/2009, the Housing Revenue Account had an excess of expenditure over income and £1.576m 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.

### *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.

# FOREWORD BY THE HEAD OF FINANCE

*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 81)

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 2008/2009 Revenue Budget included a general contingency provision of £188,000 to allow for unforeseen items of expenditure arising during the course of the financial year. A net amount of £104,000 was vired from this contingency to offset additional expenditure incurred by departments. In addition, virements totalling £903,000 were made from General Fund Balances, to fund departmental expenditure commitments that had been carried forward from 2007/2008. During the course of the financial year, the Council received additional net new monies totalling £2.635m from the Scottish Government to fund additional cost pressures and transfers of responsibility.

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 contingency and from General Fund Balances, together with the net 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 2008/2009 Revenue Budget was agreed at the meeting of the Special Policy & Resources Committee on 14 February 2008. In setting the 2008/2009 Council Tax level it was agreed that £1.783m would be taken from balances. The Policy & Resources Committee received monthly revenue monitoring reports during 2008/2009 in order to keep elected members fully apprised as to the projected outturn position.

The following table reconciles the Revenue Budget approved by the Special Policy & Resources Committee on 14 February 2008 to the revised budget figures that are included in the aforementioned accounting statements shown on pages 13 and 14.

	<b>Budgeted Net Expenditure/ (Income) £m</b>
Approved Revenue Budget 14 February 2008	1.783
<u>Add</u>	
Expenditure Carried Forward from 2007/2008	0.903
Insurance Fund Deficit	0.350*
Transfer from Renewal & Repair Fund	0.867*
Depreciation Charges (Net)	98.161*
Financial Instruments Adjustment	0.067
Loss on Disposal of Fixed Assets	3.009*
FRS17 Adjustment	0.779*
Transfer from Capital Fund	1.600*
<u>Less</u>	
On-Street Car Parking Surplus	(0.304)
Schools PPP Unitary Charge Adjustment	(0.646)*
Loan Repayments and CFCR	<u>(18.376)*</u>
<b>Budgeted Net Expenditure Per Income &amp; Expenditure Account</b>	<b>88.193</b>
<u>Less</u>	
Items marked * above	(85.744)
Transfer from Financial Instruments Adjustment Account	<u>(0.074)</u>
<b>Budgeted Net Expenditure per Statement of Movement on the General Fund Balance</b>	<b><u>2.375</u></b>

# FOREWORD BY THE HEAD OF FINANCE

## Revenue Expenditure

The Statement of Movement on the General Fund Balance (see page 14) shows an actual deficit for the year of £1.151m, against a budgeted deficit of £2.375m, ie this represents an overall net underspend of £1.224m against the 2008/2009 Revenue Budget. The main components of the net underspend are as follows:

	Over/(Under) Spend £m
Net Overspend on Council Services	3.118
Underspend on Contingencies	(0.378)
Equal Pay Costs	(0.481)
Reduced Contributions to Joint Boards	(0.034)
Additional Housing Benefits Subsidy Costs	0.377
Reduced DCS Surpluses	0.387
Additional Tayside Contract Surplus	(0.183)
Additional Local Taxation Income	(1.313)
Reduced Revenue Support Grant	0.408
Additional Contribution from NNDR Pool	(0.069)
Savings on Loan Charges	(2.569)
Underspend on CFCR Expenditure	(3.170)
Reduced Pension Contributions	<u>(0.628)</u>
<b>Net Underspend Before Appropriations</b>	<b>(4.535)</b>
Contributions to Reserves	<u>3.311</u>
<b>Net Underspend After Appropriations</b>	<b><u>(1.224)</u></b>

The net overspend of £3.118m on Council services, includes an overspend of £2.585m on Social Work services and the remainder was due to a number of over and underspends within other departmental budgets. 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.

## General Fund Balances

The excess of expenditure over income for the financial year 2008/2009 was £1.151m. When subtracted from the opening General Fund balance of £8.582m, this gives a General Fund balances figure of £7.431m at 31 March 2009. It is, however, estimated that there are expenditure commitments amounting to £0.669m outstanding at 31 March 2009. These have arisen due to underspends in 2008/2009 and these underspends will be carried forward to 2009/2010 and fully utilised in the new financial year. It was agreed that the sum of £1.300m be taken from balances in setting the 2009/2010 Council Tax. In addition, there are ear-marked balances within the General Fund of £0.364m and £0.811m 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 £4.287m as at 31 March 2009. This sum is not considered unreasonable for a local authority with an annual net cost of services of over £380m, 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 (with the exception of capital receipts transferred from the Capital Receipts Reserve) are processed through the Income & Expenditure Account. The following table summarises the movements in 2008/2009:

	Capital Fund £m	Renewal & Repair Fund £m	Insurance Fund £m
Interest & Investment Income Applied	0.518	0.182	0.203
Expenditure Funded from Reserve	-	(0.867)	-
Transfer of HRA Deficit (Historical Cost Basis)	-	(1.576)	-
General Transfer (to) / from Income & Expenditure Account	1.619	1.000	(0.681)
Capital Receipts Transferred from the Capital Receipts Reserve	0.625	-	-
<b>Total Increase / (Decrease) in Reserve Balance in the Year</b>	<u>2.762</u>	<u>(1.261)</u>	<u>(0.478)</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	223.2
Contributions from National Non-Domestic Pool	<u>54.5</u>
	<u>277.7</u>

The remainder of the principal sources of finance are Council Tax (£57.4m) 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 2008/2009.

## Capital Expenditure & Borrowing Facilities

Gross capital expenditure in 2008/2009 was £46.1m, of which £19.1m was spent within the Housing Department Programmes. The remaining £27.0m was spent on the Council's other services including Education, Social Work, Planning & Transportation, Leisure & Communities, Waste Management and Economic Development. The £46.1m of capital expenditure was funded through borrowing (£23.2m), various types of capital receipts (£25.6m) and directly from the 2008/2009 Income & Expenditure Account (-£2.7m). Borrowing has the effect of increasing the Council's overall indebtedness and the level of principal repayments and loan interest charges each year. Capital expenditure met directly from the 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 Plc) was set up to construct and operate the schools for a period of 30 years. Construction began in March 2007. The first tranche of primary schools (Claypotts Castle, Craigowl, Downfield and St Andrews RC) were completed in May 2008. Grove Academy Phase 1 was completed in August 2008 and St Pauls RC Academy was completed in November 2008. The remaining two primary schools (Fintry and Rowantree) were completed in April 2009 and Grove Academy Phase 2 will be completed in October 2009.

## Pension Liability (FRS 17)

Under FRS 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 £178.4m as at 31 March 2009 (estimated net pension liability at 31 March 2008 was £114.7m). The reduction in asset values over the period was greater than the reduction in liabilities, causing the net liability to increase.

## 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 £0.335m was generated in 2008/2009 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 £1.774m during the period 2006-2009.

# 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. A revision of the delivery plan is due to be submitted in April 2010.

## **Equal Pay Costs/Single Status Agreement**

In 2008/09 a credit of £481,000 has been included in the Income & Expenditure Account in respect of an adjustment to the charges included previously for equal pay costs for certain categories of staff. In the Income & Expenditure Accounts for the period 2005-2008, charges totalling £4,442,000 were included for this item. In addition to the costs associated with its own staff, these charges also reflected the Council's liability to meet a share (33%) of the equal pay costs for Tayside Contracts staff. The charges largely covered equal pay costs for the 5-year period to 31 March 2006 and included provision for Income Tax and National Insurance costs. The adjustment made in 2008/2009 related to the charges previously included for Tayside Contracts staff. 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 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 have been reflected in future years' Revenue Budgets.

## **District Court**

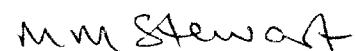
On 26 February 2009, the administration of Dundee District Court was transferred to the Scottish Court Service (SCS). As part of the transfer of the District Court, 8.5 full-time equivalent staff transferred from the Council to the SCS under a TUPE transfer. The ownership of the Court Building has also been transferred to SCS under a Transfer Order. The Council received no consideration for this asset and this transaction has been reflected as a disposal in the 2008/2009 accounts. The financial implications of the transfer have been reflected in future years' Revenue Budgets.

## **Group Accounts**

The Group Income & Expenditure Account shows a deficit of £102.605m, a movement of £16.061m from the deficit of £86.544m 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 £251.951m, 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 Kevin Keenan, the chair of the Policy & Resources Committee during 2008/2009, 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 2008/2009 Statement of Accounts.



**Marjory Stewart, FCCA, CPFA**  
Head of Finance  
Dundee City Council  
30 June 2009

# STATEMENT OF ACCOUNTING POLICIES

## General

The Financial Statements are intended to present a true and fair view of 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 2008 - 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 2008

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 68). The following accounting policies apply to all other statements included in the 2008/2009 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). There have been no major changes in accounting policy since the 2007/2008 Statement of Accounts was prepared.

Under the 2008 SORP, The Council has adopted the amendment to Financial Reporting Standard 17 (Retirement Benefits). As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the Council's share of the scheme assets at 31 March 2008 has been restated from £592.069m to £586.149m. This decrease of £5.920m results in a corresponding increase in the Council's FRS17 net pension liability. In light of the overall value of the Council's FRS17 net pension liability, this change in accounting policy is not considered to be material and has therefore been reflected as an opening entry adjustment in the 2008/2009 accounts.

## 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. All Council houses were revalued as at 31 March 2009 and the next revaluation date is at 31 March 2014.

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 are included at open market value. 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.



# STATEMENT OF ACCOUNTING POLICIES

## **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.

## **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. Total indebtedness to the Development Company was reduced to nil during 2008/2009.

## **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 2009 includes various provisions totalling £28.769m. These provisions have been calculated using the undemoted estimation techniques.

# STATEMENT OF ACCOUNTING POLICIES

## Bad Debt Provisions

Non Domestic Rates - the provision of £1.013m has been calculated by applying a fixed percentage to each year's outstanding debt.

Community Charge - the provision of £2.409m has been calculated by projecting future collection levels based on the actual collection achieved in 2008/2009.

Council Tax - the provision of £11.778m 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 £2.475m 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 £1.913m 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 £0.852m 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 £1.521m 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 2008/2009.

Non Domestic Rates - a provision is required for potential loss of income arising from the settlement of valuation appeals. The provision of £1.817m 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 £4.291m is based on the outstanding value of unsettled claims, considered in conjunction with aggregate stop-loss arrangements within the Council's insurance cover.

## **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 to 35.

## **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.

# STATEMENT OF ACCOUNTING POLICIES

## **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)**

The Council's schools PPP project has been accounted for in accordance with Financial Reporting Standard 5 (Reporting the Substance of Transactions) as amended by Application Note F, and in accordance with relevant Treasury guidance.

## **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 2009 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).

## **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.

# STATEMENT OF ACCOUNTING POLICIES

## **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 five associates have been consolidated using the "equity" method in the Group Accounts on pages 53 to 63. 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.

## **Landfill Allowance Trading Scheme**

Landfill allowances are measured initially at their fair value. Thereafter, they are re-measured to the lower of cost and net realisable value.

# 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').

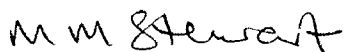
In preparing this statement of accounts, the Head of Finance has:

- 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 a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2009.



**Marjory Stewart, FCCA, CPFA**  
**Head of Finance**  
**Dundee City Council**  
**30 June 2009**

# INCOME & EXPENDITURE ACCOUNT

2007/2008 Actual Net Expenditure/ (Income) £000		Actual Gross Expenditure £000	Actual Income £000	2008/2009 Actual Net Expenditure/ (Income) £000	Budgeted Net Expenditure/ (Income) £000
	<b>Continuing Services</b>				
122,327	Education Services	160,827	(6,578)	154,249	154,588
2,360	General Fund Housing	76,305	(60,506)	15,799	15,334
1,810	Housing Revenue Account	87,204	(45,353)	41,851	40,525
24,506	Cultural & Related Services	31,262	(5,967)	25,295	25,061
17,520	Environmental Services	23,217	(3,911)	19,306	20,144
9,836	Roads & Transport Services	16,803	(6,456)	10,347	9,090
4,469	Planning & Development Services	12,584	(8,503)	4,081	3,857
74,771	Social Work	105,127	(21,571)	83,556	81,018
4,183	Corporate & Democratic Core	4,239	(105)	4,134	4,014
(436)	Non Distributed Costs	550	-	550	550
5,534	Central Services to the Public	17,417	(14,069)	3,348	5,122
33,587	Joint Boards	35,406	-	35,406	35,440
<u>742</u>	Exceptional Item (see note 2 on page 18)	<u>(481)</u>	<u>-</u>	<u>(481)</u>	<u>-</u>
301,209	<b>Net Cost of Continuing Services</b>	570,460	(173,019)	397,441	394,743
	<b>Discontinued Operations</b>				
-	Service Transferring to Dundee Airport Ltd	<u>73</u>	<u>(73)</u>	<u>-</u>	<u>-</u>
<u>301,209</u>	<b>Net Cost Of Services</b>	<u>570,533</u>	<u>(173,092)</u>	<u>397,441</u>	<u>394,743</u>
			<b>Ref Note No</b>		
(1,920)	Net (Gain)/Loss on Disposal of Assets			3,009	3,009
(631)	(Surplus)/Deficit of Trading Undertakings or Other Operations		15	(335)	(722)
(161)	Share of Tayside Contracts Surplus			(310)	(127)
19,611	Interest Payable & Similar Charges		38	19,437	23,007
(2,592)	Interest & Investment Income		38	(3,406)	(3,399)
(146)	Pensions Interest Cost & Expected Return on Pensions Assets		34	5,797	5,797
<u>315,370</u>	<b>Net Operating Expenditure</b>			<u>421,633</u>	<u>422,308</u>
	<b>Income from Taxation &amp; General Government Grants</b>				
(56,601)	Income from Council Tax (incl Residual Community Charge - see note 9 on page 21)			(57,431)	(56,118)
(185,163)	Revenue Support Grant			(223,201)	(223,609)
(51,736)	Contribution from National Non-Domestic Rate Pool			(54,457)	(54,388)
<u>21,870</u>	<b>(Surplus)/Deficit for the Year</b>			<u>86,544</u>	<u>88,193</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 2008 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 £397.441m 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).

<b>Actual 2007/2008 £000</b>		<b>Actual 2008/2009 £000</b>	<b>Budget 2008/2009 £000</b>
21,870	(Surplus)/Deficit for the year on the Income and Expenditure Account	86,544	88,193
(21,975)	Net additional amount required by statute and non-statutory proper practices to be (credited) or charged to the General Fund Balance for the Year	(85,393)	(85,818)
<u>(105)</u>	<b>General Fund (Surplus)/Deficit for the Year</b>	<u>1,151</u>	<u>2,375</u>
<u>(8,477)</u>	<b>General Fund Balance brought forward</b>	<u>(8,582)</u>	<u>(8,582)</u>
<u>(8,582)</u>	<b>General Fund Balance carried forward</b>	<u>(7,431)</u>	<u>(6,207)</u>

## STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

2007/2008 £000		2008/2009 £000
21,870	(Surplus)/Deficit on the Income & Expenditure Account for the year	86,544
-	Opening entry adjustment to FRS17 liability	5,920
(68,689)	(Surplus)/Deficit arising on Revaluation of Fixed Assets	(279,914)
102	(Surplus)/Deficit arising on Revaluation of Available-for-sale Financial Assets	147
(33,044)	Actuarial (Gains)/Losses on Pension Fund Assets & Liabilities	56,245
-	Notional value of Council-owned land used in Schools' PPP Project	(1,496)
10	Difference between Actuarial Pensions Contribution Figure and Actual Pensions Contribution Figure	129
(2,600)	Transactions of the Capital Adjustment Account arising from changes in the valuation of Council Houses	-
(387)	Transactions on the Capital Adjustment Account arising from the Transfer of Assets	-
<u>-</u>	Adjustment to the Financial Instruments Adjustment Account arising from the early repayment of loans	<u>(52)</u>
<u>(82,738)</u>	<b>Total Recognised (Gains) &amp; Losses for the Year</b>	<u>(132,477)</u>



# BALANCE SHEET

As at 31 March 2008 £000		Ref Note No	As at 31 March 2009 £000	£000
<b>TANGIBLE FIXED ASSETS</b>				
Operational Assets:				
192,831	Council Dwellings	18,19,23,26	432,934	
368,935	Other Land and Buildings	18,19,23,26	359,393	
48,420	Vehicles, Plant and Equipment	18,19,23,24,26	22,755	
75,600	Infrastructure Assets	18,19,23,26	78,851	
1,606	Community Assets	18,19,23,26	<u>1,549</u>	
687,392				895,482
Non-Operational Assets:				
88,271	Investment Properties	18,19,23,25,26	88,828	
16,481	Assets Under Construction	18,19,23,26	18,334	
<u>2,212</u>	Surplus Assets Held for Disposal	18,19,23,26	<u>4,131</u>	
<u>106,964</u>				<u>111,293</u>
794,356				1,006,775
7	<b>LONG TERM INVESTMENTS</b>	20,28,38		1,137
6,812	<b>LONG TERM DEBTORS</b>	21,28,38		7,781
-	<b>DEFERRED CONSIDERATION</b>	21,40		<u>1,446</u>
801,175				1,017,139
<b>CURRENT ASSETS</b>				
695	Stores and Work in Progress		671	
79,245	Sundry Debtors	35	67,085	
(21,101)	<u>Less</u> Bad Debt Provisions	35	(21,961)	
560	Short Term Investments	38	409	
35,245	Short Term Lending	38	35,822	
<u>103</u>	Cash and Bank	38	<u>102</u>	
<u>94,747</u>			<u>82,128</u>	
<b>LESS CURRENT LIABILITIES</b>				
(17,617)	Borrowing Repayable on Demand or Within 12 Months	38	(13,619)	
(56,104)	Sundry Creditors	35	(46,575)	
<u>(18,076)</u>	Bank Overdraft	38	<u>(22,647)</u>	
<u>(91,797)</u>			<u>(82,841)</u>	
<u>2,950</u>				<u>(713)</u>
804,125	Total Assets Less Net Current Liabilities			1,016,426
(303,133)	Borrowing Repayable within a Period in Excess of 12 Months	38	(307,636)	
(49)	Deferred Liabilities	22,38	-	
(8,361)	Provisions	29	(6,808)	
(96,228)	Government Grants/Capital Contributions Deferred		(109,450)	
<u>(114,710)</u>	Liability Related to Defined Benefit Pension Scheme	34	<u>(178,411)</u>	
<u>(522,481)</u>				<u>(602,305)</u>
<u>281,644</u>	<b>Net Assets</b>			<u>414,121</u>
<b>Financed By Fund Balances and Reserves:</b>				
305,490	Capital Adjustment Account	30	244,223	
(5,831)	Financial Instruments Adjustment Account	30	(5,853)	
68,689	Revaluation Reserve	30	326,431	
181	Available-for-sale Financial Instruments Reserve	30	34	
13,122	Capital Fund	30	15,884	
4,595	Renewal and Repair Fund	30	3,334	
1,526	Insurance Fund	30	1,048	
(114,710)	Pensions Reserve	30,34	(178,411)	
<u>8,582</u>	General Fund	30,32	<u>7,431</u>	
<u>281,644</u>				<u>414,121</u>

*M M Stewart*

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

The unaudited accounts were issued on 30 June 2009 and the audited accounts were authorised for issue on 30 September 2009.

# CASH FLOW STATEMENT

2007/2008 £000		2008/2009 £000	£000
	<b>REVENUE ACTIVITIES</b>		
(42,844)	<i>Net Cash (Inflow) From Revenue Activities</i>		(31,868)
	<b>RETURNS ON INVESTMENTS &amp; SERVICING OF FINANCE</b>		
	<i>Cash Outflows:</i>		
20,407	Interest Paid	19,721	
	<i>Cash Inflow:</i>		
<u>(2,481)</u>	Interest Received	<u>(2,850)</u>	
17,926			16,871
	<b>CAPITAL ACTIVITIES</b>		
	<i>Cash Outflows:</i>		
50,111	Purchase of Fixed Assets (Non Revenue)	44,892	
4,762	Purchase of Fixed Assets (From Revenue)	1,587	
<u>2,196</u>	Creation of new Long-Term Debtors (Non Revenue)	<u>1,152</u>	
57,069		<u>47,631</u>	
	<i>Cash Inflows:</i>		
(14,740)	Sale of Fixed Assets and Insurance Receipts	(4,767)	
(21,911)	Capital Grants/Contributions etc Received	(21,939)	
<u>(6,920)</u>	Receipts in respect of Long-Term Debtors	<u>(825)</u>	
<u>(43,571)</u>		<u>(27,531)</u>	
13,498			20,100
<u>(11,420)</u>	<i>Net Cash (Inflow)/Outflow Before Financing</i>		<u>5,103</u>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>		
-	Net Increase/(Decrease) in Short-Term Deposits	-	
<u>16,275</u>	Net Increase/(Decrease) in Other Liquid Resources	<u>(230)</u>	
16,275			(230)
	<b>FINANCING</b>		
	<i>Cash Outflows:</i>		
1,039	Repayments of Amounts Borrowed	1,028	
<u>-</u>	Capital Element of Finance Lease Rental Payments	<u>-</u>	
1,039		<u>1,028</u>	
	<i>Cash Inflows:</i>		
(2,251)	New Long-Term Loans Raised	-	
<u>(391)</u>	New Short Term Loans Raised	<u>(1,329)</u>	
<u>(2,642)</u>		<u>(1,329)</u>	
<u>(1,603)</u>			
<u>3,252</u>	<i>Net (Increase)/Decrease in Cash</i>		<u>301</u>
			<u>4,572</u>

See notes 42, 43 and 44 on pages 45 and 46

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1 ACQUIRED AND DISCONTINUED OPERATIONS

In 2008/2009 there were no acquired or discontinued operations.

(In 2007/2008 the transfer of the operation of Dundee Airport to Dundee Airport Limited, a wholly owned subsidiary of Highlands and Islands Airports Limited, was disclosed as a discontinued operation. In 2008/2009 the Council incurred expenditure of £73,000 on the airport, on behalf of Dundee Airport Limited, and this expenditure was fully re-imbursed by the company. There were no acquired operations in 2007/2008).

## 2 EXCEPTIONAL ITEMS

### Equal Pay

In 2008/2009 a credit of £481,000 has been included in the Income & Expenditure Account in respect of an adjustment to the charges included previously for equal pay costs for certain categories of staff. In the Income & Expenditure Accounts for the period 2005-2008, charges totalling £4,442,000 were included for this item. In addition to the costs associated with its own staff, these charges also reflected the Council's liability to meet a share (33%) of the equal pay costs for Tayside Contracts staff. The charges largely covered equal pay costs for the 5-year period to 31 March 2006 and included provision for Income Tax and National Insurance costs. The adjustment made in 2008/2009 relates to the charges previously included for Tayside Contracts staff. Equal Pay was also disclosed as an exceptional item in 2007/2008.

### Provision for Sheriff Officers Fees

In order to fund its services, the Council raises income from Council Tax, Non Domestic Rates and, previously, Community Charge. Where citizens/businesses fail to pay these in line with timescales set down by legislation the Council can levy an additional charge, known as a Statutory Addition, to cover any costs incurred in collecting arrears. For many years these arrears were collected by Sheriff Officer, whose costs were met from the Statutory Addition income. Any Statutory Addition income not utilised in the year it was raised was treated as a potential creditor to Sheriff Officers to cover the cost when the debt was eventually collected. In December 2004, the Council decided to start bringing this debt collection in-house. A stage has now been reached where there is no longer any debt to be collected by Sheriff Officers and the creditor which has been built up over the years is no longer required. Accordingly, it has now been treated as income in 2008/2009 to off-set debt collection costs incurred by the Council itself. This income, totalling £1,230,000, is included within the Net Cost of Services (Central Services to the Public) in the Income and Expenditure Account.

## 3 EXTRAORDINARY ITEMS

In 2008/2009 there were no extraordinary items (2007/2008 None).

## 4 PRIOR PERIOD ADJUSTMENTS

In 2008/2009 there were no prior period adjustments.

(In 2007/2008 a prior period adjustment was made in respect of the major change in accounting policy that was included in the 2007 SORP for accounting for Financial Instruments).

## 5 PUBLICITY ACCOUNT

Section 5 of the Local Government Act 1986 requires local authorities to keep a separate account of expenditure on publicity. During 2008/2009 the Council incurred the expenditure shown below on publicity.

2007/2008 £000		2008/2009 £000
121	Employment Advertising	161
101	General Advertising	68
<u>76</u>	Others	<u>50</u>
<u>298</u>		<u>279</u>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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:

2007/2008			2008/2009	
Income £000	Expenditure £000		Income £000	Expenditure £000
		<b>Education</b>		
666	666	Special Education services to Angus Council	789	789
		<b>Social Work:</b>		
7,343	7,343	Provision of Social Work services to NHS Tayside	7,119	7,119
219	219	Provision of Day Care Services to Perth & Kinross Council	236	236
<u>167</u>	<u>167</u>	Provision of Day Care Services to Angus Council	<u>210</u>	<u>210</u>
<u>7,729</u>	<u>7,729</u>		<u>7,565</u>	<u>7,565</u>
		<b>Economic Development</b>		
3	-	Scottish Enterprise Tayside in respect of Skillseekers Initiative	-	-
		<b>Support Services</b>		
<u>479</u>	<u>350</u>	Crown and Procurator Fiscal Offices	<u>207</u>	<u>207</u>
<u>8,877</u>	<u>8,745</u>	<b>Total</b>	<u>8,561</u>	<u>8,561</u>

## 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 2008/2009.

2007/2008			2008/2009	
Income £000	Expenditure £000		Income £000	Expenditure £000
		<b>Education</b>		
6	6	Purchasing services and instrument repair services to Angus Council	6	6
<u>14</u>	<u>14</u>	Payroll services to Dundee College	<u>18</u>	<u>18</u>
<u>20</u>	<u>20</u>		<u>24</u>	<u>24</u>
		<b>Land Services</b>		
-	-	Grounds Maintenance services to Housing Associations	5	5
-	-	Grounds Maintenance services to Health Board and Medical Centres	4	4
-	-	Grounds Maintenance services to Colleges	6	6
-	-	Grounds Maintenance services to Scottish Water	2	2
<u>-</u>	<u>-</u>	Grounds Maintenance services to Scottish Enterprise	<u>9</u>	<u>9</u>
<u>-</u>	<u>-</u>		<u>26</u>	<u>26</u>
		<b>Finance</b>		
<u>10</u>	<u>10</u>	Financial services to Dundee College	<u>11</u>	<u>11</u>
<u>30</u>	<u>30</u>	<b>Total</b>	<u>61</u>	<u>61</u>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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 2008/2009 in respect of teachers' pensions was 13.5% (2007/2008 13.5%). In 2008/2009 the Council paid £11.1m (2007/2008 £10.9m) 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 (2007/2008 19.9% and 6.4% respectively). In addition the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2008/2009 these amounted to £0.08m (2007/2008 £0.07m) representing 0.14% of pensionable pay (2007/2008 0.13%).

### *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 2008/2009 the Council paid an employer's contribution of £21.4m (2007/2008 £19.2m) into the Tayside Superannuation Fund, representing 18.5% of pensionable pay (2007/2008 17.3%). The employer's contribution rate in 2008/2009 was 315% 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. This incorporated stepped increases over the two years 2007/08 and 2008/09. The contribution rate increased to 315% in 2008/09. 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 2008/2009 these amounted to £1.9m (2007/2008 £1.5m), representing 1.7% of pensionable pay (2007/2008 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 2008/2009 £0.393m (2007/2008 £0.126m)
- b awarded prior to 2008/2009 for which payments are still being made £17.668m (2007/2008 £18.735m)

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 9 COMMUNITY CHARGE INCOME

2007/2008			2008/2009	
Actual			Actual	
£000			£000	
(3)	Adjustments for Previous Year:		(1)	
	Gross Charge			
(3)	Net Charge		(1)	
<u>238</u>	Released from Provision for Bad Debts		<u>64</u>	
<u>235</u>			<u>63</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:

Number of Employees			Number of Employees	
2007/2008		Salary Banding	2008/2009	
57		£50,000 - £59,999	65	
21		£60,000 - £69,999	21	
10		£70,000 - £79,999	11	
3		£80,000 - £89,999	5	
4		£90,000 - £99,999	4	
-		£100,000 - £109,999	1	
-		£110,000 - £119,999	-	
1		£120,000-£129,999	-	
-		£130,000-£139,999	1	

## 11 MEMBERS REMUNERATION & EXPENSES

The total amount of members' remuneration paid, under the Local Authorities Etc (Allowances) (Scotland) Regulations 1995, for the year to 31 March 2009, was £532,252 (2007/2008 £505,519). In addition, expenses of £15,707 were re-imbursed for the year to 31 March 2009 (2007/2008 £12,909).

## 12 RELATED PARTIES - TRANSACTIONS

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

2007/2008			2008/2009	
Charges	Charges	Revenue	Charges	Charges
To	From		To	From
£000	£000		£000	£000
1,627	4,375	Dundee Energy Recycling Limited	1,118	5,318
359	150	Dundee City Developments Limited	703	166
114	120	Dundee Ice Arena Limited	91	184
13	253	Dundee Contemporary Arts Limited	10	398
127	599	Dovetail Enterprises (1993) Limited	18	652
368	35	Tayside Fire & Rescue Board	257	38
452	378	Tayside Joint Police Board	305	1,413
584	16,686	Tayside Contracts Joint Committee	1,014	18,715
126	-	Tayside Valuation Joint Board	147	14
9,439	-	Tay Road Bridge Joint Board (see note below)	239	116
92	342	Dundee Leisure Limited	142	1,041
-	-	Discovery Education PLC	-	4,559

In 2008/2009, 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 2008 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 £397.441m (as shown in the Income & Expenditure Account) has been re-classified in line with the Council's management/department structure as follows:

2007/2008		2008/2009			
Actual Net Expenditure/ (Income) £000	Council Services	Actual Gross Expenditure £000	Actual Income £000	Actual Net Expenditure/ (Income) £000	Budgeted Net Expenditure/ (Income) £000
118,385	Education	154,846	(5,615)	149,231	149,170
74,525	Social Work	104,929	(21,571)	83,358	80,773
11,004	Planning & Transportation (incl Car Parks)	19,805	(7,791)	12,014	10,329
3,035	Economic Development	8,543	(6,409)	2,134	2,240
26,503	Leisure & Communities	35,037	(6,868)	28,169	28,310
14,973	Waste Management	18,693	(2,271)	16,422	16,906
2,767	Environmental Health & Trading Standards	3,543	(392)	3,151	3,516
779	Central Support Services (see note 14 below)	2,281	(2,230)	51	(481)
5,702	Miscellaneous Services	18,714	(14,600)	4,114	6,350
829	Other Housing	4,804	(2,527)	2,277	2,249
259	Supporting People	12,442	(180)	12,262	12,262
2,309	DCS Land Services Client	2,605	(251)	2,354	2,241
18,303	Contribution to Tayside Joint Police Board	18,942	-	18,942	18,958
14,284	Contribution to Tayside Fire & Rescue Board	15,416	-	15,416	15,416
1,000	Contribution to Tayside Valuation Joint Board	1,048	-	1,048	1,066
(31)	Housing Benefits	56,453	(56,396)	57	(320)
4,183	Corporate and Democratic Core	4,239	(105)	4,134	4,014
284	Net (Surplus)/Deficit on Insurance Account	920	(239)	681	585
(436)	Non Distributed Costs	550	-	550	550
-	Contingencies & Unforeseen Items	-	(294)	(294)	84
742	Exceptional Item (see note 2 on page 18)	(481)	-	(481)	-
299,399	<b>Net Cost of General Fund Services</b>	483,329	(127,739)	355,590	354,218
1,810	Housing Revenue Account	87,204	(45,353)	41,851	40,525
<u>301,209</u>	<b>Net Cost of Services</b>	<u>570,533</u>	<u>(173,092)</u>	<u>397,441</u>	<u>394,743</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 2008/2009 of £51,000 is included within "Central Services to the Public" in the Income & Expenditure Account.

2007/2008 Net Expenditure/ (Surplus) £000	Central Support Service	Gross Expenditure £000	Recharges to Council Departments £000	Recharge to Corporate & Democratic Cora £000	Other Internal Income £000	External Income £000	Total Income £000	2008/2009 Net Expenditure/ (Surplus) £000
92	Chief Executive (incl Corporate Planning)	1,231	(18)	(1,023)	-	(167)	(1,208)	23
(3)	Press Office	298	(307)	(24)	-	-	(331)	(33)
1	Personnel	1,895	(1,624)	(208)	(30)	(61)	(1,923)	(28)
352	Information Technology Administration &	6,125	(5,781)	(79)	(267)	(153)	(6,280)	(155)
34	Legal Services	5,074	(2,917)	(1,317)	(369)	(237)	(4,840)	234
171	Architectural Services	5,521	(5,497)	-	-	-	(5,497)	24
132	Finance General	6,525	(2,837)	(1,588)	(502)	(1,612)	(6,539)	(14)
<u>779</u>		<u>26,669</u>	<u>(18,981)</u>	<u>(4,239)</u>	<u>(1,168)</u>	<u>(2,230)</u>	<u>(26,618)</u>	<u>51</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 2006/ 2007 £000	Actual 2006/ 2007 £000	Target 2007/ 2008 £000	Actual 2007/ 2008 £000		Actual 2008/ 2009 £000	Target 2008/ 2009 £000	3-Year Actual 2006/ 2009 £000	3-Year Target 2006/ 2009 £000
(25,549)	(27,407)	(25,196)	(26,748)	Income	(26,760)	(26,073)	(80,915)	(76,818)
<u>25,586</u>	<u>26,599</u>	<u>24,884</u>	<u>26,117</u>	Expenditure	<u>26,425</u>	<u>25,351</u>	<u>79,141</u>	<u>75,821</u>
<u>37</u>	<u>(808)</u>	<u>(312)</u>	<u>(631)</u>	(Surplus)/Deficit	<u>(335)</u>	<u>(722)</u>	<u>(1,774)</u>	<u>(997)</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.

To support its core business, the department operates its own joiners workshop, blacksmiths workshop, glaziers workshop, nursery and glasshouse. 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 provided as an integral part of the day to day repair and maintenance provided to Council house tenants. The service also provides a wider service to the Council for securing and making safe dangerous buildings, dangerous trees and extensive flooding caused by severe weather conditions.

The department is committed to training and has recently retained its Investors in People status. The department currently employs 48 apprentices and recruits annually to ensure it maintains a 10% ratio of apprentices to tradesmen. As a consequence of the serious downturn within the construction industry, the department has also provided temporary placements for an additional two apprentices who were made redundant by their employer whilst in the final year of their apprenticeship.

The department's principal customer is the Housing Department with income also being generated from other Council departments, other local authorities and external 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 £0.997m in excess of the statutory requirement for the three financial years ending 31 March 2009.

### Financial Performance

The surplus for the current financial year of £0.335m exceeds the break even requirements of the Local Government in Scotland Act 2003. 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 £1.774m during the period 2006/2007 to 2008/2009. The surplus achieved has also exceeded the Council's own financial target of £0.997m by £0.777m for the same three year period. This is largely a result of the high profitability experienced in 2006/2007 and 2007/2008.

The actual income in 2008/2009 of £26.76m was marginally higher than anticipated due to an increase in demand for services, particularly in respect of major contracts. However, the current depressed condition of the construction industry has resulted in increasingly competitive tendering in all sectors. This has driven down margins and, as a result, the surplus generated during the financial year 2008/2009 of £0.335m was lower than the Council's own financial target of £0.722m.

### Treatment of Surplus

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 2008/2009 financial year, for external audit services undertaken in accordance with the Code of Audit Practice, is £413,900 (2007/2008 £399,900). During 2008/2009, 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 (2007/2008 None).

### 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).

2007/2008 £000		2008/2009 £000	£000
	<b>Amounts included in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
(48,028)	Depreciation and impairment of fixed assets	(104,967)	
2,983	Government Grants deferred amortisation matching depreciation and impairments	6,806	
1,920	Net gain or (loss) on sale of fixed assets	(3,009)	
(174)	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.	(74)	
(459)	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	(1,407)	
(43,758)			(102,651)
	<b>Amounts not included in the Income &amp; Expenditure Account but required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
18,705	Repayment of debt	18,946	
1,406	Capital Expenditure charged to the General Fund Balance	(2,732)	
20,111			16,214
	<b>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</b>		
1,672	Net transfer to or (from) earmarked reserves and accounts		1,044
<u>(21,975)</u>	<b>Net additional amount required to be (credited) or charged to the General Fund balance for the year</b>		<u>(85,393)</u>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 18 SUMMARY OF CAPITAL EXPENDITURE AND FIXED ASSETS DISPOSALS

### Operational Assets

	Council	Other	Operational	Infrastr.	Community	Total
	Dwellings	Land & Buildings				
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
At 1 April 2008	201,266	381,410	69,916	109,166	1,606	763,364
Additions	5,761	4,076	19,988	7,780	117	37,722
Donations	-	-	-	-	-	-
Disposals	(2,001)	(5,331)	(467)	(40)	(57)	(7,896)
Reclassifications	12,842	4,493	(12,842)	268	-	4,761
Revaluations etc	215,066	3,530	(49)	(285)	(117)	218,145
<b>As at 31 March 2009</b>	<b>432,934</b>	<b>388,178</b>	<b>76,546</b>	<b>116,889</b>	<b>1,549</b>	<b>1,016,096</b>
<b>Depreciation &amp; Impairments</b>						
As at April 2008	(8,435)	(12,475)	(21,496)	(33,566)	-	(75,972)
Charge for 2008/2009	(8,163)	(34,064)	(32,639)	(4,476)	-	(79,342)
Disposals	-	35	344	4	-	383
Reclassifications	-	-	-	-	-	-
Revaluations etc	16,598	17,719	-	-	-	34,317
<b>As at 31 March 2009</b>	<b>-</b>	<b>(28,785)</b>	<b>(53,791)</b>	<b>(38,038)</b>	<b>-</b>	<b>(120,614)</b>
<b>Balance Sheet Amount</b>						
As at 31 March 2009	432,934	359,393	22,755	78,851	1,549	895,482
As at 1 April 2008	192,831	368,935	48,420	75,600	1,606	687,392
<b>Nature of Asset Holding</b>						
Owned	432,934	359,393	22,755	78,851	1,549	895,482
Finance Lease	-	-	-	-	-	-
PFI/PPP	-	-	-	-	-	-
	432,934	359,393	22,755	78,851	1,549	895,482

### Non-Operational Assets

	Investment	Assets	Surplus	Total Non-	Total
	Properties	Under	Assets Held	Operational	All
	£000	Constr	for Disposal	Assets	Assets
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
At 1 April 2008	88,271	16,481	2,257	107,009	870,373
Additions	255	7,571	450	8,276	45,998
Donations	-	-	-	-	-
Disposals	(292)	-	(557)	(849)	(8,745)
Reclassifications	437	(5,712)	514	(4,761)	-
Revaluations etc	157	(6)	1,548	1,699	219,844
<b>At 31 March 2009</b>	<b>88,828</b>	<b>18,334</b>	<b>4,212</b>	<b>111,374</b>	<b>1,127,470</b>
<b>Depreciation &amp; Impairments</b>					
At 1 April 2008	-	-	(45)	(45)	(76,017)
Charge for 2008/2009	-	-	(40)	(40)	(79,382)
Disposals	-	-	3	3	386
Reclassifications	-	-	-	-	-
Revaluations etc	-	-	1	1	34,318
<b>At 31 March 2009</b>	<b>-</b>	<b>-</b>	<b>(81)</b>	<b>(81)</b>	<b>(120,695)</b>
<b>Balance Sheet Amount</b>					
At 31 March 2009	88,828	18,334	4,131	111,293	1,006,775
At April 2008	88,271	16,481	2,212	106,964	794,356
<b>Nature of Asset Holding</b>					
Owned	88,828	18,334	4,131	111,293	1,006,775
Finance Lease	-	-	-	-	-
PFI/PPP	-	-	-	-	-
	88,828	18,334	4,131	111,293	1,006,775

# NOTES TO THE CORE FINANCIAL STATEMENTS

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## SOURCES OF FINANCE FOR CAPITAL EXPENDITURE

2007/2008 £000		2008/2009 £000	£000
51,453	Capital Expenditure on Fixed Assets	45,998	
<u>271</u>	Long-Term Debtors	<u>84</u>	
<u>51,724</u>	Capital to be Financed for the year		<u>46,082</u>
	Financed by:		
15,148	Loans Fund Advances	23,246	
14,809	Capital Receipts (incl Insurance Receipts)	4,842	
20,035	Government Grants/Capital Contributions	20,029	
326	Receipts from Long-Term Debtors	697	
4,762	Revenue (CFCR)	1,587	
<u>(3,356)</u>	Receipts Against Revenue (CFCR) Projects	<u>(4,319)</u>	
<u>51,724</u>	Total Capital Financing for the year		<u>46,082</u>

20 **LONG TERM INVESTMENTS**

As at 31 March 2008 £000		As at 31 March 2009 £000
7	Discovery Education (Holdings) Limited	7
<u>-</u>	Maintenance in Perpetuity of Burial Grounds Fund *	<u>1,130</u>
<u>7</u>		<u>1,137</u>

\*This fund was transferred from Charitable Trust Funds to the General Fund (Leisure & Communities) during 2008/2009. The long-term investment relates to cash held on deposit with a building society.

21 **LONG TERM DEBTORS/DEFERRED CONSIDERATION**

**Long Term Debtors**

As at 31 March 2008 £000		As at 31 March 2009 £000
1,134	Mortgages/Repairs Notices	1,046
2,455	Loans to Joint Boards and Joint Committee to fund Capital Expenditure	3,281
3,223	Other Loans	2,758
<u>-</u>	Schools PPP Residual Value	<u>696</u>
<u>6,812</u>		<u>7,781</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 2008 SORP, these soft loans have been reinstated to fair value by discounting future cash receipts using the prevailing market rate of interest.

In accordance with the relevant accounting guidance, a long term debtor of £696,000 has been recognised in the Balance Sheet for the residual value of the eight new schools procured through the PPP project. A 30 year contract was signed with Discovery Education PLC on 19 February 2007. Under the terms of the contract, the schools will revert to the Council at the end of the contract period. The total estimated residual value of the schools at the end of the 30 year contract period is £20.880m. This amount will be built up as a Long Term Debtor in the Council's Balance Sheet over the 30 year contract period and will be transferred to Operational Land & Buildings at the end of the contract. The amount of £696,000 has been included in the 2008/2009 Income & Expenditure Account (Education Services) as a notional abatement of the PPP Unitary Charge. This credit is reversed out via the Statement of Movement on the General Fund Balance.

**Deferred Consideration**

In accordance with the relevant accounting guidance, a deferred consideration has been recognised in the Balance Sheet for the notional value of Council-owned land that has been used in the schools PPP project. The notional value of land used in the project was £1.496m as at 31 March 2008. This amount requires to be recognised as a deferred consideration in the Balance Sheet as at 1 April 2008 and thereafter written down over the 30 year contract period. The first write-down of £50,000 took place in 2008/2009, leaving a deferred consideration balance of £1.446m at 31 March 2009. The amount of £50,000 has been included in the 2008/2009 Income & Expenditure Account (Education Services) as a notional addition to the PPP Unitary Charge. This additional charge is reversed out via the Statement of Movement on the General Fund Balance.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 22 COMMITMENTS UNDER CAPITAL CONTRACTS

In February 2009, the Council approved its 2009/2012 Capital Plan for General Services. This programme totals £215.2m of expenditure to be incurred in 2009/2010 and beyond. Of this expenditure £13.8m is legally committed under contracts and the remaining £201.4m relates to projects with committee approval to commence in 2009/2010 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 2009, the Council approved the 2009-2012 Housing (HRA) Capital Budget that included expenditure relating to the above plan. This programme totals £82.4m of expenditure to be incurred over the period 2009-2012. Of this expenditure £11.4m is legally committed under contracts and the remaining £71.0m relates to projects with committee approval to commence in 2009/2010 and beyond but for which contracts have not yet been entered into.

## 23 INFORMATION ON ASSETS HELD

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

Number as at 31 March 2008		Number as at 31 March 2009
15,163	<b>Council Dwellings</b>	14,990
	<b>Operational Land and Buildings</b>	
48	Office Buildings	48
62	Schools	55
8	Sports Centres and Swimming Pools	8
24	Residential Homes and Care Centres	22
12	Neighbourhood Centres	12
53	Sports Pavilions	51
31	Off Street Car Parks	33
12	Public Conveniences	12
13	Libraries	13
8	Museums and Galleries	7
19	Cemetery Buildings	16
1	District Court	-
<u>300</u>	Miscellaneous Buildings	<u>300</u>
<u>591</u>		<u>577</u>
	<b>Community Assets</b>	
87	Parks and Community Land	85
11	Cemeteries (Land only)	11
14	Museum/Library Collections	14
<u>1</u>	Monuments	<u>1</u>
<u>113</u>		<u>111</u>
	<b>Non-Operational Assets</b>	
537	Shops, Offices, Industrial Units and Commercial Property	560
18	Assets Under Construction	14
<u>95</u>	Other Non-Operational Assets	<u>101</u>
<u>650</u>		<u>675</u>
814	<b>Infrastructure Assets</b>	889
829	<b>Vehicles, Plant and Equipment</b>	906

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 24 LEASES - DISCLOSURE BY LESSEES

### *Finance Leases*

The Council held no assets on finance lease during 2008/2009 and accordingly, there were no finance lease rentals paid to lessors during 2008/2009 (2007/2008 Nil). The Council have no commitments to making payments to lessors in 2009/2010 in respect on finance leases.

### *Operating Leases*

Operating lease rental payments of £1,678,000 were made during 2008/2009 (2007/2008 £1,995,000). These payments related to the asset categories Other Land and Buildings (£541,000) and Vehicles, Plant and Equipment (£1,137,000). In addition, the Council operates a contract car hire scheme, home computer initiative and cycle scheme for its employees. In financial year 2008/2009, total payments of £1,098,000 (2007/2008 £1,455,000) were made by the Council to the lessors, offset by contributions of £687,000 (2007/2008 £1,004,000) from employees.

In respect of operating leases, the Council is committed to making payments to lessors of £1.355m in 2009/2010. This comprises the following elements:

	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant and Equipment £000</b>	<b>Total £000</b>
Leases expiring in 2009/2010	152	14	166
Leases expiring between 2010/2011 and 2013/2014	128	866	994
Leases expiring after 2013/2014	<u>195</u>	<u>-</u>	<u>195</u>
Total	<u>475</u>	<u>880</u>	<u>1,355</u>

## 25 LEASES - DISCLOSURE BY LESSORS

### *Finance Leases*

There were no assets leased to third parties on finance lease during 2008/2009 (2007/2008 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 2008/2009 was £5.100m (2007/2008 £4.851m).

The gross value of these assets as at 31 March 2009 was £88.828m (31 March 2008 £82.373m). These assets are classed as Investment Properties and, in accordance with the relevant accounting policy, the accumulated depreciation as at 31 March 2009 relating to these assets was Nil (31 March 2008 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. All council houses were revalued as at 31 March 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 2008/2009 being the final year of this rolling programme. All related assets held for Leisure & Communities were revalued as at 31 March 2009. 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	-	-	173	-	-	173
Valued at Current Value in:						
2004/2005	-	12,437	-	-	1,211	13,648
2005/2006	-	6,011	-	-	5,244	11,255
2006/2007	-	3,840	-	-	287	4,127
2007/2008	-	58,671	-	71,848	31	130,550
2008/2009	<u>251,000</u>	<u>21,533</u>	-	<u>248</u>	<u>(80)</u>	<u>272,701</u>
	<u>251,000</u>	<u>102,492</u>	<u>173</u>	<u>72,096</u>	<u>6,693</u>	<u>432,454</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 comprise investment properties, surplus assets and assets under construction. Investment properties are included at open market value, unless the assets are particularly specialised in which case Depreciated Replacement Cost is deemed more appropriate. 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 2008/2009 is £8,162,720. The straight-line method of depreciation is used by Dundee City Council for all other assets and the total depreciation charge for 2008/2009 is £71,219,195. 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.

# 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 2008/2009, there were a number of assets which were subject to impairment either due to consumption or as a result of a fall in prices. The total charge for impairment in 2008/2009 is £25,585,763.

## 27 ANALYSIS OF NET ASSETS EMPLOYED

As at 31 March 2008 £000		As at 31 March 2009 £000
156,573	General Fund	86,926
122,796	Housing Revenue Account	325,250
<u>2,275</u>	Dundee Contract Services (Statutory Trading Account)	<u>1,945</u>
<u>281,644</u>	Total	<u>414,121</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 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 2008 Nil). The Council owned 40% of the £100 Ordinary Share Capital of DERL at 31 March 2009 (40% at 31 March 2008). 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>31.12.2007</u> (Audited) £000		<u>31.12.2008</u> (Audited) £000
(674)	Profit/(Loss) Before Taxation	(472)
(674)	Profit/(Loss) After Taxation	(472)
-	Dividends Paid	-
3,179	Net Assets (Represented by Share Capital and Reserves)	2,707

### **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 had provided this company with an interest free loan of £500,000 primarily to provide the company with initial working capital. The interest free loan was fully repaid in 2008/2009, eliminating the Council's long term debtor. 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>30.04.2008</u> (Audited) £000		<u>30.04.2009</u> (Unaudited) £000
178	Profit/(Loss) Before Taxation	163
172	Profit/(Loss) After Taxation	163
-	Dividends Paid	-
1,833	Net Assets (Represented by Share Capital and Reserves)	1,746

# 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>31.03.2008</u> (Audited) £000		<u>31.03.2009</u> (Unaudited) £000
333	Profit/(Loss) Before Taxation	30
333	Profit/(Loss) After Taxation	30
-	Dividends Paid	-
(1,090)	Net Liabilities (Represented by Reserves)	(1,138)

### Discovery Education Companies (3 no)

Discovery Education PLC, Discovery Education (Holdings) Limited and Discovery Education (Nominee) Limited were established during financial year 2006/2007 to operate the Dundee Schools PPP project. The Council has a contract with Discovery Education PLC 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 £7,500 Ordinary B shares of £1 each. These 'B' shares have no rights to participate in the profits of the Company and no distributions of any kind, nor do they carry any voting rights at any general meeting of the company. The Council has an officer appointed as a Director on the Board of the company (total number of directors is 5). The Council also has an officer appointed as a Director on the Board of both the other companies although the Council has no shareholding (total number of directors on both other companies is 5). The following information has been extracted from Discovery Educations (Holdings) Ltd Statutory accounts.

<u>31.03.07</u> <u>Audited</u> £000		<u>31.03.08</u> <u>Audited</u> £000
-	Profit/(Loss) Before Taxation	(2,508)
-	Profit/(Loss) After Taxation	(1,806)
-	Dividends Paid	-
474	Net Assets (Represented by Share Capital)	(1,332)

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>31.03.2008</u> (Audited) £000		<u>31.03.2009</u> (Unaudited) £000
(74)	Profit/(Loss) Before Taxation	(49)
(74)	Profit/(Loss) After Taxation	(49)
-	Dividends Paid	-
55	Net Assets (Represented by Reserves)	6



# 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>31.03.2007</u>		<u>31.03.2008</u>
<u>(Audited)</u>		<u>(Audited)</u>
<u>£000</u>		<u>£000</u>
53	Profit/(Loss) Before Taxation	42
53	Profit/(Loss) After Taxation	42
-	Dividends Paid	-
(45)	Net Assets/(Liabilities) (Represented by Reserves)	115

### 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 2009, £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>31.03.2007</u>		<u>31.03.2008</u>
<u>(Audited)</u>		<u>(Audited)</u>
<u>£000</u>		<u>£000</u>
154	Profit/(Loss) Before Taxation	106
154	Profit/(Loss) After Taxation	106
-	Dividends Paid	-
(408)	Net Liabilities (Represented by Reserves)	24

## 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 2008/2009	Balance as at 31 March 2008 £000	Movements in Provisions 2008/2009 £000	Balance as at 31 March 2009 £000
Council Tax Income - Exemptions/Discounts	700	-	700
Non-Domestic Rate Income - Abatements	3,076	(1,259)	1,817
Self-Insured/Uninsured Losses - Tayside Regional Council	693	-	693
- Dundee District Council	1,000	-	1,000
- Dundee City Council	<u>2,892</u>	<u>(294)</u>	<u>2,598</u>
	<u>8,361</u>	<u>(1,553)</u>	<u>6,808</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 2008/2009 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 2008	(305,490)	5,831	(68,689)	(181)	-	(13,122)
(Gains)/Losses for the Year	199	(52)	(281,609)	147	-	-
<i>Transfers between Reserves:</i>						
Net Book Value of Asset Disposals	8,476	-	-	-	-	-
Proceeds of Asset Disposals	-	-	-	-	(5,467)	-
Proceeds of Asset Disposals	(4,842)	-	-	-	5,467	(625)
Transfers to Earmarked Reserves	-	-	-	-	-	(2,137)
Depreciation & Impairment	104,967	-	-	-	-	-
Repayment of Debt	(18,946)	-	-	-	-	-
Government Grants Amortisation	(6,806)	-	-	-	-	-
CFCR	2,732	-	-	-	-	-
FRS17 Adjustments	-	-	-	-	-	-
Financial Instruments Adjustments	-	74	-	-	-	-
Revaluation Reserve Balance on Asset Disposals	(2,889)	-	2,889	-	-	-
Additional Depreciation Adjustment	(20,978)	-	20,978	-	-	-
PPP Schools Residual Value	(646)	-	-	-	-	-
<i>Other Adjustments:</i>						
Pensions Contributions Adjustment	-	-	-	-	-	-
Balance at 31 March 2009	<u>(244,223)</u>	<u>5,853</u>	<u>(326,431)</u>	<u>(34)</u>	<u>-</u>	<u>(15,884)</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	Total £000
Balance at 1 April 2008	(4,595)	(1,526)	114,710	(8,582)	(281,644)
(Gains)/Losses for the Year	-	-	62,165	86,544	(132,606)
<i>Transfers between Reserves:</i>					
Net Book Value of Asset Disposals	-	-	-	(8,476)	-
Proceeds of Asset Disposals	-	-	-	5,467	-
Proceeds of Asset Disposals	-	-	-	-	-
Transfers to Earmarked Reserves	1,261	478	-	398	-
Depreciation & Impairment	-	-	-	(104,967)	-
Repayment of Debt	-	-	-	18,946	-
Government Grants Amortisation	-	-	-	6,806	-
CFCR	-	-	-	(2,732)	-
FRS17 Adjustments	-	-	1,407	(1,407)	-
Financial Instruments Adjustments	-	-	-	(74)	-
Revaluation Reserve Balance on Asset Disposals	-	-	-	-	-
Additional Depreciation Adjustment	-	-	-	-	-
PPP Schools Residual Value	-	-	-	646	-
<i>Other Adjustments:</i>					
Pensions Contributions Adjustment	-	-	129	-	129
Balance at 31 March 2009	(3,334)	(1,048)	178,411	(7,431)	(414,121)

### 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. Transfers between the Capital Adjustment Account and the Revaluation Reserve are made for the Revaluation Reserve balance on asset disposals and for the additional depreciation adjustment.

#### 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. Transfer between the Revaluation Reserve and the Capital Adjustment Account are made for the Revaluation Reserve balance on asset disposals and for the additional depreciation adjustment. 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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 30 MOVEMENTS ON RESERVES (CONT)

### **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.

### **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 2009 in respect of equal pay costs. A small number of City Council and Tayside Contracts staff are taking their claims for equal pay compensation through the Employment Tribunal process. Should they be successful, the Council may be required to make payments to these staff in excess of the amounts already provided for in the accounts for the period 2005-2009. It is estimated that the potential liability to the Council is £292,000. 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 2008 (£283,000).

## 32 GENERAL FUND BALANCES

The Balance Sheet shows that the Council has a General Fund balance of £7.431m as at 31 March 2009 (31 March 2008 £8.582m). It is estimated that there are expenditure commitments amounting to £0.669m outstanding at 31 March 2009. These have arisen due to underspends in 2008/2009 and these underspends will be carried forward to 2009/2010 and fully utilised in the new financial year. It was agreed that the sum of £1.300m be taken from balances in setting the 2009/2010 Council Tax. In addition, there are earmarked balances within the General Fund of £0.364m and £0.811m 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 £4.287m as at 31 March 2009.

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 2008			As at 31 March 2009	
Amounts Due From	Amounts Due To		Amounts Due From	Amounts Due To
£000	£000		£000	£000
358	110	Dundee Energy Recycling Limited	1,080	493
62	25	Dundee City Developments Limited	68	-
98	-	Dundee Ice Arena Limited	103	29
169	1	Dundee Contemporary Arts Limited	88	-
-	3	Dovetail Enterprises (1993) Limited	1	53
839	5	Tayside Fire & Rescue Board	960	-
3,132	696	Tayside Joint Police Board	3,236	678
1,144	1,783	Tayside Contracts Joint Committee	1,472	1,954
100	26	Tayside Valuation Joint Board	115	14
23	396	Tay Road Bridge Joint Board	59	116
396	316	Dundee Leisure Limited	291	114
-	-	Discovery Education PLC	-	646

In 2008/2009, 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.

### Change of accounting policy

Under the 2008 SORP, the Council has adopted the amendment to Financial Reporting Standard 17 (Retirement Benefits). As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of the scheme assets at 31 March 2008 has been restated from £592.07m to £586.15m, a decrease of £5.92m resulting in an increase of £5.92m in the FRS 17 pension fund liability.

The net liability at 31 March 2008 has therefore been rebased and has been accounted for as an opening adjustment of £5.92m for the year ended 31 March 2009.

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

2007/2008			2008/2009	
£000	£000		£000	£000
	(147,285)	Deficit at 1 April		(114,710)
	-	Opening Adjustment		(5,920)
(22,068)		Current Service Cost	(18,472)	
19,277		Employer Contributions	21,437	
1,604		Contribution in respect of Unfunded Benefits	1,934	
(110)		Past Service Costs	(393)	
692		Settlements/Curtailments	(117)	
146		Net Return on Assets	<u>(5,797)</u>	
	(459)	Actuarial Gains/(Losses)		(1,408)
	33,044	Difference between Actuarial Contribution Figure and Actual Contribution Figure		(56,245)
	<u>(10)</u>			<u>(128)</u>
	<u>(114,710)</u>	Deficit at 31 March		<u>(178,411)</u>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 34 PENSIONS - DEFINED BENEFITS SCHEMES (CONT)

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions, however the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

2007/2008 £000	Net Cost of Services:	2008/2009 £000
22,068	Current Service Cost	18,472
110	Past Service Cost	393
<u>(692)</u>	(Gains)/Losses on settlements and curtailments	<u>117</u>
<u>21,486</u>	Total Operating Charge (A)	<u>18,982</u>
	<b>Net Operating Expenditure:</b>	
41,260	Expected Return on Employer Assets	41,262
<u>(41,114)</u>	Interest on Pension Scheme Liabilities	<u>(47,059)</u>
<u>146</u>	Net Return (B)	<u>(5,797)</u>
<u>21,340</u>	<b>Net Income &amp; Expenditure Account Cost (A) - (B)</b>	<u>24,779</u>

Statement of Movement on the General Fund Balance:

2007/2008 £000		2008/2009 £000
<u>(21,340)</u>	Reversal of net charges made for retirement benefits in accordance with FRS 17	<u>(24,779)</u>

Actual amount charged against the General Fund Balance for pensions in the year:

2007/2008 £000		2008/2009 £000
<u>20,881</u>	Employers' contributions payable to the scheme	<u>23,371</u>

In addition to the recognised gains and losses included in the Income and Expenditure Account, an opening adjustment of a £5.92m loss and actuarial losses of £56.245m (2007/2008 £33.044m gain) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses in the Statement of Total Recognised Gains and Losses is £8.659m gain.

### Assets and liabilities in relation to retirement benefits

Reconciliation of fair value of scheme assets:

2007/2008 £000		2008/2009 £000
606,014	Fair value of scheme assets at 31 March 2008	592,068
-	Opening Adjustment	(5,920)
41,260	Expected rate of return	41,262
<u>(71,072)</u>	Actuarial gains/(losses)	<u>(155,430)</u>
20,872	Contributions by employer including unfunded pensions	23,243
6,730	Contributions by scheme participants	7,103
<u>(1,559)</u>	Receipt of bulk transfer value	<u>-</u>
<u>(10,177)</u>	Estimate benefits paid net of transfers in including unfunded pensions	<u>(24,413)</u>
<u>592,068</u>	Fair value of scheme assets at 31 March 2009	<u>477,913</u>

Reconciliation of present value of scheme liabilities:

2007/2008 £000		2008/2009 £000
753,301	Defined Benefit Liability at 31 March 2008	706,779
22,068	Current Service Cost	18,472
41,114	Interest Cost	47,059
<u>(104,116)</u>	Actuarial losses/(gains)	<u>(99,185)</u>
<u>(692)</u>	(Gains)/Losses on curtailments	<u>117</u>
<u>(10,246)</u>	Estimated benefits paid net of transfers in	<u>(23,094)</u>
110	Past service costs	393
6,730	Contributions by Scheme participants	7,103
<u>(1,490)</u>	Unfunded pension payments	<u>(1,319)</u>
<u>706,779</u>	Defined Benefit Liability at 31 March 2009	<u>656,325</u>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 34 PENSIONS - DEFINED BENEFITS SCHEMES (CONT)

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

The actual return on scheme assets in the year was (£124.447m) (2007/2008 (£29.673m)).

### Scheme History

Amounts for the current and previous periods (for consistency, all assets have been shown at bid price, estimated where necessary, for all periods):

	Year to 31.3.2005	Year to 31.3.2006	Year to 31.3.2007	Year to 31.3.2008	Year to 31.3.2009
	£000	£000	£000	£000	£000
Present Value of liabilities	(650,857)	(752,375)	(753,301)	(706,779)	(656,324)
Fair Value of scheme assets	<u>455,236</u>	<u>551,057</u>	<u>599,956</u>	<u>592,068</u>	<u>477,913</u>
Surplus/(deficit) of the scheme	<u>(195,621)</u>	<u>(201,318)</u>	<u>(153,345)</u>	<u>(114,711)</u>	<u>(178,411)</u>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £178.411m has a substantial impact on the net worth of Dundee City Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit means that the projected net liability on the Tayside Superannuation Fund will be recouped as necessary by increased employer's contributions, as assessed by the scheme actuary.

The total employer contributions expected to be made for the year to 31 March 2010 is £22.523m.

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Tayside Superannuation Fund has been assessed by Barnett Waddingham, an independent firm of actuaries, based on the latest triennial actuarial valuation as at 31 March 2008.

The principal assumptions used by the actuary are:

2007/2008		2008/2009
Long-term expected rate of return on assets in the scheme:		
7.6%	Equities	7.8%
4.3%	Gifts	4.0%
6.6%	Bonds	6.5%
7.1%	Property	7.3%
5.0%	Cash	3.0%
Assumed Life Expectancy from age 65:		
Retiring today:		
-	Men	21.37
-	Women	24.44
Retiring in 20 years time:		
-	Men	22.30
-	Women	25.34
3.7%	Rate of inflation	3.0%
5.2%	Rate of increase in salaries	4.5%
3.7%	Rate of increase in pensions	3.0%
6.6%	Rate for discounting scheme liabilities	6.7%

The Tayside Superannuation Fund's assets consist of the following categories, by proportion of the total assets held:

31 March 2008		31 March 2009
£000		£000
68.7%	Equities	64.4%
12.7%	Gilts	11.5%
4.9%	Other Bonds	8.5%
10.9%	Property	10.1%
<u>2.8%</u>	Cash	<u>5.5%</u>
<u>100.0%</u>	Total	<u>100.0%</u>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 34 PENSIONS - DEFINED BENEFITS SCHEMES (CONT)

### History of experienced gains and losses:

The actuarial gains identified as movements on the Pensions Reserve in 2008/2009 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009 (for consistency, assets have been shown at bid price, estimated where necessary):

	Year to 31.3.2005	Year to 31.3.2006	Year to 31.3.2007	Year to 31.3.2008	Year to 31.3.2009
Differences between the expected and actual return on assets:	22,587	93,963	11,625	(71,072)	(155,430)
Value of assets	455,236	551,057	599,956	592,068	477,913
Percentage of assets	5.0%	17.0%	1.9%	(12.0%)	(32.5%)
Experience gains/(losses) on liabilities	-	(2,665)	-	-	(5,638)
Present Value of liabilities	650,857	752,375	753,301	706,779	656,324
Percentage of present value of liabilities	-	(0.4%)	-	-	(0.9%)

## 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.

As at 31 March 2008 £000		As at 31 March 2009 £000
	<b>Sundry Debtors</b>	
15,614	Government, EC and Other Grants	5,842
2,782	Rates due and unpaid	3,109
<u>(909)</u>	Less provision for Bad Debts	<u>(1,013)</u>
1,873		2,096
2,958	Community Charge due and unpaid	2,625
<u>(2,674)</u>	Less provision for Bad Debts	<u>(2,409)</u>
284		216
17,083	Council Tax due and unpaid	17,592
<u>(11,292)</u>	Less provision for Bad Debts	<u>(11,778)</u>
5,791		5,814
3,498	Statutory Additions due and unpaid	3,698
<u>(2,328)</u>	Less provision for Bad Debts	<u>(2,475)</u>
1,170		1,223
37,310	General Debtors	34,219
<u>(3,898)</u>	Less provision for Bad Debts	<u>(4,286)</u>
33,412		29,933
<u>58,144</u>		<u>45,124</u>
	<b>Sundry Creditors</b>	
(12,840)	Government, EC and Other Grants	(7,734)
(843)	Loans Fund Interest etc	(701)
<u>(42,421)</u>	General Creditors	<u>(38,140)</u>
<u>(56,104)</u>		<u>(46,575)</u>

## 36 EVENTS AFTER THE BALANCE SHEET DATE

There were no events that occurred between 1 April 2009 and 30 September 2009 that would require adjustment to the 2008/2009 financial statements (2007/2008 None). The later date is the date on which the audited accounts were authorised for issue by the Head of Finance.



# 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. The property costs for the centre are part of the overall pooled funds arrangement.
- 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 2008/2009 was as follows:

2007/2008 Actual £000		2008/2009 Actual £000
<u>642</u>	<b>Expenditure</b>	<u>834</u>
	<b>Income</b>	
288	Dundee City Council	388
<u>354</u>	NHS Tayside	<u>446</u>
<u>642</u>		<u>834</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 2008			31 March 2009	
Current £000	Long-term £000		Current £000	Long-term £000
		<b>Financial Assets</b>		
		Loans and receivables		
35,245	-	Temporary Advances	35,822	-
103	-	Cash and Bank	102	-
-	864	Soft Loans	-	432
-	5,948	Other Loans at Market Rates	-	8,479
		Available-for-sale financial assets		
560	-	- Short Term Investments	409	-
		Unquoted equity investment at cost		
-	7	- Other Investments	-	7
-	-	Financial Assets at fair value through profit or loss	-	-
<u>35,908</u>	<u>6,819</u>	<b>Total Financial Assets</b>	<u>36,333</u>	<u>8,918</u>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 38 FINANCIAL INSTRUMENTS (CONT)

31 March 2008		Financial liabilities	31 March 2009	
Current £000	Long-term £000		Current £000	Long-term £000
		Financial liabilities at amortised cost		
6,545	303,133	Borrowing Repayable	1,143	307,636
11,072	-	Temporary Advances from Other Accounts	12,476	-
49	-	Covenant Deferred Liability	-	-
18,076	-	Bank Overdraft	22,647	-
-	-	Financial liabilities at fair value through profit and loss	-	-
<u>35,742</u>	<u>303,133</u>	<b>Total Financial liabilities</b>	<u>36,266</u>	<u>307,636</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 Instruments Gains & Losses

The gains and losses for 2008/2009 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 £000	Loans and receivables £000	Available- for-sale assets £000	Unquoted equity investment at cost £000	Total £000
Interest expense	19,437	-	-	-	19,437
Losses on derecognition	-	-	-	-	-
Impairment losses	-	-	-	-	-
<b>Interest payable and Similar Charges</b>	<u>19,437</u>	-	-	-	<u>19,437</u>
Income and Investment income	-	(3,383)	(23)	-	(3,406)
Gains on derecognition	-	-	-	-	-
<b>Interest and Investment income</b>	<u>-</u>	<u>(3,383)</u>	<u>(23)</u>	<u>-</u>	<u>(3,406)</u>
Gains on revaluation			-		-
Losses on revaluation			147		147
Amounts recycled to I & E Account after impairment			-		-
<b>Losses arising on revaluation of financial assets</b>			<u>147</u>		<u>147</u>
<b>Net (gain)/loss for the year</b>	<u>19,437</u>	<u>(3,383)</u>	<u>124</u>	<u>-</u>	<u>16,178</u>

### 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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 38 FINANCIAL INSTRUMENTS (CONT)

31 March 2008				31 March 2009	
Carrying Amount	Fair Value		Ref	Carrying Amount	Fair Value
£000	£000		(see below)	£000	£000
<b>Financial liabilities</b>					
Financial liabilities					
309,678	362,315	- Borrowing Repayable	i	308,779	367,149
11,072	11,072	- Temporary Advances from Other Accounts	ii	12,476	12,476
49	49	- Covenant Deferred Liability	iii	-	-
18,076	18,076	- Bank Overdraft	iv	22,647	22,647
-	-	Financial liabilities at fair value through profit and loss		-	-
<u>338,875</u>	<u>391,512</u>			<u>343,902</u>	<u>402,272</u>
<b>Financial Assets</b>					
Loans and receivables					
35,245	35,228	- Temporary Advances	i	35,822	36,156
103	103	- Cash and Bank	iv	102	102
864	864	- Soft Loans	v	432	432
5,948	5,948	- Other Loans at Markets Rates	vi	8,479	8,479
Available-for-sale financial assets					
560	560	- Short Term Investments	vii	409	409
Unquoted equity investment at cost					
7	n/a	- Other Investments	viii	7	n/a
-	-	Financial Assets at fair value through profit or loss		-	-
<u>42,727</u>	<u>42,703</u>			<u>45,251</u>	<u>45,578</u>

### 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.

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

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

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

*Discount rates used in NPV calculation* - The rates quoted in this valuation were obtained for the market on 31 March 2009, 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. This was fully repaid during the year.

# 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

This relates to the investment in Discovery (Education) Holdings Ltd (Note 28) which has no quoted market price, 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). Two institutions were downgraded to F2 after advances were made. This policy also sets maximum exposure to individual banks and restricts lending to periods of less than one year. The fair value of these advances as at 31 March 2009 was £35.204m. None of the advances are past due or impaired. The analysis of principal by credit risk (on an historical cost basis) is shown below:

31 March 2008		31 March 2009
£000		£000
-	Other Local Authorities	5,000
19,600	Above F1	18,870
15,500	F1	2,000
-	F2	9,000
<u>35,100</u>		<u>34,870</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:

31 March 2008		31 March 2009
£000		£000
6,545	Less than 1 year	1,446
6,005	Between 1 and 2 years	945
36,114	Between 2 and 5 years	22,433
11,986	Between 5 and 10 years	11,712
<u>243,956</u>	More than 10 years	<u>266,966</u>
<u>304,606</u>		<u>303,502</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

#### Loans and Receivables - Temporary Advances

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 actual value during the year the income of the Council would have fallen by £183,000. An interest rate of 105% of the actual value would have had an equal and opposite effect on the basis that all other variables remain constant.

## 39 UNDISCHARGED OBLIGATIONS ARISING FROM LONG-TERM CONTRACTS

The Council has entered into a PPP contract with Discovery Education PLC to construct, maintain and facilities-manage six new primary schools and two new secondary schools in the city. The contract was signed on 19 February 2007 and is for a period of 30 years. Four primary schools and two secondary schools became operational during 2008/2009:

Claypotts Primary School	-	May 2008
Craigowl Primary School	-	May 2008
Downfield Primary School	-	May 2008
St Andrew's RC Primary School	-	May 2008
Grove Academy Phase 1	-	August 2008
St Paul's RC Academy	-	November 2008

The remaining two primary schools (Fintry and Rowantree) became operational in April 2009 and Grove Academy Phase 2 is expected to become operational in October 2009.

Payments under the contract commenced in May 2008 when the first school became available for use. Total payments in 2008/2009 under the contract were £4,620,200 (2007/2008 Nil). The annual payment to Discovery Education PLC will increase to a maximum of £9.517m (at current prices) in 2010/2011, once all the schools are operational and depending on the service performance of the contractor. Under the terms of the contract, the annual unitary charge will increase each year in line with inflation, as measured by the Retail Price Index.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 40 GROSS ASSETS RECOGNISED UNDER A PPP ARRANGEMENT

The Council has entered into a PPP contract with Discovery Education PLC to construct, maintain and facilities - manage six new primary schools and two new secondary schools in the city. The contract was signed on 19 February 2007 and is for a period of 30 years. The relevant accounting guidance is contained in Financial Reporting Standard 5 (Reporting the Substance of Transactions) as amended by Application Note F, and in Treasury guidance. The Council has reviewed the terms of the schools' PPP contract in line with this guidance and has concluded that the new schools should not be recorded as tangible fixed assets in the Council's Balance Sheet. Under the terms of the guidance, however, two items have been recognised in the Council's Balance Sheet at 31 March 2009:

- i a long term debtor of £0.696m for the residual value of the schools.
- ii a deferred consideration of £1.446m for the notional value of Council-owned land used in the project.

Further details on these two items are contained in note 21 on page 26.

## 41 LANDFILL ALLOWANCE TRADING SCHEME

The Waste & Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste disposal to landfill. The Landfill Allowance Scheme was introduced in 2005 as a mechanism to enable Scotland to comply with the European Union Landfill Directive. The main purpose of the Landfill Directive is to prevent or reduce as far as possible the negative effects of land-filling waste on the environment and human health. The Landfill Directive sets time-based limits on the amount of biodegradable waste that each member state is permitted to send to landfill. Failure to meet these targets will result in significant financial penalties being imposed by the EU. In order to comply with the Directive, the Scottish Government allocated allowances to each Local Authority at a level that would achieve the required amount of landfill diversion. These allowances were first introduced in 2005/2006, and reduced year-on-year until the first EU target year of 2010. Any local authority exceeding their allowance could potentially be subject to financial penalties set by the Scottish Government. In order to aid compliance, a system was introduced whereby authorities could bank allowances in years where they were under their target, borrow from future years if they would exceed their target, or trade with other Local Authorities at a monetary value. The trading aspect of the scheme came into force in Scotland on 1 April 2008, but was subsequently suspended in October 2008. As at 31 March 2008 and 31 March 2009, the Council had a significant excess of allowances. The suspension of the scheme, however (and the absence of a developed trading market in Scotland) means that these excess allowances have no intrinsic value. Accordingly, no entries have been made in the Income & Expenditure Account or Balance Sheet in relation to Landfill Allowances.

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

2007/2008		2008/2009	
£000		£000	
(21,870)	<b>Surplus/(Deficit) for the year per Income &amp; Expenditure Account</b>		(86,544)
	<u>Non-cash Transactions</u>		
48,028	Depreciation & Impairment	104,967	
(2,983)	Government Grants etc Amortisation	(6,806)	
459	FRS17 Adjustments	1,407	
28	Financial Instruments Adjustments	-	
<u>(2,442)</u>	Other Adjustments	<u>(642)</u>	
43,090			98,926
	<u>Items on an Accruals Basis</u>		
(126)	(Increase)/decrease in Stores & Work-in-Progress	24	
(442)	(Increase)/decrease in Debtors	4,875	
<u>7,042</u>	Increase/(decrease) in Creditors	<u>(4,507)</u>	
6,474			392
	<u>Items Classified Elsewhere in the Cash Flow Statement</u>		
19,611	Add Interest Payable & Similar Charges	19,437	
(2,541)	Less Interest & Investment Income	(3,352)	
<u>(1,920)</u>	Less (Gain)/Loss on Disposal of Fixed Assets	<u>3,009</u>	
<u>15,150</u>			<u>19,094</u>
<u>42,844</u>	Net Cash Inflow from Revenue Activities		<u>31,868</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2007/2008		2008/2009
£000		£000      £000
(3,252)	Increase/(Decrease) in Cash in the Period	(4,572)
16,275	Movement in Liquid Resources	(230)
(1,603)	(Increase) in Borrowing	(301)
<u>200</u>	Reduction in Long-Term Liability	<u>49</u>
11,620	Change in Net Debt	(5,054)
<u>(310,220)</u>	Opening Net Debt at 1 April	<u>(298,600)</u>
<u>(298,600)</u>	Closing Net Debt at 31 March	<u>(303,654)</u>

Analysis of Movement in Net Debt	Restated 1 April 2008 £000	Cash Flows £000	Non Cash Changes £000	31 March 2009 £000
<b>Cash</b>				
Cash & Bank	103	(1)	-	102
Bank Overdraft	<u>(18,076)</u>	<u>(4,571)</u>	-	<u>(22,647)</u>
	<u>(17,973)</u>	<u>(4,572)</u>	-	<u>(22,545)</u>
Liquid Resources *	<u>35,100</u>	<u>(230)</u>	-	<u>34,870</u>
<b>Borrowing</b>				
Short-Term Advances from Other Accounts	(11,375)	(1,329)	-	(12,704)
Short-Term Loans	(120)	(94)	-	(214)
Long-Term Loans Repayable within One Year	(1,122)	1,122	(1,004)	(1,004)
Long-Term Loans	<u>(303,061)</u>	<u>-</u>	<u>1,004</u>	<u>(302,057)</u>
	<u>(315,678)</u>	<u>(301)</u>	-	<u>(315,979)</u>
Covenant Deferred Liability	<u>(49)</u>	<u>49</u>	-	<u>-</u>
<b>TOTAL NET DEBT</b>	<u>(298,600)</u>	<u>(5,054)</u>	<u>-</u>	<u>(303,654)</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.

### 44 CASH FLOW STATEMENT - ANALYSIS OF GOVERNMENT GRANTS

2007/2008		2008/2009
Actual		Actual
£000		£000
185,163	Revenue Support Grant	223,201
65,767	DWP Grant (Benefits Subsidy)	67,709
12,055	Supporting People	-*
7,156	National Priorities Action Fund	-*
5,386	Criminal Justice Services	5,265
6,484	Community Regeneration Fund	2,227
935	Changing Children's Services Fund	-*
2,312	Benefits Administration Grant	2,297
2,374	Community Wardens/Anti Social Behaviour	-*
1,000	Working for Families Fund	-
600	Ardler Debt Servicing	-
415	Modernising Government/Efficiency and Reform	400
846	Housing Implementation Act	499
2,250	Housing Estate Regeneration Fund	-
2,173	Private Sector Housing Grant	2,190
718	Central Waterfront	-
837	Vacant and Derelict Land Fund	2,933
1,558	Strategic Waste Fund	-*
461	Night Time Noise Team	-*
-	Fairer Scotland Fund	8,441
-	Deprived Areas Fund	373
<u>10,324</u>	Other Various	<u>8,806</u>
<u>308,814</u>		<u>321,341</u>

\* These ring-fenced grants were mainstreamed into Revenue Support Grant in 2008/2009.

# COUNCIL TAX INCOME ACCOUNT

2007/2008 £000		2008/2009 £000	£000
74,004	Gross Charge		74,722
(7,346)	Deduct - Exemptions	(7,195)	
(57)	- Disabled Relief	(58)	
<u>(8,078)</u>	- Discounts	<u>(8,207)</u>	
<u>(15,481)</u>			<u>(15,460)</u>
58,523	Net Council Tax		59,262
(12,798)	Deduct - Rebates	(12,702)	
<u>12,997</u>	- Less: DWP Grant (Benefits Subsidy)	<u>12,918</u>	
199			216
(11)	- MOD Properties		(12)
11	- Contribution Received		12
<u>(2,249)</u>	Provision for Bad Debts/Exemptions/Discounts		<u>(2,139)</u>
<u>56,473</u>	<b>Total Council Tax Income for Current Financial Year</b>		<u>57,339</u>
(617)	Adjustment to Previous Years' Council Tax		(478)
<u>510</u>	Adjustment to Previous Years' Provision for Bad Debts		<u>507</u>
<u>(107)</u>	Total Adjustments for Previous Years		<u>29</u>
<u>56,366</u>	<b>Total Council Tax Income</b>		<u>57,368</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 people with disabilities.

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 2008/2009 charges levied. Details of the calculation of the Council Tax base are shown at Note 2.

<u>Council Tax</u> <u>Charge</u> <u>2007/2008</u> £	<u>Valuation</u> <u>Band</u>	<u>Property</u> <u>Valuation</u> <u>Range</u>	<u>Fraction</u> <u>of</u> <u>Band D</u>	<u>Council Tax</u> <u>Charge</u> <u>2008/2009</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

2007/2008	Council Tax Base	2008/2009								TOTAL
		A	B	C	D	E	F	G	H	
72,382	Total Number of Properties	30,550	16,746	8,122	8,143	6,523	2,096	942	44	73,166
(7,865)	<u>Less</u> Exemptions/Deductions	(4,043)	(1,438)	(756)	(1,517)	(717)	(91)	(23)	(11)	(8,596)
<u>(8,456)</u>	<u>Less</u> Adjustment for Single Chargepayers	<u>(4,527)</u>	<u>(1,956)</u>	<u>(825)</u>	<u>(648)</u>	<u>(400)</u>	<u>(105)</u>	<u>(46)</u>	<u>(6)</u>	<u>(8,513)</u>
56,061	Effective Number of Properties	21,980	13,352	6,541	5,978	5,406	1,900	873	27	56,057
	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>14,651</u>	<u>10,385</u>	<u>5,814</u>	<u>5,978</u>	<u>6,607</u>	<u>2,744</u>	<u>1,455</u>	<u>54</u>	47,688
<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									47,700
<u>(1,521)</u>	<u>Less</u> Provision for Non-Collection 3.2%									<u>(1,526)</u>
<u>45,999</u>										<u>46,174</u>
		COUNCIL TAX BASE 2008/2009 (equivalent to a Band D Council Tax of £1,211)								

## NON-DOMESTIC RATE INCOME ACCOUNT

2007/2008 £000		2008/2009 £000
73,956	Gross Rate Levied	77,565
173	Transitional Surcharge	-
<u>(671)</u>	Transitional Relief	-
73,458		77,565
	Deduct:	
(5,431)	Exemptions, Voids and Partially Occupied Properties	(5,353)
(1,407)	Disabled Relief	(1,503)
(6,136)	Other Reliefs, Charities, etc	(7,703)
(1,232)	Relieved on Appeal	(2,065)
<u>1,519</u>	Provision for Bad Debts/Abatements	<u>(1,110)</u>
<u>57,733</u>		<u>59,831</u>
	Adjustments to Previous Years:	
(70)	Interest on Overpaid Rates	(96)
<u>322</u>	Bad Debts/Abatements	<u>(167)</u>
<u>57,985</u>		<u>59,568</u>
	<b>Allocated as follows:</b>	
58,145	Contribution to National Non-Domestic Rate Pool	59,646
<u>(160)</u>	City Council Non-Domestic Rates	<u>(78)</u>
<u>57,985</u>		<u>59,568</u>
	<b>National Non-Domestic Rate Pool:</b>	
58,145	Contribution to National Non-Domestic Rate Pool	59,646
<u>(51,896)</u>	Contribution from National Non-Domestic Rate Pool	<u>(54,535)</u>
<u>6,249</u>	Net Contribution to National Non-Domestic Rate Pool	<u>5,111</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 2008/2009 was 45.8p (2007/2008 44.1p). For properties with a rateable value of £29,000 or over there was a supplement of 0.4p (2007/2008 0.3p). In 2008/2009, the purpose of this supplement was to finance the Small Business Bonus Scheme which provided relief between 20% and 80% to businesses whose premises have a combined rateable value of £15,000 or less. In 2007/2008, the supplement financed the Small Business Rate Relief Scheme which provided relief between 5% and 50% on properties with a rateable value of £11,500 or less.

### 2 RATEABLE SUBJECTS AND VALUES

2007	<u>Non-Domestic Rateable Subjects at 1 April</u>	2008
2,966	Commercial	2,974
1,314	Industrial	1,310
<u>1,344</u>	Miscellaneous	<u>1,362</u>
<u>5,624</u>		<u>5,646</u>
<b>2007</b>	<b><u>Non-Domestic Rateable Values at 1 April</u></b>	<b>2008</b>
<b>£000</b>		<b>£000</b>
85,765	Commercial	86,690
34,456	Industrial	33,809
<u>45,961</u>	Miscellaneous	<u>46,198</u>
<u>166,182</u>		<u>166,697</u>

# HOUSING REVENUE ACCOUNT: INCOME AND EXPENDITURE ACCOUNT

2007/2008 Net Expenditure/ (Income) £000		2008/2009	
		Actual Expenditure/ (Income) £000	Budgeted Expenditure/ (Income) £000
	<b>INCOME</b>		
(38,498)	Dwelling Rents (gross)	(39,075)	(38,908)
(867)	Non-dwelling Rents (gross)	(905)	(812)
(107)	Housing Support Grant	(92)	(106)
(8,427)	Other Income	(5,531)	(5,005)
<hr/>		<hr/>	<hr/>
(47,899)		(45,603)	(44,831)
	<b>EXPENDITURE</b>		
20,720	Repairs and Maintenance	18,157	16,780
12,216	Supervision and Management	11,980	11,660
15,000	Depreciation and Impairment of Fixed Assets	55,166	55,166
1,377	Bad Debts and Voids	1,755	1,354
396	Other Expenditure	396	396
<hr/>		<hr/>	<hr/>
49,709		87,454	85,356
	<b>Net Cost of HRA Services as included in the whole authority Income and Expenditure Account</b>		
1,810		41,851	40,525
235	HRA share of Corporate and Democratic Core	326	387
-	HRA share of other amounts included in the whole authority Net Cost of Services	-	-
<hr/>		<hr/>	<hr/>
2,045	<b>Net Cost of HRA Services</b>	42,177	40,912
	HRA share of the operating income and expenditure included in the whole authority accounts:		
(4,191)	(Gain) or loss on sale of HRA fixed assets	(2,043)	(2,043)
7,560	Interest payable and similar charges	7,164	7,661
(269)	Interest and investment income	(59)	(200)
(9)	Pensions interest costs and expected return on pension assets	356	356
<hr/>		<hr/>	<hr/>
<u>5,136</u>	<b>(Surplus)/Deficit for the year on HRA services</b>	<u>47,595</u>	<u>46,686</u>

## STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

Actual 2007/2008 £000		Actual 2008/2009 £000	£000	Budget 2008/2009 £000	£000
	<b>Increase or Decrease in the Housing Revenue Account Balance for the year comprising:</b>				
5,136	<b>(Surplus)/Deficit for the year on the HRA Income &amp; Expenditure Account</b>		47,595		46,686
	<b>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</b>				
(179)	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.		(145)		(145)
4,191	Gain or (loss) on sale of HRA Fixed Assets		2,043		2,043
(123)	HRA Share of Contributions from the Pensions Reserve		(44)		16
17	Capital Expenditure funded by the HRA		537		-
	Transfer from the Capital Adjustment Account:				
(15,022)	Depreciation and Impairment	(55,191)		(55,191)	
22	Amortisation of Government Grants	25		25	
6,505	Loan Repayments	<u>6,756</u>		<u>6,566</u>	
(8,495)			(48,410)		(48,600)
(547)	Transfer to/(from) the General Fund		(1,576)		-
(5,136)			(47,595)		(46,686)
-	<b>Increase or decrease on the HRA Balance for the year</b>		-		-
-	<b>HRA Balance brought forward</b>		-		-
-	<b>HRA Balance carried forward</b>		-		-

# NOTES TO THE HOUSING REVENUE ACCOUNT

**1 GROSS RENT INCOME**

This is the total rent income for the year. Average annual rents charged were £52.91 per week in 2008/2009 (2007/2008 £50.47).

**2 HOUSING STOCK**

The Council was responsible for managing 14,990 dwellings as at 31 March 2009 (31 March 2008 15,163). The stock was made up as follows:

2008			2009	
<u>Number</u>	<u>%</u>		<u>Number</u>	<u>%</u>
3,452	23	Houses	3,437	23
10,597	70	Flats	10,448	70
1,114	7	Maisonettes	1,105	7
<hr/>	<hr/>		<hr/>	<hr/>
<u>15,163</u>	<u>100</u>		<u>14,990</u>	<u>100</u>

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

15,683	Stock at 1 April	15,163
-	Add: Acquisitions	15
(216)	Less: Sales	(115)
(304)	Less: Demolitions etc	(73)
<hr/>		<hr/>
<u>15,163</u>	Stock at 31 March	<u>14,990</u>

Within the Housing Stock of 14,990 a total of 1,159 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 2009 was £402,606 (31 March 2008 £360,294) which is equivalent to 1.05% (2007/2008 0.96%) of rent collectable from tenants. The provision for doubtful debts was increased to £852,290 (2007/2008 £722,250).

Rent arrears at 31 March 2009 were £1,362,638 or 3.55% (31 March 2008 £1,168,768 or 3.11%) of rent collectable and this equated to an average rent arrears per house of £98.63 (2007/2008 £82.93). These figures are net of prepaid rents as at 31 March 2009.

**4 EXCEPTIONAL OR PRIOR YEAR ITEMS**

There are no exceptional or prior year items in 2008/2009 (2007/2008 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 2008 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 a Charitable Trust Fund (the Fleming Trust). A further adjustment has been made to incorporate a proportion of the Balance Sheet of Tayside Contracts, which is accounted for as a joint arrangement.

The Group Accounts have been prepared using the "equity" method of consolidation, with appropriate summarisation of the 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 £102.605m, a movement of £16.061m from the deficit of £86.544m 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 £251.951m, 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 tangible fixed assets under Plant & Vehicles, Equipment has been treated by DERL as a finance lease and capitalised in their Balance Sheet. The City Council has treated the same lease as an operating lease. As a result, an adjustment is required on consolidation to align the policies and eliminate the Groups share of DERL's fixed assets, to leave a net liability of £2.082m 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 2007/2008. 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 2009 were used.

The Board's draft Income & Expenditure Account shows a net deficit for 2008/2009 of £25.253m, of which £11.465m (45.4%) has been included in the Group Accounts. The Board's draft Balance Sheet shows a net liability of £412.568m, of which £187.305m (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 2007/2008. 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 2009 were used.

The Board's draft Income & Revenue Expenditure Account shows a net deficit for 2008/2009 of £8.949m, of which £4.652m (52%) has been included in the Group Accounts. The Board's draft Balance Sheet shows a net liability of £129.791m, of which £67.491m (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 2007/2008. 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 34.64% based on the percentage of funding requisitions for the Board. The Board's accounting period is 31 March. For the purpose of consolidation and disclosure, draft statutory accounts to the year ended 31 March 2009 were used.

The Board's draft Income & Expenditure Account shows a net surplus for 2008/2009 of £0.020m of which £0.008m (34.64%) has been included in the Group Accounts. The Board's draft Balance Sheet shows a net liability of £2.985m, of which £1.032m (34.64%) has been included in the Group Accounts.

## **DUNDEE CITY DEVELOPMENTS LIMITED**

Dundee City Developments Limited (DCD) was established in 1999 as a company limited by guarantee to continue the process of economic regeneration and to maintain momentum across a range of economic development initiatives in the city. Dundee City Council provided this company with a loan of £500,000 primarily to provide the company with initial working capital. The loan has been repaid during 2008/2009 and this has eliminated the 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 2009 (28.57% at 30 April 2008). 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 2009 have been used and adjusted to 31 March 2009. The company's draft Profit & Loss Account shows a profit of £0.160m for the year to 31 March 2009, of which £0.045m (28.57%) has been included in the Group Accounts. The company's draft Balance Sheet shows a net asset of £1.746m of which £0.498m has been included in the Group Accounts.

## **DUNDEE ENERGY RECYCLING LIMITED**

Dundee Energy Recycling Limited (DERL) is a special purpose company, established in order to construct and operate a Waste-to-Energy Plant at Baldovie, Dundee. The plant was taken over from the construction contractor on 31 March 2000. On the same date, a 20 year contract commenced between the Council and DERL for the disposal of domestic refuse. The company was financially restructured in March 2004, as part of which the Council purchased the plant from DERL and leased it back at a commercial rate. The Council has 5,362,181 Deferred Shares of £1 par value in the company. 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 2009 is Nil (31 March 2008 Nil). The Council owned 40% of the £100 Ordinary Share Capital of DERL at 31 March 2009 (40% at 31 March 2008). 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 statutory accounts to 31 December 2008 have been used. The company's draft Profit & Loss Account shows a loss of £0.472m for the year to 31 December 2008, of which £0.190m (40%) has been included in the Group Accounts. The company's draft Balance Sheet shows a net asset of £2.707m. As a result of the divergence of accounting policy regarding the treatment of tangible fixed assets under Vehicles, Plant & Equipment, an adjustment is required upon consolidation to align the policies and eliminate the valuation of the Group's share of DERL's fixed assets, to leave a net liability of £2.082m, 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 an annual management fee to the company. The swimming and leisure facilities are owned by the Council and leased to the company. The Council has provided a loan facility up to £100,000. 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 2009. The company has been consolidated in the Group Accounts on a "net equity" basis. Dundee Leisure Limited's accounting period is 31 March. For the purpose of consolidation and disclosure, draft management accounts to 31 March 2009 have been used. The company's draft Profit & Loss Account shows a loss of £0.030m for the year to 31 March 2009, of which £0.013m (46.67%) has been included in the Group Accounts. The company's draft Balance Sheet shows a net liability of £1.138m, of which £0.531m (46.67%) has been included in the Group Accounts.

## **INVESTMENTS IN RELATED COMPANIES**

Further disclosure on the investments in related companies is shown in note 28 on page 30. No qualifications are expected to the audit opinion in respect of the accounts of the related companies, joint boards or the joint arrangement for 2008/2009 (2007/2008 None).



# GROUP INCOME & EXPENDITURE ACCOUNT

2007/2008 Actual Net Expenditure/ (Income) £000		2008/2009		Actual Net Expenditure/ (Income) £000
		Actual Gross Expenditure £000	Actual Income £000	
	<b>Continuing Services</b>			
122,327	Education Services	160,827	(6,578)	154,249
2,228	General Fund Housing	76,459	(60,714)	15,745
1,810	Housing Revenue Account	87,204	(45,353)	41,851
24,491	Cultural and Related Services	31,262	(5,967)	25,295
17,520	Environmental Services	23,217	(3,911)	19,306
9,836	Roads and Transport Services	16,803	(6,456)	10,347
4,469	Planning and Development Services	12,584	(8,503)	4,081
74,771	Social Work	105,127	(21,571)	83,556
4,183	Corporate and Democratic Core	4,239	(105)	4,134
(436)	Non Distributed Costs	550	-	550
5,534	Central Services to the Public	17,354	(14,106)	3,248
33,587	Joint Boards	35,406	-	35,406
742	Exceptional Item	(481)	-	(481)
148	Common Good	125	-	125
(2,382)	Share of Turnover of Joint Venture	-	(2,384)	(2,384)
2,576	Share of Other Operating Expenses of Joint Venture	2,508	-	2,508
52,621	Share of Operating Results of Associates	51,128	-	51,128
(52,785)	Share of Joint Boards' Requisitions	-	(54,875)	(54,875)
301,240	<b>Net Cost of Continuing Services</b>	624,312	(230,523)	393,789
	<b>Discontinued Operations:</b>			
-	Service Transferring to Dundee Airport Ltd	73	(73)	-
301,240	<b>Net Cost of Services</b>	624,385	(230,596)	393,789
(1,920)	Net (Gain)/Loss on Disposal of Assets			3,009
(35)	Share of Net (Gain)/Loss on Disposal of Assets (Associates and Joint Venture)			(25)
(792)	(Surplus)/Deficit of Trading undertakings or other operations			(645)
19,611	Interest Payable and Similar Charges			19,437
497	Share of Interest Payable (Associates and Joint Venture)			651
(2,872)	Interest and Investment Income			(3,557)
(359)	Share of Interest and Investment Income (Associates and Joint Venture)			(299)
(146)	Pensions Interest Cost and Expected Return on Pensions Assets			5,797
16,693	Share of Pensions Interest Cost and Expected Return on Pensions Assets (Associates)			19,537
331,917	<b>Net Operating Expenditure</b>			437,694
	<b>Income from Taxation &amp; General Government Grants</b>			
(56,601)	Income from Council Tax (incl Residual Community Charge)			(57,431)
(185,163)	Revenue Support Grant			(223,201)
(51,736)	Contribution from National Non-Domestic Rate Pool			(54,457)
<u>38,417</u>	<b>(Surplus)/Deficit for the Year</b>			<u>102,605</u>

## RECONCILIATION OF THE SINGLE ENTITY DEFICIT TO THE GROUP DEFICIT

2007/2008 £000		2008/2009 £000
21,870	(Surplus)/Deficit on the Authority's Single Entity Income & Expenditure Account for the year	86,544
-	<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	-
16,574	Associates	16,051
252	Joint Ventures	190
(279)	Others	(180)
<hr style="width: 100%; border: 0.5px solid black;"/>		<hr style="width: 100%; border: 0.5px solid black;"/>
38,417	<b>Group (Surplus)/Deficit for the Year</b>	102,605
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## GROUP STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

2007/2008 £000		2008/2009 £000
38,417	Net (Surplus)/Deficit for the year	102,605
-	Opening Entry Adjustment to FRS17 Liability	5,962
(70,299)	(Surplus)/Deficit arising on revaluation of fixed assets	(298,014)
165	(Surplus)/Deficit arising on Revaluation of Available for Sale Financial Assets	147
(70,949)	Actuarial (gains)/losses on pension fund assets and liabilities	40,040
-	Notional Value of Council-owned land used in Schools' PPP Project	(1,496)
176	Difference between Actuarial Pensions Contribution Figure and Actual Pensions Contribution Figure	464
(2,600)	Transactions on the Capital Adjustment Account arising from changes in the valuation of Council Houses	-
(387)	Transactions of the Capital Adjustment Account arising from the Transfer of Assets	-
-	Adjustment to the Financial Instrument Adjustment Account arising from the early repayments of loans	(52)
(148)	Other Miscellaneous Adjustments	(8)
<u>(105,625)</u>	<b>Total Recognised (Gains) and Losses for the Year</b>	<u>(150,352)</u>

# GROUP BALANCE SHEET

As at 31 March 2008		As at 31 March 2009	
£000		£000	£000
	<b>TANGIBLE FIXED ASSETS</b>		
	Operational Assets:		
192,831	Council Dwellings	432,934	
375,419	Other Land and Buildings	366,792	
50,323	Vehicles, Plant and Equipment	24,718	
75,600	Infrastructure Assets	78,851	
<u>1,606</u>	Community Assets	<u>1,549</u>	
695,779			904,844
	Non-Operational Assets:		
88,271	Investment Properties	88,828	
16,481	Assets Under Construction	18,334	
<u>2,212</u>	Surplus Assets Held for Disposal	<u>4,131</u>	<u>111,293</u>
802,743	<b>LONG TERM INVESTMENTS</b>		1,016,137
(278,336)	Investments in Associates		(255,861)
	Investment in Joint Venture:		
427	Share of Gross Assets	948	
<u>(1,716)</u>	Share of Gross Liabilities	<u>(3,030)</u>	
(1,289)			(2,082)
1,137	Other Investments		1,137
6,812	<b>LONG TERM DEBTORS</b>		7,781
-	<b>DEFERRED CONSIDERATION</b>		<u>1,448</u>
531,067			768,558
	<b>CURRENT ASSETS</b>		
1,250	Stores and Work In Progress	1,189	
81,606	Sundry Debtors	68,554	
(21,101)	<u>Less</u> Bad Debt Provisions	(21,961)	
975	Short Term Investments	409	
38,881	Short Term Lending	39,286	
<u>103</u>	Cash and Bank	<u>102</u>	
101,714	<b>LESS CURRENT LIABILITIES</b>	<u>87,579</u>	
(17,617)	Borrowing Repayable on Demand or Within 12 Months	(13,619)	
(57,615)	Sundry Creditors	(47,889)	
<u>(19,533)</u>	Bank Overdraft	<u>(23,365)</u>	
<u>(94,765)</u>		<u>(84,873)</u>	
6,949			<u>2,706</u>
538,016	<b>Total Assets Less Net Current Liabilities</b>		771,264
(303,865)	Borrowing Repayable within a Period in Excess of 12 Months	(308,490)	
(643)	Deferred Liabilities	(433)	
(8,361)	Provisions	(6,808)	
<u>(96,228)</u>	Government Grants/Capital Contributions Deferred	<u>(109,450)</u>	
<u>(409,097)</u>			<u>(425,181)</u>
128,919	<b>Net Assets before Pension Liabilities</b>		346,083
<u>(117,101)</u>	Liability Related to Defined Benefit Pension Scheme		<u>(183,913)</u>
<u>11,818</u>	<b>Net Assets</b>		<u>162,170</u>
	<b>Financed By Fund Balances and Reserves:</b>		
319,398	Capital Adjustment Account	260,242	
(5,848)	Financial Instruments Adjustment Account	(5,870)	
68,689	Revaluation Reserve	343,188	
181	Available-for-Sale Financial Instruments Reserve	34	
207	Capital Receipts Reserve	283	
13,122	Capital Fund	15,884	
358	Revaluation Reserve of Associate	286	
4,666	Renewal and Repair Fund	3,403	
1,528	Insurance Fund Reserve	1,048	
(414,046)	Pensions Reserve	(478,131)	
11,552	Common Good & Charitable Trust Fund Balances	10,826	
8,681	General Fund	7,545	
4,456	Associates - Joint Boards' General Reserves	5,281	
<u>(1,124)</u>	Profit & Loss Account of Associates and Joint Ventures	<u>(1,849)</u>	
<u>11,818</u>			<u>162,170</u>

*mm Stewart*

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

# GROUP CASH FLOW STATEMENT

2007/2008 £000		2008/2009	
£000		£000	£000
(42,956)	<b>REVENUE ACTIVITIES</b> <i>Net Cash (Inflow) From Revenue Activities</i>		(33,201)
	<b>RETURNS ON INVESTMENTS &amp; SERVICING OF FINANCE</b>		
	<i>Cash Outflows:</i>		
20,463	Interest Paid	19,960	
44	Interest Element of Finance Lease Rental Payments	34	
	<i>Cash Inflow:</i>		
<u>(2,481)</u>	Interest Received	<u>(2,850)</u>	
18,026			17,144
	<b>CAPITAL ACTIVITIES</b>		
	<i>Cash Outflows:</i>		
50,239	Purchase of Fixed Assets (Non Revenue)	45,388	
4,762	Purchase of Fixed Assets (From Revenue)	1,587	
<u>2,196</u>	Creation of new Long-Term Debtors (Non Revenue)	<u>1,152</u>	
<u>57,197</u>		<u>48,127</u>	
	<i>Cash Inflows:</i>		
(14,759)	Sale of Fixed Assets and Insurance Receipts	(4,773)	
(21,911)	Capital Grants/Contributions etc Received	(21,939)	
<u>(6,920)</u>	Receipts in respect of Long-Term Debtors	<u>(825)</u>	
<u>(43,590)</u>		<u>(27,537)</u>	
13,607			20,590
(11,323)	<i>Net Cash (Inflow)/Outflow Before Financing</i>		4,533
	<b>MANAGEMENT OF LIQUID RESOURCES</b>		
-	Net Increase/(Decrease) in Short-Term Deposits	-	
<u>16,275</u>	Net Increase/(Decrease) in Other Liquid Resources	<u>(230)</u>	
16,275			(230)
	<b>FINANCING</b>		
	<i>Cash Outflows:</i>		
1,039	Repayments of Amounts Borrowed	1,066	
<u>127</u>	Capital Element of Finance Lease Rental Payments	<u>124</u>	
<u>1,166</u>		<u>1,190</u>	
	<i>Cash Inflows:</i>		
(2,251)	New Long-Term Loans Raised	(331)	
<u>(391)</u>	New Short Term Loans Raised	<u>(1,329)</u>	
<u>(2,642)</u>		<u>(1,660)</u>	
<u>(1,476)</u>			<u>(470)</u>
<u>3,476</u>	<i>Net (Increase)/Decrease in Cash</i>		<u>3,833</u>

See notes 2, 3, 4 and 5 on pages 61 and 62

# 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 2008			As at 31 March 2009	
Amounts Due From £000	Amounts Due To £000		Amounts Due From £000	Amounts Due To £000
358	110	Dundee Energy Recycling Limited	1,080	493
62	25	Dundee City Developments Limited	68	-
839	5	Tayside Fire & Rescue Board	960	-
3,132	696	Tayside Joint Police Board	3,236	678
1,144	1,783	Tayside Contracts Joint Committee	1,472	1,954
100	26	Tayside Valuation Joint Board	115	14
396	316	Dundee Leisure Limited	291	114

In addition to the above balances there is a £2.3m loan facility with DERL to provide the company with working capital and assist with cash flow and a loan facility with Dundee Leisure of up to £0.100m.

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

2007/2008 £000		2008/2009 £000	£000
(38,417)	<b>Surplus/(Deficit) for the year per Group Income &amp; Expenditure Account</b>		(102,605)
	<u>Non-cash Transactions</u>		
48,028	Depreciation & Impairment	104,967	
(2,983)	Government Grants etc Amortisation	(6,806)	
459	FRS17 Adjustments	1,407	
28	Financial Instruments Adjustments	-	
16,836	Deficit arising from Other Entities included in the Group Accounts	17,218	
(2,442)	Other Adjustments	(642)	
59,926			116,144
	<u>Items on an Accruals Basis</u>		
(126)	(Increase)/decrease in Stores and Work-in-Progress	24	
(442)	(Increase)/decrease in Debtors	4,875	
7,042	Increase/(decrease) in Creditors	(4,507)	
6,474			392
	<u>Items Classified Elsewhere in the Cash Flow Statement</u>		
20,108	Add Interest Payable & Similar Charges	20,088	
(3,180)	Less Interest & Investment Income	(3,802)	
(1,955)	Less (Gain)/Loss on Disposal of Fixed Assets	2,984	
14,973			19,270
42,956	Net Cash Inflow from Revenue Activities		33,201

## 3 CASH FLOW STATEMENT - EFFECTS OF ACQUISITION OF SUBSIDIARY ACTIVITIES

The City Council has not acquired any subsidiaries during 2008/2009 (2007/2008 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 2008/2009 (2007/2008 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:

<b>2007/2008</b>		<b>2008/2009</b>
<b>£000</b>		<b>£000</b>
	<b>Revenue Activities</b>	
19,023	Cash Outflows	19,068
<u>(19,135)</u>	Cash Inflows	<u>(20,401)</u>
(112)		(1,333)
	<b>Returns on Investment and Servicing of Finance</b>	
56	Interest Paid	239
<u>44</u>	Interest Element of Finance Lease Rental Payments	<u>34</u>
100		273
	<b>Capital Activities</b>	
128	Purchase of Fixed Assets	496
<u>(19)</u>	Sale of Fixed Assets	<u>(6)</u>
109		490
	<b>Financing</b>	
127	Capital Element of Finance Lease Rental Payments	124
-	Loans Repaid	38
<u>-</u>	New Loans Raised	<u>(331)</u>
<u>127</u>		<u>(169)</u>
<u>224</u>	<b>NET EFFECT - DECREASE/(INCREASE) IN CASH</b>	<u>(739)</u>

## 6 ASSOCIATE DISCLOSURE

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

	<u>£000</u>
	<u>45.4%</u>
Turnover	7,515
Profit Before Tax	(11,465)
Taxation	-
Profit After Tax	(11,465)
Fixed Assets	30,689
Current Assets	10,928
Liabilities due within one year	(6,813)
Liabilities due after one year	(221,109)

## 7 COMMITMENT TO MEET LOSSES

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

8 CONSOLIDATION OF COMMON GOOD AND CHARITABLE TRUSTS INTO GROUP ACCOUNTS

	<u>Balance Sheet</u> as at 31 <u>March 2008</u> £000	<u>Gross</u> <u>Income</u> £000	<u>Gross</u> <u>Expenditure</u> £000	<u>Reserves</u> £000	<u>Capital</u> <u>Expenditure</u> <u>/Receipts</u> <u>and</u> <u>Transfers</u> £000	<u>Balance Sheet</u> as at 31 <u>March 2009</u> £000
<b><u>Common Good</u></b>						
Fixed Assets	1	-	-	(1)	-	-
Current Assets	3,362	138	(145)	(118)	-	3,237
Current Liabilities	(20)	-	20	-	-	-
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>3,343</u>	<u>138</u>	<u>(125)</u>	<u>(119)</u>	<u>-</u>	<u>3,237</u>
<b><u>Burial Grounds Perpetuity Fund</u></b>						
Fixed Assets	1,130	-	-	-	(1,130)	-
Current Assets	432	-	-	-	(432)	-
Current Liabilities	(27)	-	-	-	27	-
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>1,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,535)</u>	<u>-</u>
<b><u>Fleming Trust</u></b>						
Fixed Assets	6,359	-	-	748	173	7,280
Current Assets	431	258	(327)	-	-	362
Current Liabilities	(118)	-	66	-	-	(52)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>6,672</u>	<u>258</u>	<u>(261)</u>	<u>748</u>	<u>173</u>	<u>7,590</u>

The Common Good Fund is administered by Dundee City Council for the former Burgh of Dundee. The Fund comprises 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 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 of 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.

The Burial Grounds Perpetuity Fund was 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 derived is used for the purposes of the Fund. The fund was transferred from the Charitable Trust Funds account to the Council's General Fund in 2008/2009.



## TAYSIDE SUPERANNUATION FUND ACCOUNTS

2007/2008 £000	<u>FUND ACCOUNT</u>	2008/2009 £000	£000
	<b>CONTRIBUTIONS AND BENEFITS</b>		
	Contributions receivable:		
(59,250)	From employers	(65,915)	
<u>(19,898)</u>	From members	<u>(21,090)</u>	
(79,148)			(87,005)
(7,739)	Transfers in		(5,901)
	Benefits payable:		
40,365	Pensions	43,325	
<u>12,332</u>	Lump Sums	<u>15,789</u>	
52,697			59,114
	Payments to and on account of Leavers:		
228	Refund of Contributions to Members	242	
103	Refund of Contributions to State Scheme	100	
<u>4,526</u>	Transfers Out	<u>2,928</u>	
4,857			3,270
<u>1,178</u>	Administration Expenses		<u>1,216</u>
(28,155)	Net Additions from dealings with Members		(29,306)
	<b>RETURNS ON INVESTMENTS</b>		
	Investment Income		
(6,186)	Interest from Fixed Interest Securities	(7,629)	
(28,117)	Dividends from Equities	(27,549)	
(5,142)	Income from Index Linked Securities	(4,606)	
(6,206)	Income Pooled Investment Vehicles	(5,843)	
(1,613)	Interest on Cash Deposits	(1,138)	
(2,423)	Other Income	(2,052)	
108,654	Change in Market Value of Investments	382,664	
5,612	Investment Management Expenses	4,361	
<u>638</u>	Taxation	<u>691</u>	
<u>65,217</u>	Net Returns on Investments		<u>338,899</u>
37,062	<b>NET (INCREASE)/DECREASE IN FUND IN THE YEAR</b>		<u>309,593</u>
<u>1,587,567</u>	<b>OPENING NET ASSETS OF THE SCHEME</b>		<u>1,550,505</u>
<u>1,550,505</u>	<b>CLOSING NET ASSETS OF THE SCHEME</b>		<u>1,240,912</u>

# TAYSIDE SUPERANNUATION FUND ACCOUNTS

2008 £000	<u>NET ASSETS STATEMENT (AS AT 31 MARCH)</u>	2009 £000	2009 £000
	<b>INVESTMENT ASSETS AT MARKET VALUE</b>		
	<b>FINANCIAL ASSETS</b>		
	Quoted Investments		
383,835	- UK Equities	277,144	
61,810	- UK Fixed Interest - Public Sector	50,985	
21,663	- UK Fixed Interest - Other	24,286	
50,351	- UK Index Linked - Public Sector	46,211	
1,102	- UK Index Linked - Other	1,042	
441,193	- Overseas Equities	342,914	
41,960	- Overseas Open Ended Investment Companies	29,259	
5,309	- Overseas Fixed Interest - Other	2,445	
34,052	- Overseas Fixed Interest - Public Sector	32,445	
-	- Derivatives (Futures)	1,582	
	Unquoted Investments		
105,981	- UK Open Ended Investment Companies	96,941	
211,432	- Overseas Open Ended Investment Companies	163,976	
146,490	- Property Unit Trusts	107,740	
26,244	Cash Balances held by Fund Managers	47,437	
<u>13,106</u>	Financial Debtors	<u>8,159</u>	
1,544,528	Total Financial Assets		1,232,566
	<b>FINANCIAL LIABILITIES</b>		
-	Derivatives (Futures)	(262)	
<u>(3,026)</u>	Other Financial Liabilities	<u>(2,084)</u>	
<u>(3,026)</u>	Total Financial Liabilities		<u>(2,346)</u>
1,541,502	Net Financial Assets		1,230,220
	<b>CURRENT ASSETS</b>		
2,674	Contributions Due from Employers	3,133	
3,335	Sundry Debtors	2,235	
<u>5,597</u>	Revenue Deposit with Dundee City Council Loans Fund	<u>7,947</u>	
<u>11,606</u>		<u>13,315</u>	
	<b>LESS CURRENT LIABILITIES</b>		
<u>(2,603)</u>	Sundry Creditors	<u>(2,623)</u>	
<u>9,003</u>	<b>NET CURRENT ASSETS</b>		<u>10,692</u>
<u>1,550,505</u>	<b>NET ASSETS</b>		<u>1,240,912</u>

The accounts summarise the transactions and net assets of the fund for the financial year to 31 March 2009. They do not take account of liabilities to pay pensions and other benefits in the future.

*mm Stewart*

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

The unaudited accounts were issued on 30 June 2009 and the audited accounts were authorised for issue on 30 September 2009.

# TAYSIDE TRANSPORT SUPERANNUATION FUND ACCOUNTS

2007/2008 £000	<u>FUND ACCOUNT</u>	2008/2009 £000	£000
	<b>CONTRIBUTIONS AND BENEFITS</b>		
	Contributions receivable:		
(700)	From employers	(900)	
<u>(115)</u>	From members	<u>(105)</u>	(1,005)
(815)			
-	Transfers In		-
	Benefits payable:		
1,676	Pensions	1,738	
<u>236</u>	Lump Sums	<u>524</u>	
1,912			2,262
	Payments to and on account of Leavers:		
-	Refund of Contributions	-	
<u>-</u>	Transfer Out	<u>-</u>	
-			-
<u>33</u>	Administration Expenses		<u>42</u>
1,130	Net Withdrawal from dealing with Members		1,299
	<b>RETURNS ON INVESTMENTS</b>		
	Investment Income		
(337)	Interest from Fixed Interest Securities	(440)	
(664)	Dividends from Equities	(472)	
(315)	Income from Index Linked Securities	(283)	
(136)	Income Pooled Investment Vehicles	(125)	
(68)	Interest on Cash Deposits	(38)	
(49)	Other Income	(2)	
1,895	Change in Market Value of Investments	7,708	
117	Investment Management Expenses	128	
<u>7</u>	Taxation	<u>7</u>	
<u>450</u>	Net Returns on Investments		<u>6,483</u>
1,580	<b>NET (INCREASE)/DECREASE IN FUND DURING THE YEAR</b>		<u>7,782</u>
<u>42,031</u>	<b>OPENING NET ASSETS OF THE SCHEME</b>		<u>40,451</u>
<u>40,451</u>	<b>CLOSING NET ASSETS OF THE SCHEME</b>		<u>32,669</u>

# TAYSIDE TRANSPORT SUPERANNUATION FUND ACCOUNTS

2008 £000	<u>NET ASSETS STATEMENT (AS AT 31 MARCH)</u>	2009 £000	2009 £000
	<b>INVESTMENT ASSETS AT MARKET VALUE</b>		
	<b>FINANCIAL ASSETS</b>		
	Quoted Investments		
9,568	- UK Equities	6,335	
5,639	- UK Fixed Interest - Public Sector	4,609	
1,976	- UK Fixed Interest - Other	2,195	
4,593	- UK Index Linked - Public Sector	4,177	
101	- UK Index Linked - Other	94	
9,579	- Overseas Equities	7,812	
484	- Overseas Fixed Interest - Public Sector	221	
3,106	- Overseas Fixed Interest - Other	2,933	
-	- Derivates (Futures)	133	
	Unquoted Investments		
405	- UK Open Ended Investment Companies	283	
629	- Overseas Open Ended Investment Companies	289	
3,219	- Property Unit Trusts	2,311	
<u>779</u>	Cash Balances held by Fund Managers	<u>1,346</u>	
40,078			32,738
	<b>FINANCIAL LIABILITIES</b>		
-	Derivatives (Futures)	(24)	
<u>(83)</u>	Other Financial Liabilities	<u>(100)</u>	
<u>(83)</u>	Total Financial Liabilities		<u>(124)</u>
39,995	Net Financial Assets		32,614
	<b>CURRENT ASSETS</b>		
9	Sundry Debtors	8	
<u>476</u>	Revenue Deposit with Dundee City Council Loans Fund	<u>71</u>	
485		79	
	<b>LESS CURRENT LIABILITIES</b>		
<u>(29)</u>	Sundry Creditors	<u>(24)</u>	
<u>456</u>	<b>NET CURRENT ASSETS</b>		<u>55</u>
<u>40,451</u>	<b>NET ASSETS</b>		<u>32,669</u>

The accounts summarise the transactions and net assets of the fund for the financial year to 31 March 2009. They do not take account of liabilities to pay pensions and other benefits in the future.

*M M Stewart*

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

The unaudited accounts were issued on 30 June 2009 and the audited accounts were authorised for issue on 30 September 2009.

# 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" (revised May 2007) 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 2009. They do not take account of liabilities to pay pensions and other benefits in the future.

### 2 **Investments**

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

- a UK quoted securities are valued at bid market prices at close of business on the last working day of the financial year.
- b Overseas securities are valued at bid 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 bid market prices on the last working day of the financial year as supplied by the Fund Manager.

Comparative figures for 2007/2008 are stated at middle market price. These have not been adjusted to the new valuation method as the overall affect on the valuation is not considered material.

### 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 2009, 46 bodies were participants in the scheme being 14 "scheduled bodies" and 32 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 & Rescue 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 19,207 employees at 31 March 2009 from 19,195 employees at 31 March 2008. The number of pensioners on the roll at 31 March 2009 was 10,843 compared with 10,480 at 31 March 2008.

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 2007/2008 and 2008/2009 were as follows:-

	Contributions Receivable		Benefits Payable	
	2007/2008	2008/2009	2007/2008	2008/2009
	£000	£000	£000	£000
Dundee City Council	27,791	29,148	20,632	24,876
Other Scheduled Bodies	42,050	48,197	28,495	29,991
Admitted Bodies	<u>9,307</u>	<u>9,660</u>	<u>3,570</u>	<u>4,247</u>
<b>TOTAL</b>	<b><u>79,148</u></b>	<b><u>87,005</u></b>	<b><u>52,697</u></b>	<b><u>59,114</u></b>

### Benefits Payable Include the Following Lump Sum Payments

	2007/08	2008/09
	£000	£000
Retirement Benefits	11,419	14,536
Death Benefits	<u>913</u>	<u>1,253</u>
	<b><u>12,332</u></b>	<b><u>15,789</u></b>

### Pension Fund Administration

During the year, Dundee City Council charged the Tayside Superannuation Fund £1,086,327 for administering the Fund (2007/2008 £1,077,934). 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 2009 the market value of these investment assets was £1,222.9m (31 March 2008 £1,531.4m), managed as follows:

	2008		2009	
	£m	%	£m	%
Baillie Gifford & Co	367.3	24.0	288.6	23.6
Fidelity Pensions Management Equity	334.9	21.9	263.9	21.6
Schroder Properties Limited	175.3	11.5	129.3	10.6
Goldman Sachs	181.1	11.8	164.5	13.5
Alliance Bernstein	374.5	24.4	285.1	23.3
Fidelity Bond	<u>98.4</u>	<u>6.4</u>	<u>91.5</u>	<u>7.4</u>
	<b><u>1,531.4</u></b>	<b><u>100.0</u></b>	<b><u>1,222.9</u></b>	<b><u>100.0</u></b>

## Derivatives - Futures

Summary of contracts held at 31 March 2009

	Settlement Date	Economic Exposure £000	Asset £000	Liability £000	Net £000
FTSE100	3 months	943	28	-	28
S and P 500	3 months	1,171	76	-	76
Eurx E-Schatz	3 months	(7,848)	-	(64)	(64)
Eurx Bobl	3 months	578	17	-	17
Eurx Bund	3 months	5,884	140	-	140
TSE 10 yr JGB	3 months	(11,228)	489	-	489
LIF Long Gilt	3 months	36,915	713	-	713
10 yr Treasury Note	3 months	4,249	117	-	117
5 yr Treasury Note	3 months	74	2	-	2
US Treasury Bonds	3 months	(5,232)	-	(161)	(161)
US 2 yr Treasury Note	3 months	(7,771)	-	(37)	(37)
			<u>1,582</u>	<u>(262)</u>	<u>1,320</u>

The economic exposure represents the nominal value of security purchased under future contracts and therefore the value subject to market movements. All future contracts are exchange traded.

The Fund uses futures for the purposes of efficient portfolio management and/or risk reduction.

## Investment Movement Summary

	Value at 01/04/2008 £m	Purchases at Cost £m	Sales Proceeds £m	Change in Market Value £m	Value at 31/03/2009 £m
Schroder Property	175.3	24.5	(14.0)	(56.5)	129.3
Baillie Gifford	367.3	126.9	(105.3)	(100.3)	288.6
Fidelity Equity	334.8	188.9	(177.1)	(82.7)	263.9
Alliance Bernstein	374.5	144.3	(111.3)	(122.4)	285.1
Goldman Sachs	181.1	119.9	(121.5)	(18.1)	164.5
Fidelity Bond	<u>98.4</u>	<u>4.2</u>	<u>(5.3)</u>	<u>(5.8)</u>	<u>91.5</u>
	<u>1,531.4</u>	<u>608.7</u>	<u>(534.5)</u>	<u>(382.7)</u>	<u>1,222.9</u>
Derivatives Futures					1.6
Financial Debtors					<u>8.1</u>
					<u>1,232.6</u>

## Transaction Costs

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the fund such as fees, commissions, stamp duty and other fees. The total for the year was £1.193m (2007/2008 £1.008m).

## Purchases & Sales

Purchases and Sales in 2007/2008 and 2008/2009 amounted to:-

	2007/2008 £m	2008/2009 £m
Purchases	537.4	608.7
Sales	436.4	534.5

## Securities Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2009 was nil (31 March 2008 £151.4m).

## 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 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 2008/2009 was £495,040 (2007/2008 £407,626) and value at 5 April 2009 was £3,644,955 (5 April 2008 £4,252,461).

## 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 Ltd on 22 February 1997 and renamed as Travel Dundee. West Midlands Travel Ltd is part of the National Express Group Plc.

At 31 March 2009 the number of contributing employees was 97 (110 at 31 March 2008) and the number of pensioners was 416 (405 at 31 March 2008). 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 £28,966 for administering the fund (2007/2008 £28,207). 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 2009 was £32.7m (31 March 2008 £40.1m) and these investment assets were managed as follows:

	2008		2009	
	£m	%	£m	%
Baillie Gifford & Co	19.7	49.2	15.0	45.9
Schroder Properties Limited	3.9	9.6	2.8	8.6
Goldman Sachs	<u>16.5</u>	<u>41.2</u>	<u>14.9</u>	<u>45.5</u>
	<u>40.1</u>	<u>100.0</u>	<u>32.7</u>	<u>100.0</u>

### Derivatives - Futures

Summary of contracts held at 31 March 2009

	Settlement Date	Economic Exposure £000	Asset £000	Liability £000	Net £000
Eurx E-Schatz	3 months	(709)	-	(6)	(6)
Eurx Bobl	3 months	52	1	-	1
Eurx Bund	3 months	532	13	-	13
TSE 10 yr JGB	3 months	(1,015)	44	-	44
LIF Long Gilt	3 months	3,337	64	-	64
10 yr Treasury Note	3 months	384	11	-	11
5 yr Treasury Note	3 months	7	-	-	-
US Treasury Bonds	3 months	(473)	-	(15)	(15)
US 2 yr Treasury Note	3 months	(702)	-	(3)	(3)
			<u>133</u>	<u>(24)</u>	<u>109</u>

The economic exposure represents the nominal value of security purchased under the future contracts and therefore the value subject to market movements. All future contracts are exchange traded.

The fund uses futures for the purposes of efficient portfolio management and/or risk reduction.



## Investment Movement Summary

	Value at 01/04/2008 £m	Purchases at Cost £m	Sales Proceeds £m	Change in Market Value £m	Value at 31/03/2009 £m
Schroder Property	3.9	0.4	(0.4)	(1.1)	2.8
Baillie Gifford	19.7	6.5	(5.8)	(5.4)	15.0
Goldman Sachs	<u>16.5</u>	<u>10.7</u>	<u>(11.1)</u>	<u>(1.2)</u>	<u>14.9</u>
	<u>40.1</u>	<u>17.6</u>	<u>(17.3)</u>	<u>(7.7)</u>	<u>32.7</u>
Derivatives Futures					<u>0.1</u>
					<u>32.8</u>

## Transaction Costs

Transaction costs are included in the cost of purchaser and sales proceeds. Transaction costs include costs charged directly to the fund such as fees, commissions, stamp duty and other fees. The total for the year was £31,800 (2007/2008 £26,400).

## Purchases & Sales

Purchases and Sales in 2007/2008 and 2008/2009 amounted to:-

	2007/2008 £m	2008/2009 £m
Purchases	17.1	17.6
Sales	13.5	17.3

## Securities Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2009 was nil (31 March 2008 £6.7m).

## 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 2008 determined the employer contribution rates for the years 2009/2010, 2010/2011 and 2011/2012. 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 2008 showed that the actuarial value and market value of the Fund's assets stood at £1,558.3m representing 97.6% 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 2009 were:-

18.5% of pensionable payroll for 2009/2010, 2010/2011 and 2011/2012

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 2008. The deficit is spread over the average remaining working lifetime of the existing members (approximately 12 years).

The contribution rates following the 31 March 2008 valuation were calculated using the projected unit actuarial method and the main actuarial assumptions were as follows:-

Rate of return on investments	- equities	7.8% per annum
	- gilts	4.6% per annum
	- bonds and property	5.9% per annum
Rate of general pay increases		5.2% per annum
Rate of increases to pensions in payment		3.7% 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](http://www.dundee.gov.uk)).

## ACTUARIAL VALUATION

### TAYSIDE TRANSPORT SUPERANNUATION FUND

The valuation carried out as at 31 March 2008 showed that the actuarial value and market value of the Fund's assets stood at £41.0m, representing 92% 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 2009 were:-

£1,000,000 for 2009/2010  
£1,030,000 for 2010/2011  
£1,060,000 for 2011/2012

The contributions take into account the deficit at 31 March 2008. 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 2008 valuation were calculated using the attained age actuarial method and the main actuarial assumptions were as follows:-

Rate of return on investments	- equities	7.8% per annum
	- gilts	4.6% per annum
	- bonds and property	5.9% per annum
Rate of general pay increases		5.2% per annum
Rate of increases to pensions in payment		3.7% 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](http://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".

2007/2008 £000		2008/2009 £000
	<b><u>Income &amp; Expenditure Account</u></b>	
	<b><u>Income</u></b>	
(3)	Gain on sale of shares	-
(163)	Interest on Loans	(118)
(21)	Dividends and Commission	<u>(20)</u>
(187)		(138)
	<b><u>Expenditure</u></b>	
70	Donations and Contributions	90
36	Other Expenditure	35
<u>42</u>	Impairment of Investments	<u>-</u>
148		<u>125</u>
<u>(39)</u>	<b>Surplus for Year</b>	<u>(13)</u>
<b>2008 £000</b>	<b><u>Balance Sheet as at 31 March</u></b>	<b>2009 £000</b>
<u>1</u>	<b><u>Tangible Fixed Assets</u></b>	-
	<b><u>Current Assets</u></b>	
3,342	Short Term Investments	3,237
<u>20</u>	Due by Dundee City Council Loans Fund	<u>-</u>
<u>3,362</u>		<u>3,237</u>
	<b><u>Current Liabilities</u></b>	
<u>20</u>	Sundry Creditors	<u>-</u>
<u>20</u>		<u>-</u>
<u>3,342</u>		<u>3,237</u>
<u>3,343</u>	<b>Net Assets</b>	<u>3,237</u>
	<b>Financed By Fund Balances and Reserves</b>	
	Not Available for Use:	
111	- Available-for-sale Financial Instruments Reserve	(8)
<u>1</u>	- Capital Adjustment Account	<u>-</u>
112		<u>(8)</u>
	Available for Use:	
<u>3,231</u>	- Common Good Balance	<u>3,245</u>
<u>3,343</u>		<u>3,237</u>

*Marjory Stewart*

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

The unaudited accounts were issued on 30 June 2009 and the audited accounts were authorised for issue on 30 September 2009.

# NOTES TO THE COMMON GOOD FUND ACCOUNT

## 1 SHORT TERM INVESTMENTS

Included within the Short Term Investments figure of £3,237,000 shown above, £300,000 relates to marketable securities as at 31 March 2009 (31 March 2008 £3,342,000 and £414,000). These securities are valued at market value.

# CHARITABLE TRUST FUNDS ACCOUNT

The Council acts as Trustees for 34 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 &amp; Expenditure Account</u>		<u>2008/2009</u>				
2007/2008 Actual £000		Interest on Investments £000	Other Income £000	Total Income £000	Expenditure £000	(Surplus)/ Deficit £000
64	Fleming Trust	(13)	(245)	(258)	263	5
(43)	Hospital Fund	(21)	(50)	(71)	17	(54)
2	Dundee Festival Trust	(2)	-	(2)	-	(2)
(87)	Burial Grounds Perpetuity Fund	-	-	-	-	-
-	A T Cathro Bequest	(1)	-	(1)	1	-
78	Other Various Smaller Trusts (28 no)	(36)	(35)	(71)	131	60
<u>14</u>	<b>Total</b>	<u>(73)</u>	<u>(330)</u>	<u>(403)</u>	<u>412</u>	<u>9</u>
<b>2008 £000</b>	<b><u>Balance Sheet as at 31 March</u></b>			<b>2009 £000</b>		
9,612	<b>Tangible Fixed Assets</b>			10,739		
<u>1,130</u>	<b>Long Term Investments</b>			-		
10,742				10,739		
	<b>Current Assets</b>					
111	Sundry Debtors			49		
2,393	Short Term Investments			1,759		
45	Bank			86		
<u>2,549</u>				<u>1,894</u>		
	<b>Less Current Liabilities</b>					
26	Due to Loans Fund			-		
119	Sundry Creditors			53		
<u>145</u>				<u>53</u>		
<u>2,404</u>	<b>Net Current Assets</b>			<u>1,841</u>		
13,146	<b>Total Assets Less Net Current Liabilities</b>			12,580		
<u>13,146</u>	<b>Net Assets</b>			<u>12,580</u>		
	<b>Financed By Fund Balances and Reserves</b>					
	Not Available for Use:					
5,425	Capital Adjustment Account			5,403		
4,187	Revaluation Reserve			5,336		
9,612				10,739		
	Available for Use:					
<u>3,534</u>	Fund Balances			<u>1,841</u>		
<u>13,146</u>				<u>12,580</u>		

*M M Stewart*

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

The unaudited accounts were issued on 30 June 2009 and the audited accounts were authorised for issue on 30 September 2009.

# NOTES TO CHARITABLE TRUST FUNDS ACCOUNT

## 1 FLEMING TRUST

Included in the expenditure shown above, the Fleming Trust incurred capital expenditure of £171,945 financed from revenue in 2008/2009 (2007/2008 £216,307). No capital receipts were received in 2008/2009 (2007/2008 £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 2009 was £7.590m (31 March 2008 £6.675m).

### 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 2009 was £1,017,000 (31 March 2008 £963,000).

### Dundee Festival Trust

This Trust was created from the income that was received from events to mark the 800<sup>th</sup> 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 2009 was £40,000 (31 March 2008 £38,000).

### Burial Grounds Perpetuity Fund

The income accruing on this Fund is used for the upkeep of Burial Grounds. The balance on the Fund was transferred to the General Fund (Leisure & Communities) during the course of the year.

### 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 2009 was £23,000 (31 March 2008 £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)

# NOTES TO CHARITABLE TRUST FUNDS ACCOUNT

## 4 ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET

	<u>Balance</u> <u>Sheet at</u>			<u>Capital</u> <u>Expenditure/</u> <u>Receipts &amp;</u> <u>Transfers</u>		<u>Capital</u> <u>Accounting</u>	<u>Balance</u> <u>Sheet at</u>
	<u>31 March</u> <u>2008</u>	<u>Gross</u> <u>Income</u>	<u>Gross</u> <u>Expenditure</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>31 March</u> <u>2009</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b><u>Fleming Trust</u></b>							
Fixed Assets	6,360	-	-	172	748		7,280
Long Term Investments	-	-	-	-	-		-
Current Assets	432	258	(328)	-	-		362
Current Liabilities	(117)	-	65	-	-		(52)
Long Term Liabilities	-	-	-	-	-		-
Net Assets	<u>6,675</u>	<u>258</u>	<u>(263)</u>	<u>172</u>	<u>748</u>		<u>7,590</u>
Capital Adjustment Account	4,915	-	-	172	(548)		4,539
Revaluation Reserve	1,445	-	-	-	1,296		2,741
Fund Balance	<u>315</u>	<u>258</u>	<u>(263)</u>	<u>-</u>	<u>-</u>		<u>310</u>
	<u>6,675</u>	<u>258</u>	<u>(263)</u>	<u>172</u>	<u>748</u>		<u>7,590</u>
<b><u>Hospital Fund</u></b>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	447	-	-	-	-		447
Long Term Investments	-	-	-	-	-		-
Current Assets	516	71	(17)	-	-		570
Current Liabilities	-	-	-	-	-		-
Long Term Liabilities	-	-	-	-	-		-
Net Assets	<u>963</u>	<u>71</u>	<u>(17)</u>	<u>-</u>	<u>-</u>		<u>1,017</u>
Capital Adjustment Account	9	-	-	-	-		9
Revaluation Reserve	438	-	-	-	-		438
Fund Balance	<u>516</u>	<u>71</u>	<u>(17)</u>	<u>-</u>	<u>-</u>		<u>570</u>
	<u>963</u>	<u>71</u>	<u>(17)</u>	<u>-</u>	<u>-</u>		<u>1,017</u>
<b><u>Dundee Festival Trust</u></b>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	-	-	-	-	-		-
Long Term Investments	-	-	-	-	-		-
Current Assets	38	2	-	-	-		40
Current Liabilities	-	-	-	-	-		-
Long Term Liabilities	-	-	-	-	-		-
Net Assets	<u>38</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>40</u>
Capital Adjustment Account	-	-	-	-	-		-
Revaluation Reserve	-	-	-	-	-		-
Fund Balance	<u>38</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>40</u>
	<u>38</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>40</u>
<b><u>Burial Grounds Perpetuity Fund</u></b>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	-	-	-	-	-		-
Long Term Investments	1,130	-	-	(1,130)	-		-
Current Assets	432	-	-	(432)	-		-
Current Liabilities	(27)	-	-	27	-		-
Long Term Liabilities	-	-	-	-	-		-
Net Assets	<u>1,535</u>	<u>-</u>	<u>-</u>	<u>(1,535)</u>	<u>-</u>		<u>-</u>
Capital Adjustment Account	-	-	-	-	-		-
Revaluation Reserve	-	-	-	-	-		-
Fund Balance	<u>1,535</u>	<u>-</u>	<u>-</u>	<u>(1,535)</u>	<u>-</u>		<u>-</u>
	<u>1,535</u>	<u>-</u>	<u>-</u>	<u>(1,535)</u>	<u>-</u>		<u>-</u>



# NOTES TO CHARITABLE TRUST FUNDS ACCOUNT

## 4 ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET (CONTD)

	<u>Balance</u>		<u>Capital</u>			<u>Balance</u>
	<u>Sheet at</u>		<u>Expenditure/</u>			<u>Sheet at</u>
	<u>31 March</u>	<u>Gross</u>	<u>Gross</u>	<u>Receipts &amp;</u>	<u>Capital</u>	<u>31 March</u>
	<u>2008</u>	<u>Income</u>	<u>Expenditure</u>	<u>Transfers</u>	<u>Accounting</u>	<u>2009</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b><u>AT Cathro Bequest</u></b>						
Fixed Assets	-	-	-	-	-	-
Long Term Investments	-	-	-	-	-	-
Current Assets	24	-	(1)	-	-	23
Current Liabilities	(1)	1	-	-	-	-
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>23</u>	<u>1</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>23</u>
Capital Adjustment Account	-	-	-	-	-	-
Revaluation Reserve	-	-	-	-	-	-
Fund Balance	<u>23</u>	<u>1</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>23</u>
	<u>23</u>	<u>1</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>23</u>
<b><u>Others</u></b>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	2,805	-	-	-	207	3,012
Long Term Investments	-	-	-	-	-	-
Current Assets	1,107	71	(131)	(154)	5	898
Current Liabilities	-	-	-	-	-	-
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>3,912</u>	<u>71</u>	<u>(131)</u>	<u>(154)</u>	<u>212</u>	<u>3,910</u>
Capital Adjustment Account	501	-	-	-	354	855
Revaluation Reserve	2,304	-	-	-	(147)	2,157
Fund Balance	<u>1,107</u>	<u>71</u>	<u>(131)</u>	<u>(154)</u>	<u>5</u>	<u>898</u>
	<u>3,912</u>	<u>71</u>	<u>(131)</u>	<u>(154)</u>	<u>212</u>	<u>3,910</u>
<b><u>Total</u></b>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	9,612	-	-	172	955	10,739
Long Term Investments	1,130	-	-	(1,130)	-	-
Current Assets	2,549	402	(477)	(586)	5	1,893
Current Liabilities	(145)	1	65	27	-	(52)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>13,146</u>	<u>403</u>	<u>(412)</u>	<u>(1,517)</u>	<u>960</u>	<u>12,580</u>
Capital Adjustment Account	5,425	-	-	172	(194)	5,403
Revaluation Reserve	4,187	-	-	-	1,149	5,336
Fund Balance	<u>3,534</u>	<u>403</u>	<u>(412)</u>	<u>(1,689)</u>	<u>5</u>	<u>1,841</u>
	<u>13,146</u>	<u>403</u>	<u>(412)</u>	<u>(1,517)</u>	<u>960</u>	<u>12,580</u>

# STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the 2008/2009 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 2008/2009 included provision of advice on systems control and a number of reviews across a wide range of Council activities. A total of 24 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 external auditor carried out a Strategic Risk Analysis together with a progress review on the Audit of Best Value and Community Planning. In addition, the external auditor also carried out a number of reviews in areas including Corporate Governance, various Information Communication Technology systems and a review of the Council's cash management procedures. These reports together with the Council's proposed management actions to address their findings, have now been reported to the Audit and Risk Management Sub-Committee. In terms of their review of cash management, the external auditor identified a backlog of unmatched entries within the bank reconciliation module. These differences have been thoroughly investigated and the majority of these entries have now been cleared. None of the entries identified during this investigation resulted in any changes being made to the Statement of Accounts. The remaining unmatched variance will be investigated in accordance with the agreed action plan.

# STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

As part of the Efficient Government programme, the Council was one of five local authorities selected to participate in a national pilot study, undertaken by Audit Scotland, on delivering efficiencies. The audit objectives of the study were to assess whether the Council was demonstrating collective commitment and leadership to achieving efficiency improvements; that efficiency improvements are properly planned and integrated within the Council and that the Council is actively monitoring its performance relating to efficiency. The work undertaken during the pilot study highlighted the significant progress made to date in delivering efficiency improvements and identified areas where the Council can develop further to maintain this level of performance. These developments are now being considered as part of the Council's efficiency programme.

In addition, the Council's Corporate Business Continuity Plan was approved by the Policy and Resources Committee in February 2009. The plan outlines the actions that would require to be taken by the Council, in the event of a defined emergency, to maintain critical front line services and minimise the level of disruption to the Council and the general public. The plan also aims to safeguard resources and minimise the financial and non-financial losses to the Council in the event of such an emergency.

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 2009.

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 2009**

## **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 2009 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 and Cash Flow Statement, the Council Tax Income Account, the Non-Domestic Rate Income Account, the Housing Revenue Account Income and Expenditure Account, Statement of Movement on the Housing Revenue Account Balance, the Tayside Superannuation Fund 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 2008 - A Statement of Recommended Practice (the 2008 SORP) are set out in the Statement of Responsibilities for the Statement of Accounts.

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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of 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 government body 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 whether this statement covers all risk and controls, or form an opinion on the effectiveness of the local government body'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 by the Head of Finance. 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 most appropriate to the local authority's and its group 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

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of Dundee City Council and its group as at 31 March 2009 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  
Audit Scotland – Audit Services  
Osborne House, 1/5 Osborne Terrace  
Edinburgh, EH12 5HG

30 September 2009