



DUNDEE CITY COUNCIL

**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2010**

AUDITED

September 2010

DUNDEE CITY COUNCIL

STATEMENT OF ACCOUNTS 2009/2010

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FOREWORD BY THE DIRECTOR OF FINANCE

Introduction

This foreword is intended as a commentary on the City Council's financial position, as presented within the Statement of Accounts for the financial year 2009/2010.

Accounting Policies (see pages 8 to 13)

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 14)

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

The Accounting Statements (see pages 15 to 81)

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 2010. 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 2009/2010, the Housing Revenue Account had a historical cost surplus of £0.186m and this was appropriated to 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.

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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.

Annual Governance Statement (see page 82 to 83)

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

Virement from Contingency/Fund Balances

The 2009/2010 Revenue Budget included a general contingency provision of £200,000 to allow for unforeseen items of expenditure arising during the course of the financial year. The full amount of £200,000 was vired from this contingency to offset additional expenditure incurred by departments. In addition, virements totalling £1.164m were made from General Fund Balances, mainly to fund departmental expenditure commitments that had been carried forward from 2008/2009. During the course of the financial year, the Council received additional new monies totalling £2.375m 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 15 and note 11 on page 23) reflects the impact of the transfers from contingency and from General Fund Balances, together with the additional funding received from the Scottish Government during the financial year. The budgeted net expenditure figures have also been adjusted to reflect amounts transferred from the Renewal & Repair Fund in order to fund expenditure within departments.

Revenue Budget

The 2009/2010 Revenue Budget was agreed at the meeting of the Special Policy & Resources Committee on 12 February 2009. In setting the 2009/2010 Council Tax level it was agreed that £1.3m would be taken from balances. The Policy & Resources Committee received monthly revenue monitoring reports during 2009/2010 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 12 February 2009 to the revised budget figures that are included in the aforementioned accounting statements shown on pages 15 and 16.

	Budgeted Net Expenditure/ (Income) £m
Approved Revenue Budget 12 February 2009	1.300
<u>Add</u>	
Virements from General Fund Balances	1.164
Insurance Fund Deficit	0.350*
Transfer from Renewal & Repair Fund	1.100*
Depreciation and Impairment	72.625*
Financial Instruments Adjustment	0.057
Loss on Disposal of Fixed Assets	1.404*
FRS17 Adjustment	4.594*
Transfer from Capital Fund	1.600*
<u>Less</u>	
On-Street Car Parking Surplus	(0.284)
Adjustments to Revenue Support Grant/NNDR Pool Income	(0.225)
Loan Repayments and CFCR	<u>(21.030)*</u>
Budgeted Net Expenditure Per Income & Expenditure Account	62.655
<u>Less</u>	
Items marked * above	(60.643)
Transfer from Financial Instruments Adjustment Account	<u>(0.062)</u>
Budgeted Net Expenditure per Statement of Movement on the General Fund Balance	<u>1.950</u>

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Revenue Expenditure

The Statement of Movement on the General Fund Balance (see page 16) shows an actual surplus for the year of £2.069m, against a budgeted deficit of £1.950m, ie this represents an overall net underspend of £4.019m against the 2009/2010 Revenue Budget. The main components of the net underspend are as follows:

	Over/(Under) Spend £m
Net Overspend on Council Services	0.067
Underspend on Insurance Account	(0.362)
Equal Pay Costs	(0.062)
Additional Housing Benefits Subsidy Costs	0.111
Reduced DCS Surpluses	0.015
Additional Tayside Contract Surplus	(0.083)
Additional Local Taxation Income	(1.307)
Reduced Revenue Support Grant	0.004
Reduced Contribution from NNDR Pool	0.007
Savings on Loan Charges	(2.456)
Additional CFGR Expenditure	0.238
Reduced Pension Contributions	<u>(1.092)</u>
Net Underspend Before Appropriations	(4.920)
Contributions to Reserves	<u>0.901</u>
Net Underspend After Appropriations	<u>(4.019)</u>

The net overspend of £0.067m on Council services was due to a number of over and underspends within 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 surplus of income over expenditure for the financial year 2009/2010 was £2.069m. When added to the opening General Fund balance of £7.431m, this gives a General Fund balances figure of £9.500m at 31 March 2010. It is, however, estimated that there are expenditure commitments amounting to £0.586m outstanding at 31 March 2010. These have arisen mainly due to underspends in 2009/2010 and these underspends will be carried forward to 2010/2011 and fully utilised in the new financial year. It was agreed that the sum of £0.757m be taken from balances in setting the 2010/2011 Council Tax. In addition, there are earmarked balances within the General Fund of £0.185m and £0.640m 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 £7.332m as at 31 March 2010. This sum is not considered unreasonable for a local authority with an annual net cost of services of around £375m, 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 28 to the Core Financial Statements, on pages 34 to 35. In accordance with proper accounting practice, all in-year movements on these reserves (with the exception of capital receipts transferred to/from the Capital Receipts Reserve) are processed through the Income & Expenditure Account. The following table summarises the movements in 2009/2010:

	Capital Fund £m	Renewal & Repair Fund £m	Insurance Fund £m
Interest & Investment Income Applied	0.056	0.012	0.034
Transfer from Reserve to cover Expenditure	-	(1.143)	-
Transfer of HRA Surplus (Historical Cost Basis)	-	0.186	-
General Transfer (to) / from Income & Expenditure Account	(1.600)	0.500	(0.193)
Capital Receipts Transferred to the Capital Receipts Reserve	(6.188)	-	-
Total Increase / (Decrease) in Reserve Balance in the Year	<u>(7.732)</u>	<u>(0.445)</u>	<u>(0.159)</u>

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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 the Scottish Government and are as follows:

	£m
Revenue Support Grant	231.6
Contributions from National Non-Domestic Pool	<u>59.7</u>
	<u>291.3</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 2009/2010.

Capital Expenditure & Borrowing Facilities

Gross capital expenditure in 2009/2010 was £71.4m, of which £21.2m was spent within the Housing Department Programmes. The remaining £50.2m was spent on the Council's other services including Education, Social Work, City Development, Leisure & Communities and Waste Management. The £71.4m of capital expenditure was funded through borrowing (£41.0m), various types of capital receipts (£29.8m) and directly from the 2009/2010 Income & Expenditure Account (£0.6m). 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 was completed in November 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 £391.5m as at 31 March 2010 (estimated net pension liability at 31 March 2009 was £178.4m). A decrease in the real interest rate used to calculate scheme liabilities has caused an increase in liabilities that was greater than the increase in the value of assets, therefore the net liability increased.

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 13 on page 24) shows that a surplus of £0.500m was generated in 2009/2010 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 £1.466m during the period 2007-2010.

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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 by mid-2011.

Equal Pay Costs/Single Status Agreement

In 2009/10 a credit of £62,000 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 2005-2009, net charges totalling £3,961,000 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 2009/2010 related to the charges previously included for Tayside Contracts staff. The resolution of the equal pay issue was deemed to be a necessary step towards reaching agreement on the implementation of the Single Status Agreement, which will ensure ongoing equal pay for work of equal value for all employees of the Council. The Single Status Agreement was implemented by the Council on 1 April 2008 and by Tayside Contracts on 1 July 2008.

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.

In addition, it was agreed that from 1 April 2009, Dundee Leisure should manage and operate the community based Sports and Leisure facility at the new St Paul's RC Academy. All financial implications have been reflected in future years' Revenue Budgets.

Dundee Airport

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

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 were reflected in future years' Revenue Budgets.

Voluntary Early Retirement Schemes/Redundancy Scheme

The above schemes have been approved by the Council as part of a range of cost saving measures that are required over the next three years. Once implemented the reduction in staffing levels will facilitate the rationalisation and restructuring of Council services. The Council has approved separate schemes for teachers and other employees. Details of the approved schemes are summarised below:

Teachers

On 11 February 2010, the Special Policy & Resources Committee approved a voluntary early retirement scheme for teaching staff that would take effect from the end of the 2009/2010 academic session. The scheme was made available to all teaching staff that would be aged 58 years or over as at 15 August 2010 and were members of the Scottish Teachers Superannuation Scheme. Following approval of the scheme, the Director of Education issued correspondence to all relevant teaching staff on 12 February 2010 setting out the terms and conditions of the scheme along with the procedures to be followed should they wish to apply. The closing date for applications to the above scheme was 26 February 2010. Of the 170 teaching staff that applied, 115 have been made an offer of early retirement and 90 of these employees have accepted. This is likely to be the final position.

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Other Employees

The Policy & Resources Committee approved a voluntary early retirement/redundancy scheme for all other employees on 26 April 2010. It is envisaged that the majority of successful applicants will terminate their employment with the Council by the end of financial year 2010/11. The scheme is available to all other employees and successful applicants will require approval by the relevant Head of Department together with both the Chief Executive and Director of Finance. Staff that apply may be allowed to leave their employment early with the choice of either added years to their pension entitlement or receiving a statutory redundancy payment. Entitlement to either added years or statutory redundancy is dependent on an employee's age and whether they are members of the Local Government Pension Scheme. Following approval of the scheme, the Chief Executive issued details of the terms and conditions to all Council Staff on 7 May 2010, along with the procedures to be followed should employees wish to apply. The closing date for application to the above scheme is 31 July 2010.

Tayside Contracts

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

Group Accounts

The Group Income & Expenditure Account shows a deficit of £76.290m, a movement of £17.575m from the deficit of £58.715m 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 £413.012m, 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 Bailie Willie Sawers, the Senior Councillor with responsibility for Finance, all other elected members and officers of the Council for their active support and co-operation in the effective management of the Council's finances during another challenging year. Finally, I would conclude this report by thanking all the Finance Department staff who contributed to the management and control of the Council's finances and to the finalisation of the City Council's 2009/2010 Statement of Accounts.

Marjory Stewart, FCCA, CPFA
Director of Finance
Dundee City Council
29 June 2010

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 2009 - 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 69). The following accounting policies apply to all other statements included in the 2009/2010 Statement of Accounts.

Major Changes in Accounting Policy

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

The 2009 SORP contains two significant changes in accounting policy:

(i) PFI / PPP Accounting

Guidance in the 2008 SORP was based on the relevant UKGAAP standard, Financial Reporting Standard 5 Reporting the Substance of Transactions (as amended by Application Note F). Guidance in the 2009 SORP is, however, based on the relevant International Financial Reporting Standard, IFRIC12 Service Concession Arrangements. As a result, Appendix E of the SORP (Accounting for PFI Transactions and Similar Contracts) has been completely re-written. IFRIC12 deals with concession operator accounting but has been adapted in the 2009 SORP for concession grantors. As well as contracts entered into from 1 April 2009, the new requirements also apply in respect of schemes already existing at 31 March 2009. Accordingly, prior period adjustments are required for schemes already existing at 31 March 2009. The Council's Schools PPP Project has been accounted for in 2009/10 in line with the new guidance and the comparative figures for 2008/09 have been amended accordingly. The following adjustments have been made to the figures that were included in the audited 2008/09 Statement of Accounts:

In the Income & Expenditure Account:

Education Services net expenditure has reduced by £2.493m
Net Loss on Disposal of Assets has reduced by £1.496m
Interest Payable & Similar Charges has increased by £1.988m

In the Statement on Movement on the General Fund Balance:

Net additional amount required by statute and non-statutory proper practices to be charged to the General Fund Balance for the Year has increased by £2.001m

In the Balance Sheet:

Other Land & Buildings have increased by £66.290m
Long-Term Debtors have reduced by £0.696m
Deferred Consideration has reduced by £1.446m
Sundry Creditors have increased by £2.045m
Deferred Liabilities have increased by £61.598m
Capital Adjustment Account has reduced by £0.991m
Revaluation Reserve has increased by £1.496m

(ii) Local Taxation (Council Tax & Non Domestic Rates)

The 2009 SORP includes new guidance on accounting for local taxation, following a review of the principal / agent arrangements in these matters. In Scotland, there is no change to the accounting arrangements for Council Tax as there are no precepting authorities and Councils are therefore acting solely as principals in this activity. There are, however, changes to the accounting arrangements for Non Domestic Rates as Councils are effectively acting as agents of the Scottish Government. Previous practice has been for billing authorities to carry Non Domestic Rates debtors (and associated bad debt provisions) on their Balance Sheets. The revised guidance now requires that Councils do not recognise these debtors and provisions on their Balance Sheets but instead will recognise a creditor or debtor for cash

STATEMENT OF ACCOUNTING POLICIES

collected from ratepayers but not paid (or overpaid) to the Scottish Government at the Balance Sheet date. This change in accounting policy requires a prior period adjustment and the comparative figures for 2008/09 have been amended accordingly. The following adjustments have been made to the figures that were included in the audited 2008/09 Statement of Accounts:

In the Balance Sheet:

Sundry Debtors have reduced by £2.830m
Bad Debt Provisions have reduced by £1.013m
Provisions have reduced by £1.817m

In addition, the Council has implemented two further significant changes in accounting policy:

(i) Valuation of Council Houses

The SORP requires Council Houses to be included in the Balance Sheet at existing use value for social housing. The Council's accounting policy is to first determine a gross valuation by reference to recent sales evidence, using the Beacon principle to extrapolate values across the entire housing stock. A discount factor then requires to be applied to the gross valuation to reflect social (as opposed to private) housing use. The resultant net valuation is then used for Balance Sheet reporting purposes, after depreciation has been applied. Previously, the discount factor used has been based on the prevailing average right-to-buy discount. For 2009/10 onwards, however, the discount factor will be determined by reference to the average differential between rent levels in the private and social housing sectors. This differential has been calculated by identifying a sample of ex-Council houses that have become available for rent on the private market and comparing the rent level with the Council's rent level for the same type / location of house. It is considered that this revised methodology results in a net valuation which more accurately reflects the existing use value of the stock for social housing purposes. This change in accounting policy requires a prior period adjustment and the comparative figures for 2008/09 have been amended accordingly. The following adjustments have been made to the figures that were included in the audited 2008/09 Statement of Accounts:

In the Balance Sheet:

Council Dwellings have increased by £165.660m
Revaluation Reserve has increased by £165.660m

(ii) Depreciation of Council Houses

Previously, a depreciation charge in respect of the of the Council's Housing stock has been calculated using the Major Repairs Allowance as a measure for depreciation. For 2009/10 onwards, however, depreciation will be calculated using the straight-line method. This ensures consistency of practice across the Council's various categories of tangible fixed assets. This change in accounting policy requires a prior period adjustment and the comparative figures for 2008/09 have been amended accordingly. The following adjustments have been made to the figures that were included in the audited 2008/09 Statement of Accounts:

In the Income & Expenditure Account:

Housing Revenue Account net expenditure has reduced by £2.058m

In the Statement on Movement on the General Fund Balance:

Net additional amount required by statute and non-statutory proper practices to be charged to the General Fund Balance for the Year has increased by £2.058m

In the Balance Sheet:

Capital Adjustment Account has increased by £2.058m
Revaluation Reserve has reduced by £2.058m

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 2009.

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.

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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. The straight-line method of depreciation is used for all assets that are subject to depreciation. Assets have been assigned various useful lives, typically 20-50 years for Council houses, 10-60 years for buildings, 3-10 years for plant and equipment and 10-30 years for infrastructure. Residual values have been assumed where appropriate. No depreciation is charged in the year of acquisition but a full year's charge is made in the year of disposal.

Leases

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

Finance Leases:

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

Operating Leases:

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

Investments

Available-for-sale assets are initially measured and carried at fair value. Values are based on the following principles:

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

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

Stocks and Work in Progress

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

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 reductions in Council Tax income due to exemptions and discounts.
- self-insured/uninsured losses chargeable against the Insurance Funds operated by the Council.

STATEMENT OF ACCOUNTING POLICIES

Significant Estimation Techniques

The Council's Balance Sheet at 31 March 2010 includes various provisions totalling £27.172m. These provisions have been calculated using the undernoted estimation techniques.

Bad Debt Provisions

Community Charge - the provision of £2.267m has been calculated by projecting future collection levels based on the actual collection achieved in 2009/2010.

Council Tax - the provision of £12.834m 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 £2.727m has been calculated by applying the overall percentage relating to the various charge elements (ie Non Domestic Rates, Community Charge and Council Tax) to which the Statutory Addition was applied.

Miscellaneous Invoiced Debt - the provision of £2.038m 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 £0.919m 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 £1.464m 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 2009/2010.

Insurance - a provision is required to meet self-insured losses. The provision of £4.223m 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 34 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.

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

STATEMENT OF ACCOUNTING POLICIES

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 the relevant International Financial Reporting Standard, IFRIC 12 Service Concession Arrangements.

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 2010 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.

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.

STATEMENT OF ACCOUNTING POLICIES

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 54 to 64. 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.

Financial Instruments

Financial Instruments are measured and disclosed at amortised cost (ie principal outstanding plus accrued interest), with the exception of Short Term Investments, Soft Loans and LOBOs, which are measured and disclosed at fair 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 Director of Finance
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Responsibilities of the Director of Finance

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

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

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

The Director of Finance has also:

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

The Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

Marjory Stewart, FCCA, CPFA
Director of Finance
Dundee City Council
29 June 2010

INCOME & EXPENDITURE ACCOUNT

Restated 2008/2009 Actual Net Expenditure/ (Income) £000		2009/2010			
	Actual Gross Expenditure £000	Actual Income £000	Actual Net Expenditure/ (Income) £000	Budgeted Net Expenditure/ (Income) £000	
	Continuing Services				
151,756	142,036	(6,072)	135,964	135,737	
15,799	83,393	(67,249)	16,144	15,828	
39,793	64,430	(46,768)	17,662	17,724	
25,295	35,059	(5,055)	30,004	30,511	
19,306	22,648	(4,006)	18,642	20,490	
10,347	18,946	(8,012)	10,934	9,655	
4,081	26,431	(9,037)	17,394	17,235	
83,556	106,795	(21,842)	84,953	83,483	
4,134	4,496	(109)	4,387	4,218	
550	401	-	401	401	
3,348	18,802	(15,470)	3,332	4,615	
35,406	35,291	-	35,291	35,395	
<u>(481)</u>	<u>(62)</u>	<u>-</u>	<u>(62)</u>	<u>-</u>	
392,890	558,666	(183,620)	375,046	375,292	
	Discontinued Operations				
-	-	-	-	-	
392,890	<u>558,666</u>	<u>(183,620)</u>	<u>375,046</u>	<u>375,292</u>	
		Ref Note No			
1,513	Net (Gain)/Loss on Disposal of Assets		1,404	1,404	
(335)	(Surplus)/Deficit of Trading Undertakings or Other Operations	13	(500)	(515)	
(310)	Share of Tayside Contracts Surplus		(248)	(165)	
21,425	Interest Payable & Similar Charges	36	21,573	23,904	
(3,406)	Interest & Investment Income	36	(799)	(800)	
5,797	Pensions Interest Cost & Expected Return on Pensions Assets	32	10,904	10,904	
<u>417,574</u>	Net Operating Expenditure		<u>407,380</u>	<u>410,024</u>	
	Income from Taxation & General Government Grants				
(57,431)	Income from Council Tax (incl Residual Community Charge - see note 7 on page 21)		(57,400)	(56,093)	
(223,201)	Revenue Support Grant		(231,591)	(231,595)	
(54,457)	Contribution from National Non-Domestic Rate Pool		(59,674)	(59,681)	
<u>82,485</u>	(Surplus)/Deficit for the Year		<u>58,715</u>	<u>62,655</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 11 to the Core Financial Statements (see page 23) shows the Net Cost of Services of £375.046m 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 15 to the Core Financial Statements (see page 25).

Restated Actual 2008/2009 £000		Actual 2009/2010 £000	Budget 2009/2010 £000
82,485	(Surplus)/Deficit for the year on the Income and Expenditure Account	58,715	62,655
(81,334)	Net additional amount required by statute and non-statutory proper practices to be (credited) or charged to the General Fund Balance for the Year	(60,784)	(60,705)
<u>1,151</u>	General Fund (Surplus)/Deficit for the Year	<u>(2,069)</u>	<u>1,950</u>
<u>(8,582)</u>	General Fund Balance brought forward	<u>(7,431)</u>	<u>(7,431)</u>
<u>(7,431)</u>	General Fund Balance carried forward	<u>(9,500)</u>	<u>(5,481)</u>

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

Restated 2008/2009 £000		2009/2010 £000
82,485	(Surplus)/Deficit on the Income & Expenditure Account for the year	58,715
5,920	Opening entry adjustment to FRS17 liability	-
(443,516)	(Surplus)/Deficit arising on Revaluation of Fixed Assets	(39,561)
147	(Surplus)/Deficit arising on Revaluation of Available-for-sale Financial Assets	(169)
56,245	Actuarial (Gains)/Losses on Pension Fund Assets & Liabilities	207,610
129	Difference between Actuarial Pensions Contribution Figure and Actual Pensions Contribution Figure	(160)
<u>(52)</u>	Adjustment to the Financial Instruments Adjustment Account arising from the early repayment of loans	<u>-</u>
<u>(298,642)</u>	Total Recognised (Gains) & Losses for the Year	<u>226,435</u>

BALANCE SHEET

Restated As at 31 March 2009 £000		Ref Note No	As at 31 March 2010 £000	£000
TANGIBLE FIXED ASSETS				
Operational Assets:				
598,594	Council Dwellings	16,17,21,24	582,635	
425,683	Other Land and Buildings	16,17,21,23,24	549,994	
22,755	Vehicles, Plant and Equipment	16,17,21,24	23,891	
78,851	Infrastructure Assets	16,17,21,24	86,222	
<u>1,549</u>	Community Assets	16,17,21,24	<u>1,549</u>	
1,127,432				1,244,291
Non-Operational Assets:				
88,828	Investment Properties	16,17,21,24	16,886	
18,334	Assets Under Construction	16,17,21,24	18,016	
<u>4,131</u>	Surplus Assets Held for Disposal	16,17,21,24	<u>9,878</u>	
<u>111,293</u>				<u>44,780</u>
1,238,725				1,289,071
1,137				1,137
<u>7,085</u>				<u>8,232</u>
1,246,947				1,298,440
LONG TERM INVESTMENTS				
		18,26,36		
LONG TERM DEBTORS				
		19,26,36		
CURRENT ASSETS				
671	Stores and Work in Progress		920	
64,255	Sundry Debtors	33	70,881	
(20,948)	<u>Less</u> Bad Debt Provisions	33	(22,249)	
409	Short Term Investments	36	579	
35,822	Short Term Lending	36	-	
<u>102</u>	Cash and Bank	36	<u>13,254</u>	
<u>80,311</u>			<u>63,385</u>	
LESS CURRENT LIABILITIES				
(13,619)	Borrowing Repayable on Demand or Within 12 Months	36	(15,081)	
(48,620)	Sundry Creditors	33	(53,860)	
<u>(22,647)</u>	Bank Overdraft	36	<u>(20,579)</u>	
<u>(84,886)</u>			<u>(89,520)</u>	
<u>(4,575)</u>				<u>(26,135)</u>
1,242,372	Total Assets Less Net Current Liabilities			1,272,305
(307,636)	Borrowing Repayable within a Period in Excess of 12 Months	36	(315,914)	
(61,598)	Deferred Liabilities	37	(84,606)	
(4,991)	Provisions	27	(4,923)	
(109,450)	Government Grants/Capital Contributions Deferred		(121,464)	
<u>(178,411)</u>	Liability Related to Defined Benefit Pension Scheme	32	<u>(391,547)</u>	
<u>(662,086)</u>				<u>(918,454)</u>
<u>580,286</u>	Net Assets			<u>353,851</u>
Financed By Fund Balances and Reserves:				
245,290	Capital Adjustment Account	28	215,307	
(5,853)	Financial Instruments Adjustment Account	28	(5,915)	
491,529	Revaluation Reserve	28	514,373	
34	Available-for-sale Financial Instruments Reserve	28	203	
15,884	Capital Fund	28	8,152	
3,334	Renewal and Repair Fund	28	2,889	
1,048	Insurance Fund	28	889	
(178,411)	Pensions Reserve	28,32	(391,547)	
<u>7,431</u>	General Fund	28,30	<u>9,500</u>	
<u>580,286</u>				<u>353,851</u>

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

The unaudited accounts were issued on 29 June 2010 and the audited accounts were authorised for issue on 30 September 2010.

CASH FLOW STATEMENT

Restated 2008/2009 £000		2009/2010 £000 £000	
	REVENUE ACTIVITIES		
(35,007)	<i>Net Cash (Inflow) From Revenue Activities</i>		(43,853)
	RETURNS ON INVESTMENTS & SERVICING OF FINANCE		
	<i>Cash Outflows:</i>		
21,709	Interest Paid	22,067	
	<i>Cash Inflow:</i>		
<u>(2,850)</u>	Interest Received	<u>(1,950)</u>	
18,859			20,117
	CAPITAL ACTIVITIES		
	<i>Cash Outflows:</i>		
44,892	Purchase of Fixed Assets (Non Revenue)	68,320	
1,617	Purchase of Fixed Assets (From Revenue)	976	
<u>1,152</u>	Creation of new Long-Term Debtors (Non Revenue)	<u>1,947</u>	
<u>47,661</u>		<u>71,243</u>	
	<i>Cash Inflows:</i>		
(4,767)	Sale of Fixed Assets and Insurance Receipts	(3,255)	
(21,939)	Capital Grants/Contributions etc Received	(16,806)	
<u>(825)</u>	Receipts in respect of Long-Term Debtors	<u>(366)</u>	
<u>(27,531)</u>		<u>(20,427)</u>	
20,130			50,816
<u>3,982</u>	<i>Net Cash (Inflow)/Outflow Before Financing</i>		<u>27,080</u>
	MANAGEMENT OF LIQUID RESOURCES		
-	Net Increase/(Decrease) in Short-Term Deposits	-	
<u>(230)</u>	Net Increase/(Decrease) in Other Liquid Resources	<u>(34,880)</u>	
(230)			(34,880)
	FINANCING		
	<i>Cash Outflows:</i>		
1,028	Repayments of Amounts Borrowed	30,546	
<u>1,121</u>	Capital Element of Finance Lease Rental Payments (PPP)	<u>2,045</u>	
<u>2,149</u>		<u>32,591</u>	
	<i>Cash Inflows:</i>		
-	New Long-Term Loans Raised	(35,000)	
<u>(1,329)</u>	New Short Term Loans Raised	<u>(5,011)</u>	
<u>(1,329)</u>		<u>(40,011)</u>	
820			<u>(7,420)</u>
<u>4,572</u>	<i>Net (Increase)/Decrease in Cash</i>		<u>(15,220)</u>

See notes 40, 41 and 42 on pages 46 and 47

NOTES TO THE CORE FINANCIAL STATEMENTS

1 ACQUIRED AND DISCONTINUED OPERATIONS

In 2009/2010 there were no acquired or discontinued operations (2008/2009 None).

2 EXCEPTIONAL ITEMS

Equal Pay

In 2009/2010 a credit of £62,000 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 2005-2009, net charges totalling £3,961,000 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 2009/2010 relates to the charges previously included for Tayside Contracts staff. Equal Pay was also disclosed as an exceptional item in 2008/2009.

(In 2008/2009, an exceptional item was also disclosed in respect of a provision of £1,230,000 for Sheriff Officers fees which was no longer required and had therefore been credited to the Income & Expenditure Account).

3 EXTRAORDINARY ITEMS

In 2009/2010 there were no extraordinary items (2008/2009 None).

4 PRIOR PERIOD ADJUSTMENTS

There were four prior period adjustments in 2009/2010, arising from major changes in accounting policy in the following areas:

- i PFI/PPP Accounting
- ii Local Taxation (Council Tax & Non Domestic Rates)
- iii Valuation of Council Houses
- iv Depreciation of Council Houses

Full details are provided in the Statement of Accounting Policies on pages 8 and 9.

(In 2008/2009 there were no prior period adjustments).

5 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:

Restated 2008/2009			2009/2010	
Income £000	Expenditure £000		Income £000	Expenditure £000
		Education		
789	789	Special Education services to Angus Council	687	687
		Social Work		
7,555	7,555	Provision of Social Work services to NHS Tayside	8,089	8,089
236	236	Provision of Day Care Services to Perth & Kinross Council	197	197
<u>210</u>	<u>210</u>	Provision of Day Care Services to Angus Council	<u>175</u>	<u>175</u>
<u>8,001</u>	<u>8,001</u>		<u>8,461</u>	<u>8,461</u>
		Support Services		
<u>207</u>	<u>207</u>	Crown and Procurator Fiscal Offices	-	-
<u>8,997</u>	<u>8,997</u>	Total	<u>9,148</u>	<u>9,148</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

6 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 2009/2010 in respect of teachers' pensions was 13.5% (2008/2009 13.5%). In 2009/2010 the Council paid £12.0m (2008/2009 £11.1m) 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 (2008/2009 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 2009/2010 these amounted to £0.07m (2008/2009 £0.08m) representing 0.12% of pensionable pay (2008/2009 0.14%).

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 2009/2010 the Council paid an employer's contribution of £20.0m (2008/2009 £21.4m) into the Tayside Superannuation Fund, representing 18.5% of pensionable pay (2008/2009 18.5%). The employer's contribution rate in 2009/2010 was 18.5% of the employee's pensionable pay. The employer's contribution rate was determined by the Fund's Actuary based on the triennial actuarial valuation at 31 March 2008 with the resultant revised contribution rates effective from 1 April 2009. 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 2009/2010 these amounted to £1.7m (2008/2009 £1.9m), representing 1.5% of pensionable pay (2008/2009 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 2009/2010 £0.151m (2008/2009 £0.393m)
- b awarded prior to 2009/2010 for which payments are still being made £19.929m (2008/2009 £17.668m)

7 COMMUNITY CHARGE INCOME

2008/2009 Actual £000		2009/2010 Actual £000
	Adjustments for Previous Year:	
(1)	Gross Charge	—
(1)	Net Charge	-
<u>64</u>	Released from Provision for Bad Debts	<u>77</u>
<u>63</u>		<u>77</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.

8 OFFICERS REMUNERATION

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

Number of Employees 2008/2009	Salary Banding	Number of Employees 2009/2010
65	£50,000 - £59,999	73
21	£60,000 - £69,999	20
11	£70,000 - £79,999	19
5	£80,000 - £89,999	3
4	£90,000 - £99,999	6
1	£100,000 - £109,999	-
-	£110,000 - £119,999	1
-	£120,000-£129,999	-
1	£130,000-£139,999	-

NOTES TO THE CORE FINANCIAL STATEMENTS

9 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 2010, was £547,485 (2008/2009 £532,252). In addition, expenses of £20,725 were re-imbursed for the year to 31 March 2010 (2008/2009 £15,707).

10 RELATED PARTIES - TRANSACTIONS

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

2008/2009			2009/2010	
Charges To	Charges From	Revenue	Charges To	Charges From
£000	£000		£000	£000
1,118	5,318	Dundee Energy Recycling Limited	1,161	5,477
703	166	Dundee City Developments Limited	153	164
91	184	Dundee Ice Arena Limited	1	226
10	398	Dundee Contemporary Arts Limited	1	371
18	652	Dovetail Enterprises (1993) Limited	19	542
257	38	Tayside Fire & Rescue Board	295	45
305	1,413	Tayside Joint Police Board	796	878
1,014	18,715	Tayside Contracts Joint Committee	1,685	22,660
147	14	Tayside Valuation Joint Board	214	8
239	116	Tay Road Bridge Joint Board	243	26
142	1,041	Dundee Leisure Limited	37	809
-	4,559	Discovery Education PLC	-	11,032
-	-	TayPlan - Strategic Development Planning Authority	-	61

In 2009/2010, there were no other material transactions with any other related parties that are not already disclosed elsewhere in the Statement of Accounts (2008/2009 None).

NOTES TO THE CORE FINANCIAL STATEMENTS

11 REVISED SERVICE EXPENDITURE ANALYSIS

The Income & Expenditure Account shown on page 15 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 £375.046m (as shown in the Income & Expenditure Account) has been re-classified in line with the Council's management/department structure as follows:

Restated 2008/2009 Actual Net Expenditure/ (Income) £000	Council Services	2009/2010			
		Actual Gross Expenditure £000	Actual Income £000	Actual Net Expenditure/ (Income) £000	Budgeted Net Expenditure/ (Income) £000
146,738	Education	136,180	(5,229)	130,951	130,514
83,358	Social Work	106,529	(21,842)	84,687	83,233
14,148	City Development	44,368	(16,319)	28,049	26,488
28,169	Leisure & Communities	38,860	(6,005)	32,855	33,498
16,422	Waste Management	18,163	(2,352)	15,811	17,470
3,151	Environmental Health & Trading Standards	3,616	(371)	3,245	3,422
51	Central Support Services (see note 12 below)	1,921	(2,262)	(341)	(636)
4,114	Miscellaneous Services	20,943	(16,012)	4,931	6,450
2,277	Other Housing	4,764	(2,279)	2,485	2,230
12,262	Supporting People	12,589	(200)	12,389	12,389
2,354	DCS Land Services Client	2,425	(79)	2,346	2,286
18,942	Contribution to Tayside Joint Police Board	18,836	-	18,836	18,916
15,416	Contribution to Tayside Fire & Rescue Board	15,447	-	15,447	15,449
1,048	Contribution to Tayside Valuation Joint Board	1,008	-	1,008	1,030
57	Housing Benefits	63,312	(63,546)	(234)	(345)
4,134	Corporate and Democratic Core	4,496	(109)	4,387	4,218
681	Net (Surplus)/Deficit on Insurance Account	440	(247)	193	555
550	Non Distributed Costs	401	-	401	401
(294)	Contingencies & Unforeseen Items	-	-	-	-
(481)	Exceptional Item (see note 2 on page 20)	(62)	-	(62)	-
353,097	Net Cost of General Fund Services	494,236	(136,852)	357,384	357,568
39,793	Housing Revenue Account	64,430	(46,768)	17,662	17,724
<u>392,890</u>	Net Cost of Services	<u>558,666</u>	<u>(183,620)</u>	<u>375,046</u>	<u>375,292</u>

12 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 surplus for 2009/2010 of £341,000 is included within "Central Services to the Public" in the Income & Expenditure Account.

2008/2009 Net Expenditure/ (Surplus) £000	Central Support Service	Gross Expenditure £000	Recharges to Council Departments £000	Recharge to Corporate & Democratic Core £000	Other Internal Income £000	External Income £000	Total Income £000	2009/2010 Net Expenditure/ (Surplus) £000
23	Chief Executive (incl Corporate Planning)	1,376	(30)	(1,164)	-	(67)	(1,261)	115
(33)	Press Office	328	(292)	(23)	-	-	(315)	13
(28)	Personnel	1,748	(1,726)	(15)	(32)	(49)	(1,822)	(74)
(155)	Information Technology Administration &	6,285	(5,931)	(81)	(289)	(77)	(6,378)	(93)
234	Legal Services	5,170	(3,064)	(1,342)	(341)	(228)	(4,975)	195
24	Architectural Services	6,083	(6,327)	-	-	-	(6,327)	(244)
(14)	Finance General	6,774	(2,806)	(1,871)	(509)	(1,841)	(7,027)	(253)
<u>51</u>		<u>27,764</u>	<u>(20,176)</u>	<u>(4,496)</u>	<u>(1,171)</u>	<u>(2,262)</u>	<u>(28,105)</u>	<u>(341)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

13 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 2007/ 2008 £000	Actual 2007/ 2008 £000	Target 2008/ 2009 £000	Actual 2008/ 2009 £000		Actual 2009/ 2010 £000	Target 2009/ 2010 £000	3-Year Actual 2007/ 2010 £000	3-Year Target 2007/ 2010 £000
(25,196)	(26,748)	(26,073)	(26,760)	Income	(28,528)	(26,560)	(82,036)	(77,829)
<u>24,884</u>	<u>26,117</u>	<u>25,351</u>	<u>26,425</u>	Expenditure	<u>28,028</u>	<u>26,045</u>	<u>80,570</u>	<u>76,280</u>
<u>(312)</u>	<u>(631)</u>	<u>(722)</u>	<u>(335)</u>	(Surplus)/Deficit	<u>(500)</u>	<u>(515)</u>	<u>(1,466)</u>	<u>(1,549)</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 area.

To support its core business, the department operates its own joiners workshop, blacksmiths workshop, glaziers workshop, nursery and glasshouses. In addition it operates its own plant and fleet of vehicles although transport and equipment is hired when considered necessary.

A 24 hour emergency service is 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 retrained its Investors in People status. The department currently employs 44 apprentices and recruits annually to maintain an approximate 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 additional 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. Dundee Contracts Services achieved in excess of this over the years 2007/10.

Financial Performance

The surplus for the current financial year of £0.500m 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 £1.466m during the period 2007/08 to 2009/10.

The actual income in 2009/10 of £28.528m was 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 2009/10 of £0.500m was lower than the Council's own financial target of £0.515m.

Treatment of Surplus

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

NOTES TO THE CORE FINANCIAL STATEMENTS

14 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 2009/2010 financial year, for external audit services undertaken in accordance with the Code of Audit Practice, is £420,000 (2008/2009 £413,900). During 2009/2010, 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 (2008/2009 None).

15 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 16).

Restated 2008/2009 £000		2009/2010 £000	£000
	Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(102,909)	Depreciation and impairment of fixed assets	(80,711)	
6,806	Government Grants deferred amortisation matching depreciation and impairments	8,086	
(1,513)	Net gain or (loss) on sale of fixed assets	(1,404)	
(74)	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.	(62)	
<u>(1,407)</u>	Amount by which pension costs calculated in accordance with the SORP (ie in accordance with FRS17) are different from the contributions due under the pension scheme regulations	<u>(5,686)</u>	
(99,097)			(79,777)
	Amounts not included in the Income & Expenditure Account but required to be taken into account when determining the Movement on the General Fund Balance for the year		
20,067	Repayment of debt	20,493	
<u>(2,702)</u>	Capital Expenditure charged to the General Fund Balance	<u>649</u>	
17,365			21,142
	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		
398	Net transfer to or (from) earmarked reserves and accounts		(2,149)
<u>(81,334)</u>	Net additional amount required to be (credited) or charged to the General Fund balance for the year		<u>(60,784)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

16 SUMMARY OF CAPITAL EXPENDITURE AND FIXED ASSETS DISPOSALS

Operational Assets

	Council Dwellings £000	Other Land & Buildings £000	Operational Equipment £000	Infrastr. Assets £000	Community Assets £000	Total Operational Assets £000
Cost or Valuation						
Restated At 1 April 2009	598,594	454,468	76,546	116,889	1,549	1,248,046
Additions	20,378	5,857	5,723	12,561	181	44,700
PPP Additions	-	25,187	-	-	-	25,187
Donations	-	-	-	-	-	-
Disposals	(4,211)	(526)	(527)	-	-	(5,264)
Reclassifications	-	91,851	-	-	-	91,851
Revaluations etc	(19,166)	(7,717)	(17)	(419)	(181)	(27,500)
As at 31 March 2010	595,595	569,120	81,725	129,031	1,549	1,377,020
Depreciation & Impairments						
As at April 2009	-	(28,785)	(53,791)	(38,038)	-	(120,614)
Charge for 2009/2010	(13,166)	(16,718)	(4,406)	(4,771)	-	(39,061)
Disposals	206	-	363	-	-	569
Reclassifications	-	-	-	-	-	-
Revaluations etc	-	26,377	-	-	-	26,377
As at 31 March 2010	(12,960)	(19,126)	(57,834)	(42,809)	-	(132,729)
Balance Sheet Amount						
As at 31 March 2010	582,635	549,994	23,891	86,222	1,549	1,244,291
Restated As at 1 April 2009	598,594	425,683	22,755	78,851	1,549	1,127,432
Nature of Asset Holding						
Owned	582,635	460,044	23,891	86,222	1,549	1,154,341
Finance Lease	-	-	-	-	-	-
PFI/PPP	-	89,950	-	-	-	89,950
	582,635	549,994	23,891	86,222	1,549	1,244,291

Non-Operational Assets

	Investment Properties £000	Assets Under Constr £000	Surplus Assets Held for Disposal £000	Total Non- Operational Assets £000	Total All Assets £000
Cost or Valuation					
Restated At 1 April 2009	88,828	18,334	4,212	111,374	1,359,420
Additions	-	26,341	-	26,341	71,041
PPP Additions	-	-	-	-	25,187
Donations	-	-	-	-	-
Disposals	-	-	(36)	(36)	(5,300)
Reclassifications	(72,575)	(26,659)	7,383	(91,851)	-
Revaluations etc	633	-	1,263	1,896	(25,604)
At 31 March 2010	16,886	18,016	12,822	47,724	1,424,744
Depreciation & Impairments					
At 1 April 2009	-	-	(81)	(81)	(120,695)
Charge for 2009/2010	-	-	(116)	(116)	(39,177)
Disposals	-	-	-	-	569
Reclassifications	-	-	-	-	-
Revaluations etc	-	-	(2,747)	(2,747)	23,630
At 31 March 2010	-	-	(2,944)	(2,944)	(135,673)
Balance Sheet Amount					
At 31 March 2010	16,886	18,016	9,878	44,780	1,289,071
Restated At April 2009	88,828	18,334	4,131	111,293	1,238,725
Nature of Asset Holding					
Owned	16,886	18,016	9,878	44,780	1,199,121
Finance Lease	-	-	-	-	-
PFI/PPP	-	-	-	-	89,950
	16,886	18,016	9,878	44,780	1,289,071

NOTES TO THE CORE FINANCIAL STATEMENTS

17 SOURCES OF FINANCE FOR CAPITAL EXPENDITURE

Restated 2008/2009 £000		2009/2010 £000	£000
46,028	Capital Expenditure on Fixed Assets	71,041	
<u>84</u>	Long-Term Debtors	<u>361</u>	
<u>46,112</u>	Capital to be Financed for the year		<u>71,402</u>
	Financed by:		
23,246	Loans Fund Advances	41,014	
4,842	Capital Receipts (incl Insurance Receipts)	9,515	
20,029	Government Grants/Capital Contributions	20,100	
697	Receipts from Long-Term Debtors	124	
1,617	Revenue (CFCR)	976	
<u>(4,319)</u>	Receipts Against Revenue (CFCR) Projects	<u>(327)</u>	
<u>46,112</u>	Total Capital Financing for the year		<u>71,402</u>

18 LONG TERM INVESTMENTS

As at 31 March 2009 £000		As at 31 March 2010 £000
7	Discovery Education (Holdings) Limited	7
<u>1,130</u>	Maintenance in Perpetuity of Burial Grounds Fund *	<u>1,130</u>
<u>1,137</u>		<u>1,137</u>

*This long-term investment relates to cash held on deposit with a building society.

19 LONG TERM DEBTORS

Restated As at 31 March 2009 £000		As at 31 March 2010 £000
1,046	Mortgages/Repairs Notices	1,131
3,281	Loans to Tayside Contracts Joint Committee to fund Capital Expenditure	4,514
<u>2,758</u>	Other Loans	<u>2,587</u>
<u>7,085</u>		<u>8,232</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 2009 SORP, these soft loans have been reinstated to fair value by discounting future cash receipts using the prevailing market rate of interest.

20 COMMITMENTS UNDER CAPITAL CONTRACTS

In February 2010, the Council approved its 2010/2013 Capital Plan for General Services. This programme totals £185.5m of expenditure to be incurred in 2010/2011 and beyond. Of this expenditure £25.5m is legally committed under contracts and the remaining £160.0m relates to projects with committee approval to commence in 2010/2011 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). In June 2010, the Council approved the 2010-2015 Housing (HRA) Capital Budget that included expenditure relating to the above plan. This programme totals £144.7m of expenditure to be incurred over the period 2010-2015. Of this expenditure £3.6m is legally committed under contracts and the remaining £141.1m relates to projects with committee approval to commence in 2010/2011 and beyond but for which contracts have not yet been entered into.

NOTES TO THE CORE FINANCIAL STATEMENTS

21 INFORMATION ON ASSETS HELD

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

Number as at 31 March 2009		Number as at 31 March 2010
14,990	Council Dwellings	14,749
	Operational Land and Buildings	
48	Office Buildings	40
55	Schools	59
8	Sports Centres and Swimming Pools	8
22	Residential Homes and Care Centres	22
12	Neighbourhood Centres	12
51	Sports Pavilions	51
33	Off Street Car Parks	30
12	Public Conveniences	12
13	Libraries	13
7	Museums and Galleries	7
16	Cemetery Buildings	16
-	Industrial Units and Shops	356
<u>300</u>	Miscellaneous Buildings	<u>365</u>
<u>577</u>		<u>991</u>
	Community Assets	
85	Parks and Community Land	85
11	Cemeteries (Land only)	11
14	Museum/Library Collections	14
<u>1</u>	Monuments	<u>1</u>
<u>111</u>		<u>111</u>
	Non-Operational Assets	
560	Shops, Offices, Industrial Units and Commercial Property	118
14	Assets Under Construction	19
<u>101</u>	Other Non-Operational Assets	<u>93</u>
<u>675</u>		<u>230</u>
889	Infrastructure Assets	924
906	Vehicles, Plant and Equipment	960

22 LEASES - DISCLOSURE BY LESSEES

Finance Leases

The Council held no assets on finance lease during 2009/2010 and accordingly, there were no finance lease rentals paid to lessors during 2009/2010 (2008/2009 Nil). The Council have no commitments to making payments to lessors in 2010/2011 in respect on finance leases.

Operating Leases

Operating lease rental payments of £950,000 were made during 2009/2010 (2008/2009 £1,678,000). These payments related to the asset categories Other Land and Buildings (£427,000) and Vehicles, Plant and Equipment (£523,000). In addition, the Council operates a contract car hire scheme, home computer initiative and cycle scheme for its employees. In financial year 2009/2010, total payments of £842,000 (2008/2009 £1,098,000) were made by the Council to the lessors, offset by contributions of £423,000 (2008/2009 £687,000) from employees.

In respect of operating leases, the Council is committed to making payments to lessors of £1.257m in 2010/2011. This comprises the following elements:

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Total £000
Leases expiring in 2010/2011	107	14	121
Leases expiring between 2011/2012 and 2014/2015	128	816	944
Leases expiring after 2014/2015	<u>192</u>	<u>-</u>	<u>192</u>
Total	<u>427</u>	<u>830</u>	<u>1,257</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

23 LEASES - DISCLOSURE BY LESSORS

Finance Leases

There were no assets leased to third parties on finance lease during 2009/2010 (2008/2009 None).

Operating Leases

Dundee City Council has entered into a number of property agreements that are managed corporately by the City Development Department. These agreements are accounted for as operating leases. The aggregate rentals receivable from these agreements in 2009/2010 was £5.850m (2008/2009 £5.100m). In previous years these assets have been classified as Investment Properties. During 2009/2010 a review was undertaken to ensure that any assets that were considered to be leased out for economic development purposes were re-classified as operational, as they are deemed to be held for policy objectives rather than purely speculative reasons. The review concluded that all assets leased out by the Council were for policy reasons and accordingly these assets have now been re-classified as Operational Land and Buildings. The gross value of leased out assets as at 31 March 2010 was £72.575m (31 March 2009 £88.828m). The accumulated depreciation as at 31 March 2010 relating to these assets was £1.475m (31 March 2009 Nil).

24 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 2009/2010 being the first year of this rolling programme. All related assets held for City Development and Other Housing departments were revalued as at 31 March 2010. The rolling programme of revaluation was carried out by a team of staff from the Council's City Development Department led by Mr Douglas Davidson BSc MRICS 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	-	-	458	-	-	458
Valued at Current Value in: 2009/2010	<u>-</u>	<u>23,433</u>	<u>-</u>	<u>623</u>	<u>922</u>	<u>24,978</u>
	<u>-</u>	<u>23,433</u>	<u>458</u>	<u>623</u>	<u>922</u>	<u>25,436</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.

NOTES TO THE CORE FINANCIAL STATEMENTS

24 VALUATION OF THE COUNCIL'S ASSETS (CONTD)

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. The straight-line method of depreciation is used by Dundee City Council for all other assets and the total depreciation charge for 2009/2010 is £39,176,381. 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.

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 2009/2010, 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 2009/2010 is £41,534,198.

25 ANALYSIS OF NET ASSETS EMPLOYED

Restated As at 31 March 2009 £000		As at 31 March 2010 £000
87,431	General Fund	(114,981)
490,910	Housing Revenue Account	467,114
<u>1,945</u>	Dundee Contract Services (Statutory Trading Account)	<u>1,718</u>
<u>580,286</u>	Total	<u>353,851</u>

26 INVESTMENTS IN RELATED COMPANIES

Copies of the accounts for the undemoted related companies can be obtained from the Director 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. In March 2010, the Council agreed to provide a further loan facility of £1.0m, also carrying a interest rate of 5% per annum. There was no drawdown against the additional loan at 31 March 2010. The carrying value of the investment in the company in the Council's Balance Sheet is Nil (31 March 2009 Nil). The Council owned 40% of the £100 Ordinary Share Capital of DERL at 31 March 2010 (40% at 31 March 2009). 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).

NOTES TO THE CORE FINANCIAL STATEMENTS

26 INVESTMENTS IN RELATED COMPANIES (CONTD)

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

<u>31.12.2008</u> (Audited) £000		<u>31.12.2009</u> (Audited) £000
(472)	Profit/(Loss) Before Taxation	(716)
(472)	Profit/(Loss) After Taxation	(716)
-	Dividends Paid	-
2,707	Net Assets (Represented by Share Capital and Reserves)	1,991

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 statutory accounts:

<u>30.04.2009</u> (Audited) £000		<u>30.04.2010</u> (Unaudited) £000
163	Profit/(Loss) Before Taxation	189
160	Profit/(Loss) After Taxation	189
-	Dividends Paid	-
1,743	Net Assets (Represented by Reserves)	936

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. There was no drawdown against the loan at 31 March 2010. 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 statutory accounts:

<u>31.03.2009</u> (Audited) £000		<u>31.03.2010</u> (Audited) £000
8	Profit/(Loss) Before Taxation	9
8	Profit/(Loss) After Taxation	9
-	Dividends Paid	-
(1,138)	Net Liabilities (Represented by Reserves)	(3,852)

NOTES TO THE CORE FINANCIAL STATEMENTS

26 INVESTMENTS IN RELATED COMPANIES (CONT)

Discovery Education Companies (3 no)

Discovery Education PLC, Discovery Education (Holdings) Limited and Discovery Education (Nominee) Limited were established during financial year 2006/2007 to operate the Dundee Schools PPP project. The Council has a contract with Discovery Education PLC to carry out the projects works and services. Dundee City Council has a 1.5% shareholding in Discovery Education (Holdings) 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 consolidated accounts.

<u>31.03.08</u> <u>(Audited)</u> <u>£000</u>		<u>31.03.09</u> <u>(Audited)</u> <u>£000</u>
(2,508)	Profit/(Loss) Before Taxation	(2,891)
(1,806)	Profit/(Loss) After Taxation	(2,082)
-	Dividends Paid	-
(1,332)	Net Liabilities (Represented by Share Capital and Reserves)	(3,413)

There are also three 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 statutory accounts:

<u>31.03.2009</u> <u>(Audited)</u> <u>£000</u>		<u>31.03.2010</u> <u>(Unaudited)</u> <u>£000</u>
31	Profit/(Loss) Before Taxation	(63)
31	Profit/(Loss) After Taxation	(63)
-	Dividends Paid	-
86	Net Assets (Represented by Reserves)	23

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>31.03.2008</u> <u>(Audited)</u> <u>£000</u>		<u>31.03.2009</u> <u>(Audited)</u> <u>£000</u>
42	Profit/(Loss) Before Taxation	111
42	Profit/(Loss) After Taxation	111
-	Dividends Paid	-
115	Net Assets/(Liabilities) (Represented by Reserves)	136

NOTES TO THE CORE FINANCIAL STATEMENTS

26 INVESTMENTS IN RELATED COMPANIES (CONT)

Dovetail Enterprises (1993) Limited

Dovetail Enterprises Limited was established to provide training and employment for persons with disabilities. The Council provides annual grant funding to this organisation. The Council has also provided an interest free loan of £400,000 repayable by 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 2010, £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>31.03.2009</u> <u>(Audited)</u> <u>£000</u>		<u>31.03.2010</u> <u>(Unaudited)</u> <u>£000</u>
(108)	Profit/(Loss) Before Taxation	(245)
(108)	Profit/(Loss) After Taxation	(245)
-	Dividends Paid	-
(1,339)	Net Assets/(Liabilities) (Represented by Reserves)	(4,081)

27 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.

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 2009/2010	Restated Balance as at 31 March 2009 £000	Movements in Provisions 2009/2010 £000	Balance as at 31 March 2010 £000
Council Tax Income - Exemptions/Discounts	700	-	700
Self-Insured/Uninsured Losses - Tayside Regional Council	693	-	693
- Dundee District Council	1,000	-	1,000
- Dundee City Council	<u>2,598</u>	<u>(68)</u>	<u>2,530</u>
	<u>4,991</u>	<u>(68)</u>	<u>4,923</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

28 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 2009/2010 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
Restated Balance at 1 April 2009	(245,290)	5,853	(491,529)	(34)	-	(15,884)
(Gains)/Losses for the Year	-	-	(39,561)	(169)	-	-
<i>Transfers between Reserves:</i>						
Net Book Value of Asset Disposals	4,731	-	-	-	-	-
Proceeds of Asset Disposals	-	-	-	-	(9,514)	6,187
Proceeds of Asset Disposals	(9,514)	-	-	-	9,514	-
Transfers to Earmarked Reserves	-	-	-	-	-	1,545
Depreciation & Impairment	80,711	-	-	-	-	-
Repayment of Debt	(20,493)	-	-	-	-	-
Government Grants Amortisation	(8,086)	-	-	-	-	-
CFCR	(649)	-	-	-	-	-
FRS17 Adjustments	-	-	-	-	-	-
Financial Instruments Adjustments	-	62	-	-	-	-
Revaluation Reserve Balance on Asset Disposals	(3,171)	-	3,171	-	-	-
Additional Depreciation Adjustment	(13,546)	-	13,546	-	-	-
<i>Other Adjustments:</i>						
Pensions Contributions Adjustment	-	-	-	-	-	-
Balance at 31 March 2010	(215,307)	5,915	(514,373)	(203)	-	(8,152)

	Renewal & Repair Fund £000	Insurance Fund £000	Pensions Reserve £000	General Fund £000	Total £000
Restated Balance at 1 April 2009	(3,334)	(1,048)	178,411	(7,431)	(580,286)
(Gains)/Losses for the Year	-	-	207,610	58,715	226,595
<i>Transfers between Reserves:</i>					
Net Book Value of Asset Disposals	-	-	-	(4,731)	-
Proceeds of Asset Disposals	-	-	-	3,327	-
Proceeds of Asset Disposals	-	-	-	-	-
Transfers to Earmarked Reserves	445	159	-	(2,149)	-
Depreciation & Impairment	-	-	-	(80,711)	-
Repayment of Debt	-	-	-	20,493	-
Government Grants Amortisation	-	-	-	8,086	-
CFCR	-	-	-	649	-
FRS17 Adjustments	-	-	5,686	(5,686)	-
Financial Instruments Adjustments	-	-	-	(62)	-
Revaluation Reserve Balance on Asset Disposals	-	-	-	-	-
Additional Depreciation Adjustment	-	-	-	-	-
<i>Other Adjustments:</i>					
Pensions Contributions Adjustment	-	-	(160)	-	(160)
Balance at 31 March 2010	(2,889)	(889)	391,547	(9,500)	(353,851)

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

28 MOVEMENTS ON RESERVES (CONT)

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.

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.

29 CONTINGENT ASSETS & LIABILITIES

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

A Contingent Liability in respect of this matter was also disclosed at 31 March 2009 (£292,000).

NOTES TO THE CORE FINANCIAL STATEMENTS

30 GENERAL FUND BALANCES

The Balance Sheet shows that the Council has a General Fund balance of £9.500m as at 31 March 2010 (31 March 2009 £7.431m). It is estimated that there are expenditure commitments amounting to £0.586m outstanding at 31 March 2010. These have arisen due to underspends in 2009/2010 and these underspends will be carried forward to 2010/2011 and fully utilised in the new financial year. It was agreed that the sum of £0.757m be taken from balances in setting the 2010/2011 Council Tax. In addition, there are earmarked balances within the General Fund of £0.185m and £0.640m 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 £7.332m as at 31 March 2010.

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.

31 RELATED PARTIES - BALANCES

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

As at 31 March 2009			As at 31 March 2010	
Amounts Due From	Amounts Due To		Amounts Due From	Amounts Due To
£000	£000		£000	£000
1,080	493	Dundee Energy Recycling Limited	1,648	188
68	-	Dundee City Developments Limited	175	-
103	29	Dundee Ice Arena Limited	125	-
88	-	Dundee Contemporary Arts Limited	106	-
1	53	Dovetail Enterprises (1993) Limited	19	1
960	-	Tayside Fire & Rescue Board	1,472	2
3,236	678	Tayside Joint Police Board	3,884	183
1,472	1,954	Tayside Contracts Joint Committee	2,711	2,547
115	14	Tayside Valuation Joint Board	349	2
59	116	Tay Road Bridge Joint Board	240	87
291	114	Dundee Leisure Limited	253	155
-	646	Discovery Education PLC	-	-
-	-	TayPlan - Strategic Development Planning Authority	-	137

In 2009/2010, there were no other material transactions with any other related parties that are not already disclosed elsewhere in the Statement of Accounts (2008/2009 None).

32 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

32 PENSIONS - DEFINED BENEFITS SCHEMES (CONT)

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

2008/2009			2009/2010	
£000	£000		£000	£000
	(114,710)	Deficit at 1 April		(178,411)
	(5,920)	Opening Adjustment		-
(18,472)		Current Service Cost	(18,223)	
21,437		Employer Contributions	22,014	
1,934		Contribution in respect of Unfunded Benefits	1,712	
(393)		Past Service Costs	(151)	
(117)		Settlements/Curtailments	(134)	
<u>(5,797)</u>		Net Return on Assets	<u>(10,904)</u>	
	(1,408)			(5,686)
	(56,245)	Actuarial Gains/(Losses)		(207,610)
	(128)	Difference between Actuarial Contribution Figure and		
	<u>(178,411)</u>	Actual Contribution Figure		<u>160</u>
		Deficit at 31 March		<u>(391,547)</u>

The cost of retirement benefits is recognised in the Net Cost of Service 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:

2008/2009			2009/2010	
£000	Net Cost of Service:		£000	
18,472	Current Service Cost		18,223	
393	Past Service Cost		151	
<u>117</u>	(Gains)/Losses on settlements and curtailments		<u>134</u>	
<u>18,982</u>	Total Operating Charge (A)		<u>18,508</u>	
	Net Operating Expenditure:			
41,262	Expected Return on Employer Assets		33,058	
<u>(47,059)</u>	Interest on Pension Scheme Liabilities		<u>(43,962)</u>	
<u>(5,797)</u>	Net Return (B)		<u>(10,904)</u>	
<u>24,779</u>	Net Income & Expenditure Account Cost (A) - (B)		<u>29,412</u>	

Statement of Movement on the General Fund Balance:

2008/2009		2009/2010
£000		£000
<u>(24,779)</u>	Reversal of net charges made for retirement benefits in accordance with FRS 17	<u>(29,412)</u>

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

2008/2009		2009/2010
£000		£000
<u>23,371</u>	Employers' contributions payable to the scheme	<u>23,726</u>

Assets and liabilities in relation to retirement benefits

Reconciliation of fair value of scheme assets:

2008/2009		2009/2010
£000		£000
592,068	Fair value of scheme assets at 31 March 2009	477,913
(5,920)	Opening Adjustment	-
41,262	Expected rate of return	33,058
(155,430)	Actuarial gains/(losses)	136,231
23,243	Contributions by employer including unfunded pensions	23,886
7,103	Contributions by scheme participants	7,608
-	Receipt of bulk transfer value	-
<u>(24,413)</u>	Estimate benefits paid net of transfers in including unfunded pensions	<u>(26,199)</u>
<u>477,913</u>	Fair value of scheme assets at 31 March 2010	<u>652,497</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

32 PENSIONS - DEFINED BENEFITS SCHEMES (CONT)

Reconciliation of present value of scheme liabilities:

2008/2009 £000		2009/2010 £000
706,779	Defined Benefit Liability at 31 March 2009	656,324
18,472	Current Service Cost	18,223
47,059	Interest Cost	43,962
(99,185)	Actuarial losses/(gains)	343,841
117	(Gains)/Losses on curtailments	134
(23,094)	Estimated benefits paid net of transfers in	(24,586)
393	Past service costs	151
7,103	Contributions by Scheme participants	7,608
<u>(1,319)</u>	Unfunded pension payments	<u>(1,613)</u>
<u>656,325</u>	Defined Benefit Liability at 31 March 2010	<u>1,044,044</u>

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 £169.288m (2008/2009 £124.447m).

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 £000	Year to 31.3.2006 £000	Year to 31.3.2007 £000	Year to 31.3.2008 £000	Year to 31.3.2009 £000	Year to 31.2.2010 £000
Present Value of liabilities	(650,857)	(752,375)	(753,301)	(706,779)	(656,324)	1,044,044
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>	<u>652,497</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>	<u>(391,547)</u>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £391.547m 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.

In calculating the FRS17 balance sheet position the standard again required the use of the real discount rate, however this is calculated using the rate at the end of the accounting period as opposed to the start.

Thus for 2009/10 the real discount rate included within the FRS17 calculations is 1.5% as opposed to 3.6% in 2008/09. This has the effect of significantly increasing liabilities.

This significant increase in liabilities has been partially offset by increases in asset values in line with the stock market recovery. However this growth has been insufficient to offset the increase in liabilities.

The total employer contributions expected to be made for the year to 31 March 2011 is £24.108m.

NOTES TO THE CORE FINANCIAL STATEMENTS

32 PENSIONS - DEFINED BENEFITS SCHEMES (CONT)

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:

2008/2009		2009/2010
	Long-term expected rate of return on assets in the scheme:	
7.8%	Equities	8.3%
4.0%	Gifts	4.5%
6.5%	Bonds	5.5%
7.3%	Property	5.5%
3.0%	Cash	3.0%
	Assumed Life Expectancy from age 65:	
	Retiring today:	
21.37	Men	21.37
24.44	Women	24.44
	Retiring in 20 years time:	
22.30	Men	22.30
25.34	Women	25.34
3.0%	Rate of inflation	3.9%
4.5%	Rate of increase in salaries	5.4%
3.0%	Rate of increase in pensions	3.9%
6.7%	Rate for discounting scheme liabilities	5.5%

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

31 March 2009		31 March 2010
%		%
64	Equities	72
12	Gilts	7
9	Other Bonds	10
10	Property	8
<u>5</u>	Cash	<u>3</u>
<u>100</u>	Total	<u>100</u>

History of experienced gains and losses:

The actuarial gains identified as movements on the Pensions Reserve in 2009/2010 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010 (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	Year to 31.3.2010
Differences between the expected and actual return on assets:						
Value of assets	22,587	93,963	11,625	(71,072)	(155,430)	136,231
Percentage of assets	455,236	551,057	599,956	592,068	477,913	652,497
	5.0%	17.0%	1.9%	(12.0%)	(32.5%)	20.9%
Experience gains/(losses) on liabilities	-	(2,665)	-	-	(5,638)	(333)
Present Value of liabilities	650,857	752,375	753,301	706,779	656,324	1,044,044
Percentage of present value of liabilities	-	(0.4%)	-	-	(0.9%)	-

NOTES TO THE CORE FINANCIAL STATEMENTS

33 ANALYSIS OF SUNDRY DEBTORS AND SUNDRY CREDITORS

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

Restated As at 31 March 2009 £000		As at 31 March 2010 £000
	Sundry Debtors	
5,842	Government, EC and Other Grants	10,202
2,625 <u>(2,409)</u>	Community Charge due and unpaid <u>Less</u> provision for Bad Debts	2,424 <u>(2,267)</u>
216		157
17,592 <u>(11,778)</u>	Council Tax due and unpaid <u>Less</u> provision for Bad Debts	18,325 <u>(12,834)</u>
5,814		5,491
3,698 <u>(2,475)</u>	Statutory Additions due and unpaid <u>Less</u> provision for Bad Debts	3,929 <u>(2,727)</u>
1,223		1,202
34,498 <u>(4,286)</u>	General Debtors <u>Less</u> provision for Bad Debts	36,001 <u>(4,421)</u>
<u>30,212</u>		<u>31,580</u>
<u>43,307</u>		<u>48,632</u>
	Sundry Creditors	
(7,734)	Government, EC and Other Grants	(4,869)
(701)	Loans Fund Interest etc	(66)
<u>(40,185)</u>	General Creditors	<u>(48,791)</u>
<u>(48,620)</u>		<u>(53,726)</u>

34 EVENTS AFTER THE BALANCE SHEET DATE

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events After the Balance Sheet Date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%.

There were no other events that occurred between 1 April 2010 and 30 September 2010 that would require adjustment to the 2009/2010 financial statements (2008/2009 None). The latter date is the date on which the audited accounts were authorised for issue by the Director of Finance.

35 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

35 COMMUNITY CARE & HEALTH (SCOTLAND) ACT 2002 (CONT)

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 2009/2010 was as follows:

2008/2009		2009/2010
Actual		Actual
£000		£000
<u>834</u>	Expenditure	<u>862</u>
	Income	
388	Dundee City Council	518
<u>446</u>	NHS Tayside	<u>455</u>
<u>834</u>		<u>973</u>

36 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.

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.

31 March 2009				31 March 2010			
Carrying Amount Current £000	Carrying Amount Long-term £000	Fair Value £000	Financial Assets	Ref (see below)	Carrying Amount Current £000	Carrying Amount Long-term £000	Fair Value £000
			Loans and receivables				
35,822	-	36,156	Temporary Advances	i	-	-	-
102	-	102	Cash and Bank	iii	13,254	-	13,254
-	432	432	Soft Loans	iv	-	424	424
-	8,479	8,479	Other Loans at Market Rates	v	-	9,090	9,090
			Available-for-sale financial assets				
409	-	409	- Short Term Investments	vi	579	-	579
			Unquoted equity investment at cost				
-	7	N/A	- Other Investments	vii	-	7	N/A
-	-	-	Financial Assets at fair value through profit or loss		-	-	-
<u>36,333</u>	<u>8,918</u>	<u>45,578</u>	Total Financial Assets		<u>13,833</u>	<u>9,521</u>	<u>23,347</u>
			Financial Liabilities				
			Financial liabilities at amortised cost				
1,143	307,636	367,149	Borrowing Repayable	i	10,194	315,914	380,234
12,476	-	12,476	Temporary Advances from Other Accounts	ii	4,887	-	4,887
22,647	-	22,647	Bank Overdraft	iii	20,569	-	20,569
			Financial liabilities at fair value through profit and loss				
-	-	-		-	-	-	-
<u>36,266</u>	<u>307,636</u>	<u>402,272</u>	Total Financial liabilities		<u>35,650</u>	<u>315,914</u>	<u>405,690</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2010, using bid prices where applicable.

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

ii Temporary Advances from Other Accounts

These amounts relate to the cash balances of 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 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.

iv 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.

v Other Loans at Markets Rates

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

vi 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.

vii 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

36 FINANCIAL INSTRUMENTS (CONT)

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 2009/2010 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	Total
	Measured at amortised cost £000	Loans and receivables £000	Available- for-sale assets £000	Unquoted equity investment at cost £000	£000
Interest expense	21,573	-	-	-	21,573
Losses on derecognition	-	-	-	-	-
Impairment losses	-	-	-	-	-
Interest payable and Similar Charges	21,573	-	-	-	21,573
Income and Investment income	-	(776)	(23)	-	(799)
Gains on derecognition	-	-	-	-	-
Interest and Investment income	-	(776)	(23)	-	(799)
Gains on revaluation			(169)		(169)
Losses on revaluation			-		-
Amounts recycled to I & E Account after impairment			-		-
Losses arising on revaluation of financial assets			(169)		(169)
Net (gain)/loss for the year	21,573	(776)	(192)	-	20,605

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

36 FINANCIAL INSTRUMENTS (CONT)

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 F1 and above). 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 2010 was £Nil. 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 2009		31 March 2010
£000		£000
5,000	Other Local Authorities	-
18,870	Above F1	-
2,000	F1	-
<u>9,000</u>	F2	-
<u>34,870</u>		<u>-</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.

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

31 March 2009		31 March 2010
£000		£000
1,446	Less than 1 year	6,398
945	Between 1 and 2 years	7,517
22,433	Between 2 and 5 years	25,188
11,712	Between 5 and 10 years	28,022
<u>266,966</u>	More than 10 years	<u>253,884</u>
<u>303,502</u>		<u>321,009</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.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

37 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. The new schools became operational as follows:

Claypotts Primary School	- May 2008	St Paul's RC Academy	- November 2008
Craigowl Primary School	- May 2008	Fintry Primary School	- April 2009
Downfield Primary School	- May 2008	Rowantree Primary School	- April 2009
St Andrew's RC Primary School	- May 2008	Grove Academy Phase 2	- November 2009
Grove Academy Phase 1	- August 2008		

Payments under the contract commenced in May 2008 when the first school became available for use. Total payments in 2009/2010 under the contract were £8,443,338 (2008/2009 £4,324,258). The annual payment to Discovery Education PLC will increase to a maximum of £9.288m 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. The value of the liability included in the Balance Sheet as at 31 March 2010 is £86.784m (31 March 2009 £63.643m).

The future payments due to be made under the PPP contract (at estimated outturn prices) are as follows:

	Within 1 Yr £000	Within 2-5 Yrs £000	Within 6-10 Yrs £000	Within 11-15 Yrs £000	Within 16-20 Yrs £000	Within 21-25 Yrs £000	Within 26-30 Yrs £000	Total £000
Repayment of Liability	2,179	8,392	10,139	12,607	17,033	19,930	16,504	86,784
Contingent Rental	313	2,762	6,640	11,107	16,548	21,475	17,904	76,749
Interest	4,003	15,045	16,616	14,129	10,648	6,519	1,408	68,368
Service Charges	2,493	10,611	14,826	16,775	18,979	21,473	14,397	99,554
Lifecycle Maintenance	<u>228</u>	<u>2,417</u>	<u>6,588</u>	<u>7,394</u>	<u>6,953</u>	<u>9,983</u>	<u>3,017</u>	<u>36,580</u>
Total	<u>9,216</u>	<u>39,227</u>	<u>54,809</u>	<u>62,012</u>	<u>70,161</u>	<u>79,380</u>	<u>53,230</u>	<u>368,035</u>

38 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 IFRIC 12 - Service Concession Arrangements. IFRIC 12 details with concession operator accounting but has been adapted in the 2009 SORP for concession grantors. The Council has reviewed the terms of the schools' PPP contract in line with IFRIC 12 and has concluded that the schools should be recorded as tangible fixed assets in the Council's Balance Sheet at 31 March 2010. The value of new school buildings assets (excluding land) recognised in the Balance Sheet is as follows:

Restated As at 31 March 2009 £000		As at 31 March 2010 £000
64,794	Gross Book Value	91,030
-	Less Accumulated Depreciation	(1,080)
<u>64,794</u>	Net Book Value	<u>89,950</u>

39 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, 31 March 2009 and 31 March 2010, 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Restated 2008/2009 £000	2009/2010 £000	2009/2010 £000
(82,485)	Surplus/(Deficit) for the year per Income & Expenditure Account (58,715)	
<u>Non-cash Transactions</u>		
102,909	Depreciation & Impairment 80,711	
(6,806)	Government Grants etc Amortisation (8,086)	
1,407	FRS17 Adjustments 5,686	
<u>4</u>	<u>Other Adjustments 1,423</u>	
97,514	79,734	
<u>Items on an Accruals Basis</u>		
24	(Increase)/decrease in Stores & Work-in-Progress (249)	
4,875	(Increase)/decrease in Debtors (5,240)	
<u>(4,507)</u>	<u>Increase/(decrease) in Creditors 6,138</u>	
392	649	
<u>Items Classified Elsewhere in the Cash Flow Statement</u>		
21,425	Add Interest Payable & Similar Charges 21,573	
(3,352)	Less Interest & Investment Income (792)	
<u>1,513</u>	<u>Less (Gain)/Loss on Disposal of Fixed Assets 1,404</u>	
<u>19,586</u>	<u>22,185</u>	
<u>35,007</u>	<u>Net Cash Inflow from Revenue Activities 43,853</u>	

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

Restated 2008/2009 £000	2009/2010 £000	2009/2010 £000
(4,572)	Increase/(Decrease) in Cash in the Period 15,220	
(230)	Movement in Liquid Resources (34,870)	
(301)	(Increase) in Borrowing (9,464)	
49	Reduction in Deferred Liability (Covenant) -	
<u>(63,643)</u>	<u>Increase in Deferred Liability (PPP) (23,142)</u>	
(68,697)	Change in Net Debt (52,256)	
<u>(298,600)</u>	<u>Opening Net Debt at 1 April (367,297)</u>	
<u>(367,297)</u>	<u>Closing Net Debt at 31 March (419,553)</u>	

Analysis of Movement in Net Debt	Restated 1 April 2009 £000	Cash Flows £000	Non Cash Changes £000	31 March 2010 £000
Cash				
Cash & Bank	102	13,152	-	13,254
Bank Overdraft	<u>(22,647)</u>	<u>2,068</u>	-	<u>(20,579)</u>
	<u>(22,545)</u>	<u>15,220</u>	-	<u>(7,325)</u>
Liquid Resources *	<u>34,870</u>	<u>(34,880)</u>	<u>10</u>	-
Borrowing				
Short-Term Advances from Other Accounts	(12,704)	8,042	-	(4,662)
Short-Term Loans	(214)	(5,010)	-	(5,224)
Long-Term Loans Repayable within One Year	(1,004)	1,004	(945)	(945)
Long-Term Loans	<u>(302,057)</u>	<u>(13,500)</u>	<u>945</u>	<u>(314,612)</u>
	<u>(315,979)</u>	<u>(9,464)</u>	-	<u>(325,443)</u>
PPP Deferred Liability	<u>(63,643)</u>	<u>2,045</u>	<u>(25,187)</u>	<u>(86,785)</u>
TOTAL NET DEBT	<u>(367,297)</u>	<u>(27,079)</u>	<u>(25,177)</u>	<u>(419,553)</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.

NOTES TO THE CORE FINANCIAL STATEMENTS

42 CASH FLOW STATEMENT - ANALYSIS OF SIGNIFICANT GOVERNMENT GRANTS

2008/2009		2009/2010
Actual		Actual
£000		£000
223,201	Revenue Support Grant	231,591
67,709	DWP Grant (Benefits Subsidy)	76,813
5,265	Criminal Justice Services	5,328
2,227	Community Regeneration Fund	-
2,297	Benefits Administration Grant	2,192
400	Modernising Government/Efficiency and Reform	-
499	Housing Implementation Act	435
2,190	Private Sector Housing Grant	2,171
-	Central Waterfront	1,253
2,933	Vacant and Derelict Land Fund	227
8,441	Fairer Scotland Fund	8,286
373	Deprived Areas Fund	260
-	Reward Funding	333
-	Smarter Choices, Smarter Places	418
<u>315,535</u>		<u>329,307</u>

COUNCIL TAX INCOME ACCOUNT

2008/2009 £000		2009/2010 £000	£000
74,722	Gross Charge		75,360
(7,195)	Deduct - Exemptions	(7,273)	
(58)	- Disabled Relief	(56)	
<u>(8,207)</u>	- Discounts	<u>(8,288)</u>	
<u>(15,460)</u>			<u>(15,617)</u>
59,262	Net Council Tax		59,743
(12,702)	Deduct - Rebates	(13,197)	
<u>12,918</u>	- Less: DWP Grant (Benefits Subsidy)	<u>13,376</u>	
216			179
(12)	- MOD Properties		(12)
12	- Contribution Received		12
<u>(2,139)</u>	Provision for Bad Debts/Exemptions/Discounts		<u>(2,280)</u>
<u>57,339</u>	Total Council Tax Income for Current Financial Year		<u>57,642</u>
(478)	Adjustment to Previous Years' Council Tax		(587)
<u>507</u>	Adjustment to Previous Years' Provision for Bad Debts		<u>268</u>
<u>29</u>	Total Adjustments for Previous Years		<u>(319)</u>
<u>57,368</u>	Total Council Tax Income		<u>57,323</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 2009/2010 charges levied. Details of the calculation of the Council Tax base are shown at Note 2.

<u>Council Tax Charge</u> 2008/2009 £	<u>Valuation Band</u>	<u>Property Valuation Range</u>	<u>Fraction of Band D</u>	<u>Council Tax Charge</u> 2009/2010 £
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

2008/2009		2009/2010								
Council Tax Base	A	B	C	D	E	F	G	H	TOTAL	
73,166	Total Number of Properties	30,062	16,806	8,394	8,292	6,756	2,142	970	43	73,465
(8,596)	Less Exemptions/Deductions	(3,727)	(1,346)	(752)	(2,233)	(721)	(83)	(29)	(8)	(8,899)
<u>(8,513)</u>	Less Adjustment for Single Chargepayers	<u>(4,499)</u>	<u>(1,994)</u>	<u>(863)</u>	<u>(652)</u>	<u>(424)</u>	<u>(109)</u>	<u>(45)</u>	<u>(5)</u>	<u>(8,591)</u>
56,057	Effective Number of Properties	21,836	13,466	6,779	5,407	5,611	1,950	896	30	55,975
	Band D Equivalent Factor (Ratio)	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
47,688	Band D Equivalent Number of Properties	<u>14,555</u>	<u>10,473</u>	<u>6,026</u>	<u>5,408</u>	<u>6,858</u>	<u>2,816</u>	<u>1,492</u>	<u>60</u>	<u>47,688</u>
<u>12</u>	Add Contribution in lieu in respect of Class 18 dwellings (Band D equivalent)									<u>12</u>
47,700	NOMINAL TAX YIELD									47,700
<u>(1,526)</u>	Less Provision for Non-Collection 3.2%									<u>(1,526)</u>
<u>46,174</u>										<u>46,174</u>
		COUNCIL TAX BASE 2009/2010 (equivalent to a Band D Council Tax of £1,211)								

NON-DOMESTIC RATE INCOME ACCOUNT

2008/2009 £000		2009/2010 £000
77,802	Gross Rate Levied	80,996
123	Transitional Surcharge	95
<u>276</u>	Transitional Relief	<u>44</u>
78,201		81,135
	Deduct:	
(5,289)	Exemptions, Voids and Partially Occupied Properties	(6,085)
(1,497)	Disabled Relief	(1,359)
(7,607)	Other Reliefs, Charities, etc	(9,175)
(4,541)	Relieved on Appeal	(2,661)
<u>397</u>	Provision for Bad Debts/Abatements	<u>(1,507)</u>
59,664		60,348
<u>(96)</u>	Interest on Overpaid Rates	<u>(84)</u>
59,568	Net Non Domestic Rate Income	60,264
-	Adjustments for Years Prior to Introduction of Non Domestic Rate Pool	-
<u>59,568</u>		<u>60,264</u>
	Allocated as follows:	
59,646	Contribution to National Non-Domestic Rate Pool	60,417
<u>(78)</u>	City Council Non-Domestic Rates	<u>(153)</u>
<u>59,568</u>		<u>60,264</u>
	National Non-Domestic Rate Pool:	
59,646	Contribution to National Non-Domestic Rate Pool	60,417
<u>(54,535)</u>	Contribution from National Non-Domestic Rate Pool	<u>(59,828)</u>
<u>5,111</u>	Net Contribution to National Non-Domestic Rate Pool	<u>589</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 2009/2010 was 48.1p (2008/2009 45.8p). For properties with a rateable value of £29,000 or over there was a supplement of 0.4p (2008/2009 0.4p). The purpose of this supplement is to finance the Small Business Bonus Scheme which provides relief between 25% and 100% to businesses whose premises have a combined rateable value of £15,000 or less.

2 RATEABLE SUBJECTS AND VALUES

2008	<u>Non-Domestic Rateable Subjects at 1 April</u>	2009
2,974	Commercial	2,980
1,310	Industrial	1,312
<u>1,362</u>	Miscellaneous	<u>1,374</u>
<u>5,646</u>		<u>5,666</u>
2008	<u>Non-Domestic Rateable Values at 1 April</u>	2009
£000		£000
86,690	Commercial	87,977
33,809	Industrial	32,644
<u>46,198</u>	Miscellaneous	<u>47,045</u>
<u>166,697</u>		<u>167,666</u>

HOUSING REVENUE ACCOUNT: INCOME AND EXPENDITURE ACCOUNT

Restated 2008/2009 Net Expenditure/ (Income) £000		2009/2010 Actual Expenditure/ (Income) £000	Budgeted Expenditure/ (Income) £000
	INCOME		
(39,075)	Dwelling Rents (gross)	(40,744)	(40,214)
(905)	Non-dwelling Rents (gross)	(891)	(863)
(5,623)	Other Income	(5,383)	(5,242)
(45,603)		(47,018)	(46,319)
	EXPENDITURE		
18,157	Repairs and Maintenance	17,620	17,740
11,980	Supervision and Management	11,893	11,715
53,108	Depreciation and Impairment of Fixed Assets	32,706	32,706
1,755	Bad Debts and Voids	2,065	1,486
396	Other Expenditure	396	396
85,396		64,680	64,043
39,793	Net Cost of HRA Services as included in the whole authority Income and Expenditure Account	17,662	17,724
326	HRA share of Corporate and Democratic Core	327	387
-	HRA share of other amounts included in the whole authority		
-	Net Cost of Services	-	-
40,119	Net Cost of HRA Services	17,989	18,111
	HRA share of the operating income and expenditure included in the whole authority accounts:		
(2,043)	(Gain) or loss on sale of HRA fixed assets	1,298	1,298
7,164	Interest payable and similar charges	6,776	7,832
(59)	Interest and investment income	(2)	(250)
356	Pensions interest costs and expected return on pension assets	748	748
<u>45,537</u>	(Surplus)/Deficit for the year on HRA services	<u>26,809</u>	<u>27,739</u>

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

Restated Actual 2008/2009 £000		Actual 2009/2010		Budget 2009/2010	
		£000	£000	£000	£000
	Increase or Decrease in the Housing Revenue Account Balance for the year comprising:				
45,537	(Surplus)/Deficit for the year on the HRA Income & Expenditure Account		26,809		27,739
	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				
(145)	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.		(135)		(135)
2,043	Gain or (loss) on sale of HRA Fixed Assets		(1,298)		(1,298)
(44)	HRA Share of Contributions from the Pensions Reserve		(376)		(306)
537	Capital Expenditure funded by the HRA		141		-
	Transfer from the Capital Adjustment Account:				
(53,133)	Depreciation and Impairment	(32,728)		(32,728)	
25	Amortisation of Government Grants	22		22	
6,756	Loan Repayments	7,379		6,706	
<u>(46,352)</u>			(25,327)		(26,000)
(1,576)	Transfer to/(from) the General Fund		186		-
<u>(45,537)</u>			<u>(26,809)</u>		<u>(27,739)</u>
-	Increase or decrease on the HRA Balance for the year		-		-
-	HRA Balance brought forward		-		-
-	HRA Balance carried forward		-		-

NOTES TO THE HOUSING REVENUE ACCOUNT

1 GROSS RENT INCOME

This is the total rent income for the year. Average annual rents charged were £56.34 per week in 2009/2010 (2008/2009 £52.91).

2 HOUSING STOCK

The Council was responsible for managing 14,749 dwellings as at 31 March 2010 (31 March 2009 14,990). The stock was made up as follows:

2009			2010	
<u>Number</u>	<u>%</u>		<u>Number</u>	<u>%</u>
3,437	23	Houses	3,437	23
10,448	70	Flats	10,210	69
1,105	7	Maisonettes	1,102	8
<hr/> <u>14,990</u>	<hr/> <u>100</u>		<hr/> <u>14,749</u>	<hr/> <u>100</u>

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

15,163	Stock at 1 April	14,990
15	Add: Acquisitions	19
(121)	Less: Sales	(67)
(67)	Less: Demolitions etc	(193)
<hr/> <u>14,990</u>	Stock at 31 March	<hr/> <u>14,749</u>

Within the Housing Stock of 14,749 a total of 1,091 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 2010 was £545,590 (31 March 2009 £402,606) which is equivalent to 1.36% (2008/2009 1.05%) of rent collectable from tenants. The provision for doubtful debts was increased to £918,560 (2008/2009 £852,290).

Rent arrears at 31 March 2010 were £1,447,802 or 3.6% (31 March 2009 £1,362,638 or 3.55%) of rent collectable and this equated to an average rent arrears per house of £106.10 (2008/2009 £98.63). These figures are net of prepaid rents as at 31 March 2010.

4 EXCEPTIONAL OR PRIOR YEAR ITEMS

There are no exceptional or prior year items in 2009/2010 (2008/2009 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 2009 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 undemoted organisations can be obtained from the Director of Finance, Dundee City Council, Floor 4, 28 Crichton Street, Dundee, DD1 3RF.

BASIS OF CONSOLIDATION

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

The Group Accounts have been prepared using the "equity" method of consolidation, with appropriate summarisation of the 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 £76.290m, a movement of £17.575m from the deficit of £58.715m 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 £413.012m, 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 Vehicles, Plant and 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 accounting policies and eliminate the Group's share of DERL's fixed assets, to leave a net liability of £2.081m 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 2008/2009. 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, unaudited statutory accounts for the year ended 31 March 2010 were used.

The Board's unaudited Income & Expenditure Account shows a net deficit for 2009/2010 of £28.578m, of which £12.972m (45.4%) has been included in the Group Accounts. The Board's unaudited Balance Sheet shows a net liability of £657.383m, of which £298.451m (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 2008/2009. 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, unaudited statutory accounts for the year ended 31 March 2010 were used.

The Board's unaudited Income & Revenue Expenditure Account shows a net deficit for 2009/2010 of £8.198m, of which £4.264m (52%) has been included in the Group Accounts. The Board's unaudited Balance Sheet shows a net liability of £205.937m, of which £107.088m (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 2008/2009. 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 33.64% based on the percentage of funding requisitions for the Board. The Board's accounting period is 31 March. For the purpose of consolidation and disclosure, unaudited statutory accounts to the year ended 31 March 2010 were used.

The Board's unaudited Income & Expenditure Account shows a net deficit for 2009/2010 of £0.105m of which £0.034m (33.64%) has been included in the Group Accounts. The Board's unaudited Balance Sheet shows a net liability of £7.785m, of which £2.618m (33.64%) has been included in the Group Accounts.

DUNDEE CITY DEVELOPMENTS LIMITED

Dundee City Developments Limited (DCD) was established in 1999 as a company limited by guarantee to continue the process of economic regeneration and to maintain momentum across a range of economic development initiatives in the city. Dundee City Council provided this company with a loan of £500,000 primarily to provide the company with initial working capital. The loan was 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 2010 (28.57% at 30 April 2009). The company has been consolidated in the Group Accounts on a 'net equity' basis. DCD's accounting period is 30 April. For the purpose of consolidation and disclosure, unaudited Statutory Accounts to 30 April 2010 have been used and adjusted to 31 March 2010. The company's unaudited Profit & Loss Account shows a profit of £0.189m for the year to 31 March 2010, of which £0.053m (28.57%) has been included in the Group Accounts. The company's unaudited Balance Sheet shows a net asset of £0.936m of which £0.267m 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. In March 2010, the Council agreed to provide a further loan facility of £1.0m. There was no drawdown against the additional loan at 31 March 2010. The carrying value of the investment in the company in the Council's Balance Sheet at 31 March 2010 is Nil (31 March 2009 Nil). The Council owned 40% of the £100 Ordinary Share Capital of DERL at 31 March 2010 (40% at 31 March 2009). 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 2009 have been used. The company's Profit & Loss Account shows a loss of £0.716m for the year to 31 December 2009, of which £0.287m (40%) has been included in the Group Accounts. The company's Balance Sheet shows a net asset of £1.991m. 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 Group's share of DERL's fixed assets. This leaves a net liability of £2.081m, 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. There was no drawdown against the loan at 31 March 2010. 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 2010. 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, statutory accounts to 31 March 2010 have been used. The company's Profit & Loss Account shows a profit of £0.009m for the year to 31 March 2010, of which £0.004m (46.67%) has been included in the Group Accounts. The company's Balance Sheet shows a net liability of £3.852m, of which £1.797m (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 26 on pages 30 to 33. No qualifications are expected to the audit opinion in respect of the accounts of the related companies, joint boards or the joint arrangement for 2009/2010 (In 2008/2009 the accounts of Tayside Joint Police Board and Tayside Fire & Rescue Board received a technical audit qualification due to a disagreement regarding the accounting treatment of certain FRS17 based pension costs).

GROUP INCOME & EXPENDITURE ACCOUNT

Restated 2008/2009 Actual Net Expenditure/ (Income) £000		2009/2010		Actual Net Expenditure/ (Income) £000
		Actual Gross Expenditure £000	Actual Income £000	
	Continuing Services			
151,756	Education Services	142,036	(6,072)	135,964
15,745	General Fund Housing	83,722	(67,508)	16,214
39,793	Housing Revenue Account	64,430	(46,768)	17,662
25,295	Cultural and Related Services	35,059	(5,055)	30,004
19,306	Environmental Services	22,648	(4,006)	18,642
10,347	Roads and Transport Services	18,946	(8,012)	10,934
4,081	Planning and Development Services	26,431	(9,037)	17,394
83,556	Social Work	106,795	(21,842)	84,953
4,134	Corporate and Democratic Core	4,496	(109)	4,387
550	Non Distributed Costs	401	-	401
3,248	Central Services to the Public	18,802	(15,470)	3,332
35,406	Joint Boards	35,291	-	35,291
(481)	Exceptional Item	(62)	-	(62)
125	Common Good	33	-	33
(2,384)	Share of Turnover of Joint Venture	-	(2,562)	(2,562)
2,508	Share of Other Operating Expenses of Joint Venture	2,768	-	2,768
51,128	Share of Operating Results of Associates	51,799	-	51,799
(54,875)	Share of Joint Boards' Requisitions	-	(54,526)	(54,526)
<hr/>		<hr/>	<hr/>	<hr/>
389,238	Net Cost of Continuing Services	613,595	(240,967)	372,628
	Discontinued Operations:			
-	Service Transferring to Dundee Airport Ltd	-	-	-
<hr/>		<hr/>	<hr/>	<hr/>
389,238	Net Cost of Services	<u>613,595</u>	<u>(240,967)</u>	<u>372,628</u>
1,513	Net (Gain)/Loss on Disposal of Assets			1,404
(25)	Share of Net (Gain)/Loss on Disposal of Assets (Associates and Joint Venture)			(4)
(645)	(Surplus)/Deficit of Trading undertakings or other operations			(748)
21,425	Interest Payable and Similar Charges			21,573
651	Share of Interest Payable (Associates and Joint Venture)			566
(3,557)	Interest and Investment Income			(828)
(299)	Share of Interest and Investment Income (Associates and Joint Venture)			(28)
5,797	Pensions Interest Cost and Expected Return on Pensions Assets			10,904
19,537	Share of Pensions Interest Cost and Expected Return on Pensions Assets (Associates)			19,488
<hr/>				<hr/>
433,635	Net Operating Expenditure			424,955
	Income from Taxation & General Government Grants			
(57,431)	Income from Council Tax (incl Residual Community Charge)			(57,400)
(223,201)	Revenue Support Grant			(231,591)
(54,457)	Contribution from National Non-Domestic Rate Pool			(59,674)
<hr/>				<hr/>
<u>98,546</u>	(Surplus)/Deficit for the Year			<u>76,290</u>

RECONCILIATION OF THE SINGLE ENTITY DEFICIT TO THE GROUP DEFICIT

Restated 2008/2009 £000		2009/2010 £000
82,485	(Surplus)/Deficit on the Authority's Single Entity Income & Expenditure Account for the year	58,715
-	<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	-
16,051	Associates	17,214
190	Joint Ventures	287
(180)	Others	74
<hr style="border-top: 1px solid black;"/>		<hr style="border-top: 1px solid black;"/>
98,546	Group (Surplus)/Deficit for the Year	76,290
<hr style="border-top: 3px double black;"/>		<hr style="border-top: 3px double black;"/>

GROUP STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

Restated 2008/2009 £000		2009/2010 £000
98,546	Net (Surplus)/Deficit for the year	76,290
5,962	Opening Entry Adjustment to FRS17 Liability	-
(461,616)	(Surplus)/Deficit arising on revaluation of fixed assets	(39,276)
147	(Surplus)/Deficit arising on Revaluation of Available for Sale Financial Assets	(294)
40,040	Actuarial (gains)/losses on pension fund assets and liabilities	351,236
464	Difference between Actuarial Pensions Contribution Figure and Actual Pensions Contribution Figure	(182)
(52)	Adjustment to the Financial Instrument Adjustment Account arising from the early repayments of loans	-
(8)	Other Miscellaneous Adjustments	(278)
<u>(316,517)</u>	Total Recognised (Gains) and Losses for the Year	<u>387,496</u>

GROUP BALANCE SHEET

Restated As at 31 March 2009	TANGIBLE FIXED ASSETS	As at 31 March 2010
£000		£000 £000
	Operational Assets:	
598,594	Council Dwellings	582,635
433,082	Other Land and Buildings	557,195
24,718	Vehicles, Plant and Equipment	26,252
78,851	Infrastructure Assets	86,222
<u>1,549</u>	Community Assets	<u>1,549</u>
1,136,794		1,253,853
	Non-Operational Assets:	
88,828	Investment Properties	16,886
18,334	Assets Under Construction	18,016
<u>4,131</u>	Surplus Assets Held for Disposal	<u>9,878</u>
1,248,087		1,298,633
(255,861)	LONG TERM INVESTMENTS	(409,687)
	Investments in Associates	
	Investment in Joint Venture:	
948	Share of Gross Assets	723
<u>(3,030)</u>	Share of Gross Liabilities	<u>(2,804)</u>
<u>(2,082)</u>		(2,081)
1,137	Other Investments	1,137
<u>7,085</u>	LONG TERM DEBTORS	<u>8,232</u>
998,366		896,234
	CURRENT ASSETS	
1,189	Stores and Work In Progress	1,432
65,724	Sundry Debtors	71,646
(20,948)	<u>Less</u> Bad Debt Provisions	(22,249)
409	Short Term Investments	1,004
39,286	Short Term Lending	3,159
<u>102</u>	Cash and Bank	<u>13,255</u>
<u>85,762</u>		<u>68,247</u>
	LESS CURRENT LIABILITIES	
(13,619)	Borrowing Repayable on Demand or Within 12 Months	(15,237)
(49,934)	Sundry Creditors	(54,566)
<u>(23,365)</u>	Bank Overdraft	<u>(20,944)</u>
<u>(86,918)</u>		<u>(90,747)</u>
<u>(1,156)</u>		(22,500)
<u>997,210</u>	Total Assets Less Net Current Liabilities	873,734
(308,490)	Borrowing Repayable within a Period in Excess of 12 Months	(317,157)
(62,031)	Deferred Liabilities	(84,908)
(4,991)	Provisions	(4,923)
<u>(109,450)</u>	Government Grants/Capital Contributions Deferred	<u>(121,464)</u>
<u>(484,962)</u>		<u>(528,452)</u>
512,248	Net Assets before Pension Liabilities	345,282
(183,913)	Liability Related to Defined Benefit Pension Scheme	<u>(404,443)</u>
<u>328,335</u>	Net Assets /(Liabilities)	<u>(59,161)</u>
	Financed By Fund Balances and Reserves:	
261,309	Capital Adjustment Account	227,879
(5,870)	Financial Instruments Adjustment Account	(5,932)
508,286	Revaluation Reserve	533,300
34	Available-for-Sale Financial Instruments Reserve	203
283	Capital Receipts Reserve	423
15,884	Capital Fund	8,152
286	Revaluation Reserve of Associate	2
3,403	Renewal and Repair Fund	2,959
1,048	Insurance Fund Reserve	889
(478,131)	Pensions Reserve	(841,608)
10,826	Common Good & Charitable Trust Fund Balances	10,877
7,545	General Fund	9,689
5,281	Associates - Joint Boards' General Reserves	3,998
-	Associates - Joint Board's Employee Statutory Mitigation Account	(8,200)
<u>(1,849)</u>	Profit & Loss Account of Associates and Joint Ventures	<u>(1,792)</u>
<u>328,335</u>		<u>(59,161)</u>

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

The unaudited accounts were issued on 29 June 2010 and the audited accounts were authorised for issue on 30 September 2010.

GROUP CASH FLOW STATEMENT

Restated 2008/2009 £000		2009/2010 £000	2009/2010 £000
	REVENUE ACTIVITIES		
(36,340)	<i>Net Cash (Inflow) From Revenue Activities</i>		(44,969)
	RETURNS ON INVESTMENTS & SERVICING OF FINANCE		
	<i>Cash Outflows:</i>		
21,948	Interest Paid	22,342	
34	Interest Element of Finance Lease Rental Payments	29	
	<i>Cash Inflow:</i>		
<u>(2,850)</u>	Interest Received	<u>(1,950)</u>	
19,132			20,421
	CAPITAL ACTIVITIES		
	<i>Cash Outflows:</i>		
45,388	Purchase of Fixed Assets (Non Revenue)	69,090	
1,617	Purchase of Fixed Assets (From Revenue)	976	
<u>1,152</u>	Creation of new Long-Term Debtors (Non Revenue)	<u>1,947</u>	
<u>48,157</u>		<u>72,013</u>	
	<i>Cash Inflows:</i>		
(4,773)	Sale of Fixed Assets and Insurance Receipts	(3,275)	
(21,939)	Capital Grants/Contributions etc Received	(16,806)	
<u>(825)</u>	Receipts in respect of Long-Term Debtors	<u>(366)</u>	
<u>(27,537)</u>		<u>(20,447)</u>	
20,620			51,566
3,412	<i>Net Cash (Inflow)/Outflow Before Financing</i>		27,018
	MANAGEMENT OF LIQUID RESOURCES		
-	Net Increase/(Decrease) in Short-Term Deposits	-	
<u>(230)</u>	Net Increase/(Decrease) in Other Liquid Resources	<u>(34,880)</u>	
(230)			(34,880)
	FINANCING		
	<i>Cash Outflows:</i>		
1,066	Repayments of Amounts Borrowed	30,620	
<u>1,245</u>	Capital Element of Finance Lease Rental Payments	<u>2,170</u>	
<u>2,311</u>		<u>32,790</u>	
	<i>Cash Inflows:</i>		
(331)	New Long-Term Loans Raised	(35,491)	
<u>(1,329)</u>	New Short Term Loans Raised	<u>(5,011)</u>	
<u>(1,660)</u>		<u>(40,502)</u>	
651			(7,712)
<u>3,833</u>	<i>Net (Increase)/Decrease in Cash</i>		<u>(15,574)</u>

See notes 2, 3, 4 and 5 on pages 62 and 63

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 2009			As at 31 March 2010	
Amounts Due From £000	Amounts Due To £000		Amounts Due From £000	Amounts Due To £000
1,080	493	Dundee Energy Recycling Limited	1,648	188
68	-	Dundee City Developments Limited	175	-
960	-	Tayside Fire & Rescue Board	1,472	2
3,236	678	Tayside Joint Police Board	3,884	183
1,472	1,954	Tayside Contracts Joint Committee	2,711	2,547
115	14	Tayside Valuation Joint Board	349	2
291	114	Dundee Leisure Limited	253	155

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.

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

Restated 2008/2009 £000		2009/2010 £000	£000
(98,546)	Surplus/(Deficit) for the year per Group Income & Expenditure Account		(76,290)
	<u>Non-cash Transactions</u>		
102,909	Depreciation & Impairment	81,089	
(6,806)	Government Grants etc Amortisation	(8,086)	
1,407	FRS17 Adjustments	5,839	
17,218	Deficit arising from Other Entities included in the Group Accounts	17,575	
<u>4</u>	Other Adjustments	<u>1,401</u>	
114,732			97,818
	<u>Items on an Accruals Basis</u>		
24	(Increase)/decrease in Stores and Work-in-Progress	(243)	
4,875	(Increase)/decrease in Debtors	(4,566)	
<u>(4,507)</u>	Increase/(decrease) in Creditors	<u>5,976</u>	
392			1,167
	<u>Items Classified Elsewhere in the Cash Flow Statement</u>		
22,076	Add Interest Payable & Similar Charges	21,667	
(3,802)	Less Interest & Investment Income	(792)	
<u>1,488</u>	Less (Gain)/Loss on Disposal of Fixed Assets	<u>1,399</u>	
<u>19,762</u>			<u>22,274</u>
<u>36,340</u>	Net Cash Inflow from Revenue Activities		<u>44,969</u>

3 CASH FLOW STATEMENT - EFFECTS OF ACQUISITION OF SUBSIDIARY ACTIVITIES

The City Council has not acquired any subsidiaries during 2009/2010 (2008/2009 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 2009/2010 (2008/2009 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:

2008/2009 £000		2009/2010 £000
	Revenue Activities	
19,068	Cash Outflows	18,621
<u>(20,401)</u>	Cash Inflows	<u>(19,737)</u>
(1,333)		(1,116)
	Returns on Investment and Servicing of Finance	
239	Interest Paid	275
<u>34</u>	Interest Element of Finance Lease Rental Payments	<u>29</u>
273		304
	Capital Activities	
496	Purchase of Fixed Assets	770
<u>(6)</u>	Sale of Fixed Assets	<u>(20)</u>
490		750
	Financing	
124	Capital Element of Finance Lease Rental Payments	125
38	Loans Repaid	74
<u>(331)</u>	New Loans Raised	<u>(491)</u>
<u>(169)</u>		<u>(292)</u>
<u>(739)</u>	NET EFFECT - DECREASE/(INCREASE) IN CASH	<u>(354)</u>

6 ASSOCIATE DISCLOSURE

The Group's share of the Tayside Joint Police Board's net Liabilities exceeded 15% of the total corresponding items for the Group. In addition, the Group's share of the Tayside Joint Police Board's 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:

As at 31 March 2009 £000		As at 31 March 2010 £000
<u>45.4%</u>		<u>45.4%</u>
7,515	Turnover	7,202
(11,465)	Profit Before Tax	(12,972)
-	Taxation	-
(11,465)	Profit After Tax	(12,972)
30,689	Fixed Assets	29,544
10,928	Current Assets	8,429
(6,813)	Liabilities due within one year	(5,128)
(221,109)	Liabilities due after one year	(331,296)

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.

CONSOLIDATION OF COMMON GOOD AND CHARITABLE TRUSTS INTO GROUP ACCOUNTS

	<u>Balance Sheet</u> <u>as at 31</u> <u>March 2009</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> <u>as at 31</u> <u>March 2010</u> £000
<u>Common Good</u>						
Fixed Assets	-	-	-	-	-	-
Current Assets	3,237	28	(33)	125	-	3,357
Current Liabilities	-	-	-	-	-	-
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>3,237</u>	<u>28</u>	<u>(33)</u>	<u>125</u>	<u>-</u>	<u>3,357</u>
<u>Fleming Trust</u>						
Fixed Assets	7,280	-	(194)	7	(7)	7,086
Current Assets	362	260	(143)	-	-	479
Current Liabilities	(52)	-	8	-	-	(44)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>7,590</u>	<u>260</u>	<u>(329)</u>	<u>7</u>	<u>(7)</u>	<u>7,521</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 Common Good Fund and the Fleming Trust are not the property of Dundee City Council. The Fleming Trust is subject to charitable trust regulations.

TAYSIDE SUPERANNUATION FUND ACCOUNTS

2008/2009 £000	<u>FUND ACCOUNT</u>	2009/2010 £000	£000
	CONTRIBUTIONS AND BENEFITS		
	Contributions receivable:		
(65,915)	From employers	(68,398)	
<u>(21,090)</u>	From members	<u>(22,925)</u>	
(87,005)			(91,323)
(5,901)	Transfers in		(9,853)
	Benefits payable:		
43,325	Pensions	47,117	
<u>15,789</u>	Lump Sums	<u>17,094</u>	
59,114			64,211
	Payments to and on account of Leavers:		
242	Refund of Contributions to Members	249	
100	Refund of Contributions to State Scheme	117	
<u>2,928</u>	Transfers Out	<u>5,042</u>	
3,270			5,408
<u>1,216</u>	Administration Expenses		<u>1,247</u>
(29,306)	Net Additions from dealings with Members		(30,310)
	RETURNS ON INVESTMENTS		
	Investment Income		
(7,629)	Interest from Fixed Interest Securities	(6,261)	
(27,549)	Dividends from Equities	(26,480)	
(4,606)	Income from Index Linked Securities	(3,354)	
(5,843)	Income Pooled Investment Vehicles	(5,504)	
(1,138)	Interest on Cash Deposits	(222)	
(2,052)	Other Income	(2,210)	
382,664	Change in Market Value of Investments	(440,773)	
4,361	Investment Management Expenses	6,143	
691	Taxation	<u>705</u>	
<u>338,899</u>	Net Returns on Investments		(477,956)
309,593	NET (INCREASE)/DECREASE IN FUND IN THE YEAR		(508,266)
<u>1,550,505</u>	OPENING NET ASSETS OF THE SCHEME		<u>1,240,912</u>
<u>1,240,912</u>	CLOSING NET ASSETS OF THE SCHEME		<u>1,749,178</u>

TAYSIDE SUPERANNUATION FUND ACCOUNTS

2009 £000	<u>NET ASSETS STATEMENT (AS AT 31 MARCH)</u>	2010 £000	2010 £000
	INVESTMENT ASSETS AT MARKET VALUE		
	FINANCIAL ASSETS		
	Quoted Investments		
277,144	- UK Equities	449,631	
50,985	- UK Fixed Interest - Public Sector	38,938	
24,286	- UK Fixed Interest - Other	-	
46,211	- UK Index Linked - Public Sector	56,786	
1,042	- UK Index Linked - Other	-	
342,914	- Overseas Equities	515,164	
29,259	- Overseas Open Ended Investment Companies	50,824	
2,445	- Overseas Fixed Interest - Other	1,045	
32,445	- Overseas Fixed Interest - Public Sector	-	
1,582	- Derivatives (Futures)	175	
	Unquoted Investments		
96,941	- UK Open Ended Investment Companies	213,886	
163,976	- Overseas Open Ended Investment Companies	243,980	
107,740	- Property Unit Trusts	143,960	
47,437	Cash Balances held by Fund Managers	23,803	
<u>8,159</u>	Financial Debtors	<u>6,282</u>	
1,232,566	Total Financial Assets		1,744,474
	FINANCIAL LIABILITIES		
(262)	Derivatives (Futures)	(94)	
<u>(2,084)</u>	Other Financial Liabilities	<u>(6,408)</u>	
<u>(2,346)</u>	Total Financial Liabilities		<u>(6,502)</u>
1,230,220	Net Financial Assets		1,737,972
	CURRENT ASSETS		
3,133	Contributions Due from Employers	3,093	
2,235	Sundry Debtors	4,156	
7,947	Cash and Bank	8,860	
<u>13,315</u>		<u>16,109</u>	
	LESS CURRENT LIABILITIES		
<u>(2,623)</u>	Sundry Creditors	<u>(4,903)</u>	
<u>10,692</u>	NET CURRENT ASSETS		11,206
<u>1,240,912</u>	NET ASSETS		<u>1,749,178</u>

The accounts summarise the transactions and net assets of the fund for the financial year to 31 March 2010. They do not take account of liabilities to pay pensions and other benefits in the future.

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

The unaudited accounts were issued on 29 June 2010 and the audited accounts were authorised for issue on 30 September 2010.

TAYSIDE TRANSPORT SUPERANNUATION FUND ACCOUNTS

2008/2009 £000	<u>FUND ACCOUNT</u>	2009/2010 £000	£000
	CONTRIBUTIONS AND BENEFITS		
	Contributions receivable:		
(900)	From employers	(1,000)	
<u>(105)</u>	From members	<u>(110)</u>	
(1,005)			(1,110)
-	Transfers In		-
	Benefits payable:		
1,738	Pensions	1,808	
<u>524</u>	Lump Sums	<u>263</u>	
2,262			2,071
	Payments to and on account of Leavers:		
-	Refund of Contributions	-	
<u>-</u>	Transfer Out	<u>36</u>	
-			36
<u>42</u>	Administration Expenses		<u>36</u>
1,299	Net Withdrawal from dealing with Members		1,033
	RETURNS ON INVESTMENTS		
	Investment Income		
(440)	Interest from Fixed Interest Securities	(205)	
(472)	Dividends from Equities	(488)	
(283)	Income from Index Linked Securities	(234)	
(125)	Income Pooled Investment Vehicles	(90)	
(38)	Interest on Cash Deposits	(8)	
(2)	Other Income	-	
7,708	Change in Market Value of Investments	(9,741)	
128	Investment Management Expenses	114	
<u>7</u>	Taxation	<u>6</u>	
<u>6,483</u>	Net Returns on Investments		<u>(10,646)</u>
7,782	NET (INCREASE)/DECREASE IN FUND DURING THE YEAR		(9,613)
<u>40,451</u>	OPENING NET ASSETS OF THE SCHEME		<u>32,669</u>
<u>32,669</u>	CLOSING NET ASSETS OF THE SCHEME		<u>42,282</u>

TAYSIDE TRANSPORT SUPERANNUATION FUND ACCOUNTS

2009 £000	<u>NET ASSETS STATEMENT (AS AT 31 MARCH)</u>	2010 £000	2010 £000
	INVESTMENT ASSETS AT MARKET VALUE		
	FINANCIAL ASSETS		
	Quoted Investments		
6,335	- UK Equities	9,800	
4,609	- UK Fixed Interest - Public Sector	3,285	
2,195	- UK Fixed Interest - Other	-	
4,177	- UK Index Linked - Public Sector	4,791	
94	- UK Index Linked - Other	-	
7,812	- Overseas Equities	12,167	
221	- Overseas Fixed Interest - Public Sector	88	
2,933	- Overseas Fixed Interest - Other	-	
133	- Derivates (Futures)	14	
	Unquoted Investments		
283	- UK Open Ended Investment Companies	8,487	
289	- Overseas Open Ended Investment Companies	172	
2,311	- Property Unit Trusts	2,356	
<u>1,346</u>	Cash Balances held by Fund Managers	<u>777</u>	
32,738			41,937
	FINANCIAL LIABILITIES		
(24)	Derivatives (Futures)	(8)	
<u>(100)</u>	Other Financial Liabilities	<u>(65)</u>	
<u>(124)</u>	Total Financial Liabilities		<u>(73)</u>
32,614	Net Financial Assets		41,864
	CURRENT ASSETS		
8	Sundry Debtors	103	
<u>71</u>	Cash and Bank	<u>343</u>	
79		446	
	LESS CURRENT LIABILITIES		
<u>(24)</u>	Sundry Creditors	<u>(28)</u>	
<u>55</u>	NET CURRENT ASSETS		<u>418</u>
<u>32,669</u>	NET ASSETS		<u>42,282</u>

The accounts summarise the transactions and net assets of the fund for the financial year to 31 March 2010. They do not take account of liabilities to pay pensions and other benefits in the future.

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

The unaudited accounts were issued on 29 June 2010 and the audited accounts were authorised for issue on 30 September 2010.

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 2010. 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.

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 2010, 47 bodies were participants in the scheme being 14 "scheduled bodies" and 33 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 decreased to 18,425 employees at 31 March 2010 from 19,207 employees at 31 March 2009. The number of pensioners on the roll at 31 March 2010 was 11,229 compared with 10,843 at 31 March 2009.

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 Director 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 2008/2009 and 2009/2010 were as follows:-

	Contributions Receivable		Benefits Payable	
	2008/2009	2009/2010	2008/2009	2009/2010
	£000	£000	£000	£000
Dundee City Council	29,148	29,910	24,876	26,704
Other Scheduled Bodies	48,197	50,887	29,991	32,349
Admitted Bodies	<u>9,660</u>	<u>10,526</u>	<u>4,247</u>	<u>5,157</u>
TOTAL	<u>87,005</u>	<u>91,323</u>	<u>59,114</u>	<u>64,210</u>

Benefits Payable Include the Following Lump Sum Payments

	2008/09	2009/10
	£000	£000
Retirement Benefits	14,536	15,421
Death Benefits	<u>1,253</u>	<u>1,673</u>
	<u>15,789</u>	<u>17,094</u>

Pension Fund Administration

During the year, Dundee City Council charged the Tayside Superannuation Fund £1,130,098 for administering the Fund (2008/2009 £1,086,327). 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 2010 the market value of these investment assets was £1,778.0m (31 March 2009 £1,222.9m), managed as follows:

	2009		2010	
	£m	%	£m	%
Baillie Gifford & Co	288.6	23.6	438.0	25.2
Fidelity Pensions Management Equity	263.9	21.6	394.1	22.7
Schroder Properties Limited	129.3	10.6	148.3	8.5
Goldman Sachs	164.5	13.5	198.9	11.5
Alliance Bernstein	285.1	23.3	448.6	25.8
Fidelity Bond	<u>91.5</u>	<u>7.4</u>	<u>110.1</u>	<u>6.3</u>
	<u>1,222.9</u>	<u>100.0</u>	<u>1,738.0</u>	<u>100.0</u>

Derivatives - Futures

Summary of contracts held at 31 March 2010

	Settlement Date	Economic Exposure £000	Asset £000	Liability £000	Net £000
FTSE100	3 months	446	3	-	3
S and P 500	3 months	1,527	9	-	9
Eurx E-Schatz	3 months	(364)	6	-	6
Eurx Bobl	3 months	2,053	-	30	(30)
Eurx Bund	3 months	3,906	-	51	(51)
LIF Long Gilt	3 months	11,540	101	-	101
10 yr Treasury Note	3 months	(1,259)	-	13	(13)
5 yr Treasury Note	3 months	6,159	55	-	55
US Treasury Bonds	3 months	(354)	<u>1</u>	-	<u>1</u>
			<u>175</u>	<u>94</u>	<u>81</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 01/04/2009 £m	Purchases at Cost £m	Sales Proceeds £m	Change in Market Value £m	Value at 31/03/2010 £m
Schroder Property	129.3	31.0	(24.1)	12.1	148.3
Baillie Gifford	288.6	74.2	(62.1)	137.3	438.0
Fidelity Equity	263.9	329.8	(309.9)	110.3	394.1
Alliance Bernstein	285.1	187.2	(164.3)	140.6	448.6
Goldman Sachs	164.5	120.2	(111.8)	26.0	198.9
Fidelity Bond	<u>91.5</u>	<u>4.4</u>	<u>(0.3)</u>	<u>14.5</u>	<u>110.1</u>
	<u>1,222.9</u>	<u>746.8</u>	<u>(672.5)</u>	<u>440.8</u>	<u>1,738.0</u>
Derivatives Futures					0.2
Financial Debtors					<u>6.3</u>
					<u>1,744.5</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 £1.481m (2008/2009 £1.193m).

Purchases & Sales

Purchases and Sales in 2008/2009 and 2009/2010 amounted to:-

	2008/2009 £m	2009/2010 £m
Purchases	608.7	746.8
Sales	534.5	672.5

Securities Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2010 was nil (31 March 2009 Nil).

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 2009/2010 was £463,253 (2008/2009 £495,040) and value at 5 April 2010 was £4,418,419 (5 April 2009 £3,644,955).

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 2010 the number of contributing employees was 91 (97 at 31 March 2009) and the number of pensioners was 421 (416 at 31 March 2009). 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 Director 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 £33,534 for administering the fund (2008/2009 £28,966). 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 2010 was £41.9m (31 March 2009 £32.7m) and these investment assets were managed as follows:

	2009		2010	
	£m	%	£m	%
Baillie Gifford & Co	15.0	45.9	22.7	54.2
Schroder Properties Limited	2.8	8.6	2.4	5.8
Goldman Sachs	<u>14.9</u>	<u>45.5</u>	<u>16.8</u>	<u>40.0</u>
	<u>32.7</u>	<u>100.0</u>	<u>41.9</u>	<u>100.0</u>

Derivatives - Futures

Summary of contracts held at 31 March 2010

	Settlement Date	Economic Exposure £000	Asset £000	Liability £000	Net £000
Eurx E-Schatz	3 months	(31)	1	-	1
Eurx Bobl	3 months	173	-	3	(3)
Eurx Bund	3 months	330	-	4	(4)
LIF Long Gilt	3 months	974	8	-	8
10 yr Treasury Note	3 months	(106)	-	1	(1)
5 yr Treasury Note	3 months	520	5	-	5
US Treasury Bonds	3 months	(30)	-	-	-
			<u>14</u>	<u>8</u>	<u>6</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 01/04/2009 £m	Purchases at Cost £m	Sales Proceeds £m	Change in Market Value £m	Value at 31/03/2010 £m
Schroder Property	2.8	0.8	(0.7)	(0.5)	2.4
Baillie Gifford	15.0	3.5	(2.9)	7.1	22.7
Goldman Sachs	<u>14.9</u>	<u>9.2</u>	<u>(10.4)</u>	<u>3.1</u>	<u>16.8</u>
	<u>32.7</u>	<u>13.5</u>	<u>(14.0)</u>	<u>9.7</u>	41.9
Derivatives Futures					<u>0.0</u>
					<u>41.9</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 £35,705 (2008/2009 £31,800).

Purchases & Sales

Purchases and Sales in 2008/2009 and 2009/2010 amounted to:-

	2008/2009 £m	2009/2010 £m
Purchases	17.6	13.5
Sales	17.3	14.0

Securities Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2010 was nil (31 March 2009 Nil).

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 Director of Finance, Dundee City Council, Floor 4, 28 Crichton Street, Dundee DD1 3RF. This will also be made available on the Council's website (www.dundee.gov.uk).

ACTUARIAL VALUATION

TAYSIDE TRANSPORT SUPERANNUATION FUND

The valuation carried out as at 31 March 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

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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".

2008/2009 £000	<u>Income & Expenditure Account</u>	2009/2010 £000
	<u>Income</u>	
(118)	Interest on Loans	(10)
<u>(20)</u>	Dividends and Commission	<u>(18)</u>
(138)		(28)
	<u>Expenditure</u>	
90	Donations and Contributions	-
35	Other Expenditure	33
<u>-</u>	Impairment of Investments	<u>-</u>
125		<u>33</u>
<u>(13)</u>	(Surplus)/Deficit for Year	<u>5</u>
2009 £000	<u>Balance Sheet as at 31 March</u>	2010 £000
	<u>Current Assets</u>	
3,237	Short Term Investments	3,356
<u>-</u>	Sundry Debtors	<u>1</u>
3,237		3,357
	<u>Current Liabilities</u>	
<u>-</u>	Sundry Creditors	<u>-</u>
<u>-</u>		<u>-</u>
3,237		3,357
<u>3,237</u>	<u>Net Assets</u>	<u>3,357</u>
	<u>Financed By Fund Balances and Reserves</u>	
	Not Available for Use:	
<u>(8)</u>	- Available-for-sale Financial Instruments Reserve	<u>118</u>
<u>(8)</u>		<u>118</u>
	Available for Use:	
3,245	- Common Good Balance	3,239
<u>3,237</u>		<u>3,357</u>

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

The unaudited accounts were issued on 29 June 2010 and the audited accounts were authorised for issue on 30 September 2010.

NOTES TO THE COMMON GOOD FUND ACCOUNT

1 SHORT TERM INVESTMENTS

Included within the Short Term Investments figure of £3,356,000 shown above, £425,000 relates to marketable securities as at 31 March 2010 (31 March 2009 £3,237,000 and £300,000). These securities are valued at market value.

CHARITABLE TRUST FUNDS ACCOUNT

The Council acts as Trustees for 33 Charitable Trusts and Endowments. The Income & Expenditure Account below details the transactions in the year and the Balance Sheet summarises the assets and liabilities at the year end. An analysis of the assets and liabilities included within the Balance Sheet over the various trusts is also shown within the notes to the Charitable Trust Funds Account.

<u>Income & Expenditure Account</u>		<u>2009/2010</u>				
Restated 2008/2009 Actual £000		Interest on Investments £000	Other Income £000	Total Income £000	Expenditure £000	(Surplus)/ Deficit £000
300	Fleming Trust	(1)	(259)	(260)	329	69
(54)	Hospital Fund	(2)	(51)	(53)	24	(29)
(2)	Dundee Festival Trust	-	-	-	-	-
-	A T Cathro Bequest	-	-	-	1	1
<u>60</u>	Other Various Smaller Trusts (29 no)	<u>(2)</u>	<u>-</u>	<u>(2)</u>	<u>65</u>	<u>63</u>
304	Total	<u>(5)</u>	<u>(310)</u>	<u>(315)</u>	<u>419</u>	104
<u>300</u>	Less: Depreciation					<u>199</u>
<u><u>4</u></u>						<u><u>(95)</u></u>
2009				2010		
£000	<u>Balance Sheet as at 31 March</u>			£000		
10,739	Tangible Fixed Assets			10,540		
<u>10,739</u>				<u>10,540</u>		
	Current Assets					
49	Sundry Debtors			46		
1,759	Short Term Investments			1,730		
<u>86</u>	Bank			<u>205</u>		
<u>1,894</u>				<u>1,981</u>		
	<u>Less Current Liabilities</u>					
<u>53</u>	Sundry Creditors			<u>45</u>		
<u>53</u>				<u>45</u>		
<u>1,841</u>	Net Current Assets			<u>1,936</u>		
12,580	Total Assets Plus Net Current Assets			12,476		
<u>12,580</u>	Net Assets			<u>12,476</u>		
	Financed By Fund Balances and Reserves					
	Not Available for Use:					
5,403	Capital Adjustment Account			5,265		
<u>5,336</u>	Revaluation Reserve			<u>5,275</u>		
10,739				10,540		
	Available for Use:					
<u>1,841</u>	Fund Balances			<u>1,936</u>		
<u>12,580</u>				<u>12,476</u>		

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

The unaudited accounts were issued on 29 June 2010 and the audited accounts were authorised for issue on 30 September 2010.

NOTES TO CHARITABLE TRUST FUNDS ACCOUNT

1 FLEMING TRUST

Included in the expenditure shown above, the Fleming Trust incurred capital expenditure of £7,170 financed from revenue in 2009/2010 (2008/2009 £171,945). No capital receipts were received in 2009/2010 (2008/2009 £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 2010 was £7.521m (31 March 2009 £7.590m).

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 2010 was £1.046m (31 March 2009 £1.017m).

Dundee Festival Trust

This Trust was created from the income that was received from events to mark the 800th anniversary of the foundation of Dundee as a Royal Burgh. The Trust is used to promote summer festival events. The balance on the Trust at 31 March 2010 was £40,000 (31 March 2009 £40,000).

A T Cathro Bequest

This Bequest was established from the residue of the estate received in 1948. It is used to give as many children as might have need an opportunity of enjoying an outing in the country or at the seaside. The balance on the Bequest at 31 March 2010 was £22,000 (31 March 2009 £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 Sheet at 31 March 2009</u>	<u>Gross Income</u>	<u>Gross Expenditure</u>	<u>Capital Expenditure/ Receipts & Transfers</u>	<u>Capital Accounting</u>	<u>Balance Sheet at 31 March 2010</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<u>Fleming Trust</u>						
Fixed Assets	7,280	-	(194)	(7)	7	7,086
Long Term Investments	-	-	-	-	-	-
Current Assets	362	260	(143)	-	-	479
Current Liabilities	(52)	-	8	-	-	(44)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>7,590</u>	<u>260</u>	<u>(329)</u>	<u>(7)</u>	<u>7</u>	<u>7,521</u>
Capital Adjustment Account	4,539	-	(194)	(7)	68	4,406
Revaluation Reserve	2,741	-	-	-	(61)	2,680
Fund Balance	<u>310</u>	<u>260</u>	<u>(135)</u>	<u>-</u>	<u>-</u>	<u>435</u>
	<u>7,590</u>	<u>260</u>	<u>(329)</u>	<u>(7)</u>	<u>7</u>	<u>7,521</u>
<u>Hospital Fund</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	570	53	(24)	-	-	599
Current Liabilities	-	-	-	-	-	-
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>1,017</u>	<u>53</u>	<u>(24)</u>	<u>-</u>	<u>-</u>	<u>1,046</u>
Capital Adjustment Account	9	-	-	-	-	9
Revaluation Reserve	438	-	-	-	-	438
Fund Balance	<u>570</u>	<u>53</u>	<u>(24)</u>	<u>-</u>	<u>-</u>	<u>599</u>
	<u>1,017</u>	<u>53</u>	<u>(24)</u>	<u>-</u>	<u>-</u>	<u>1,046</u>
<u>Dundee Festival Trust</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	-	-	-	-	-	-
Long Term Investments	-	-	-	-	-	-
Current Assets	40	-	-	-	-	40
Current Liabilities	-	-	-	-	-	-
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>40</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40</u>
Capital Adjustment Account	-	-	-	-	-	-
Revaluation Reserve	-	-	-	-	-	-
Fund Balance	<u>40</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40</u>
	<u>40</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40</u>

NOTES TO CHARITABLE TRUST FUNDS ACCOUNT

4 ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET (CONTD)

	<u>Balance Sheet at 31 March 2009</u>	<u>Gross Income</u>	<u>Gross Expenditure</u>	<u>Capital Expenditure/ Receipts & Transfers</u>	<u>Capital Accounting</u>	<u>Balance Sheet at 31 March 2010</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<u>AT Cathro Bequest</u>						
Fixed Assets	-	-	-	-	-	-
Long Term Investments	-	-	-	-	-	-
Current Assets	23	-	-	-	-	23
Current Liabilities	-	-	(1)	-	-	(1)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>23</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>22</u>
Capital Adjustment Account	-	-	-	-	-	-
Revaluation Reserve	-	-	-	-	-	-
Fund Balance	<u>23</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>22</u>
	<u>23</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>22</u>
<u>Others</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	3,012	-	(5)	-	-	3,007
Long Term Investments	-	-	-	-	-	-
Current Assets	898	2	(60)	-	-	840
Current Liabilities	-	-	-	-	-	-
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>3,910</u>	<u>2</u>	<u>(65)</u>	<u>-</u>	<u>-</u>	<u>3,847</u>
Capital Adjustment Account	855	-	(5)	-	-	850
Revaluation Reserve	2,157	-	-	-	-	2,157
Fund Balance	<u>898</u>	<u>2</u>	<u>(60)</u>	<u>-</u>	<u>-</u>	<u>840</u>
	<u>3,190</u>	<u>2</u>	<u>(65)</u>	<u>-</u>	<u>-</u>	<u>3,847</u>
<u>Total</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets	10,739	-	(199)	(7)	7	10,540
Long Term Investments	-	-	-	-	-	-
Current Assets	1,893	315	(227)	-	-	1,981
Current Liabilities	(52)	-	7	-	-	(45)
Long Term Liabilities	-	-	-	-	-	-
Net Assets	<u>12,580</u>	<u>315</u>	<u>(419)</u>	<u>(7)</u>	<u>7</u>	<u>12,476</u>
Capital Adjustment Account	5,403	-	(199)	(7)	68	5,265
Revaluation Reserve	5,336	-	-	-	(61)	5,275
Fund Balance	<u>1,841</u>	<u>315</u>	<u>(220)</u>	<u>-</u>	<u>-</u>	<u>1,936</u>
	<u>12,580</u>	<u>315</u>	<u>(419)</u>	<u>(7)</u>	<u>7</u>	<u>12,476</u>

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

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

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

The Council's Governance Framework

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

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

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

The overall control arrangements include the following:

- Identifying the Council's objectives in the Council Plan, Community Plan and Single Outcome Agreement.
- Monitoring of objectives by the Council and senior officers.
- A systematic approach to monitoring service performance at elected member, senior officer and project level.
- Reporting performance regularly to Council committees.
- Clearly defined Standing Orders and Schemes of Administration covering Financial Regulations, Tender Procedures and Delegation of Powers.
- A Monitoring Officer to ensure compliance with laws and regulations.
- An Audit and Risk Management Sub-Committee and Scrutiny Committee.
- Approved anti-fraud and corruption strategies including "whistle-blowing" arrangements under the Public Interest Disclosure Act 1998.
- Formal project appraisal techniques and project management disciplines.
- Setting targets to measure financial and other performance.
- Formal revenue and capital budgetary control systems and procedures.
- Clearly defined capital expenditure guidelines.

Review of Effectiveness

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

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

In addition Chief Officers from each department have made a self-assessment of their own arrangements. This involved the completion of a 27-point checklist covering four key governance areas of Service Planning and Performance Review, Internal Control Environment, Budgeting, Accounting and Financial Control and Risk Management and Business Continuity. This again indicated a high level of compliance.

The Internal Audit Service operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006 and reports to the Audit and Risk Management Committee. Internal Audit undertakes an annual programme of work, approved by the Audit and Risk Management Sub-Committee. The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the Council's internal control system.

Governance Improvement Areas

The review of the Council's governance arrangements by Corporate Governance working group has identified the following areas for improvement:

- Review Partnership Structures to ensure they meet appropriate governance standard.
- Publish a Customer Excellence Standard.
- Approve Annual Programme of Best Value Reviews.
- More consistent application of Equality Impact Assessments.
- Reinforce the Council's values through more effective communication.
- Review corporate guidance on option appraisal and provide additional training.
- More consistent application of Environmental Impact Assessments.
- Review scrutiny arrangements within the Council.
- Further embed risk management within the Council.
- Further enhancement of elected member training and development programme.

The following additional areas where further improvement could be made were identified by Chief Officers through the self assessment exercise:

- Develop longer term planning.
- Improve documentation of operational procedures and guidance.
- Further review and integration of asset management plans.
- Introduce more detailed business continuity planning.

Group Entities

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

- the statements on the System of Internal Financial Control included in the respective financial statements of the Joint Boards and Tayside Contracts Joint Committee.
- assurances from company directors and/or the other senior company officials.
- the work of the relevant bodies respective external auditors (and, where relevant the internal audit function) and other interim reports.

The annual review demonstrates sufficient evidence that the code is operated effectively and the Council complies with the Local Code of Corporate Governance in all significant respects. We propose over 2010/2011 to take steps to address the items addressed in the Governance Improvement Areas to further enhance our governance arrangements.

David K Dorward
Chief Executive, Dundee City Council
29th June 2010

Ken Guild
Leader of the Council
29th June 2010

Independent Auditor's Report

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

I certify that I have audited the financial statements of Dundee City Council and its group for the year ended 31 March 2010 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 Director of Finance and auditor

The Director 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 2009 - A Statement of Recommended Practice (the 2009 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 for Scotland.

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 2009 SORP, 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 Annual Governance Statement 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 Director 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 for Scotland. An 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 Director of Finance in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Dundee City Council and its group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the financial statements

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, of the financial position of Dundee City Council and its group as at 31 March 2010 and the income and expenditure of Dundee City Council and its group 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 2010