

REPORT TO: SCRUTINY COMMITTEE - 26 JUNE 2019

REPORT ON: DUNDEE CITY COUNCIL - UNAUDITED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 249-2019

1 PURPOSE OF REPORT

To provide some background and additional commentary on the Council's unaudited Annual Accounts for the year ended 31 March 2019 which are being submitted to the Scrutiny Committee along with this report.

2 RECOMMENDATIONS

It is recommended that the Committee:

- i notes the contents of this covering report;
- ii notes the unaudited Annual Accounts which have been submitted along with report;
- iii instructs the Executive Director of Corporate Services to arrange for the Annual Accounts to be signed as required and submitted to the Council's external auditor; and
- iv notes that the key assumptions underpinning the independent actuaries calculation of the Council's IAS 19 liability have been reviewed and accepted by the Council as administering authority for the Pension Fund.

3 FINANCIAL IMPLICATIONS

The Council's 2018/2019 Movement in Reserves Statement shows that there was a surplus on General Fund services of £0.019m during the year. This gives a closing General Fund Balance of £13.865m as at 31 March 2019, of which an estimated £7.528m is uncommitted.

4 BACKGROUND

4.1 The relevant statutory provisions regarding the preparation of the Council's Accounts are contained in the Local Authority Accounts (Scotland) Regulations 2014. Section 8 of these regulations requires that:

"The Annual Accounts must be submitted to the auditor no later than 30th June immediately following the financial year to which the Annual Accounts relate."

"A local authority or a committee of that authority whose remit includes audit or governance functions must meet to consider the unaudited Annual Accounts as submitted to the auditor."

4.2 As in previous years the Annual Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code). There are no significant changes included within the 2018/2019 Code, that impact upon the Council's Accounts.

- 4.3 The Annual Accounts already include a detailed management commentary on the figures contained therein and it is not intended to repeat this in this covering report. It is however, worth reiterating a few of the more salient points.
- 4.4 A surplus on General Fund services of £0.019m was generated during the 2018/2019 financial year. This was against a budgeted reduction in General Fund balances of £3.299m, ie this represents an overall net underspend of £3.318m against the 2018/2019 Revenue Budget. The main components of the net underspend are set out on pages 3 and 4 of the Annual Accounts document.
- 4.5 The General Fund balance has increased over the year by £0.019m, to £13.865m at 31 March 2019. Within this overall total it is estimated that £7.528m is uncommitted, which equates to 2.2% of annual budgeted net expenditure. The total value of usable cash-backed revenue reserves has increased over the year by £1.800m, to £23.059m at 31 March 2019. In addition, £1.5m of capital receipts from asset sales during 2018/2019 have been set aside to fund costs associated with future transformation projects.
- 4.6 The Council's net pension liability (as calculated under IAS 19) has increased over the year by £16.3m, to £154.8m at 31 March 2019. The increase was largely due to the Current Service Cost for 2018/2019 being higher than the employer's pension contributions to the scheme. The key assumptions underpinning the independent actuaries calculation of the Council's IAS 19 liability have been reviewed and accepted by the Council as administering authority for the Pension Fund.
- 4.7 Copies of the enclosed Accounts will now be sent to the Council's appointed external auditor (Fiona Mitchell-Knight, Assistant Director, Audit Services, Audit Scotland) to commence the audit of the Accounts. The outcome of the audit will be reported back to the Scrutiny Committee on 25 September 2019.

5 **POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environment Assessment, Anti-Poverty and Equality Impact Assessment and Risk Management. There are no major issues identified.

6 **CONSULTATIONS**

The Council Management Team were consulted in the preparation of this report.

7 **BACKGROUND PAPERS**

None.

GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

21 JUNE 2019

Annual Accounts

As at 31 March 2019
Unaudited

June 2019

Dundee City Council

Annual Accounts 2018/2019

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PART 1 - INTRODUCTION & BACKGROUND

Introduction

We are pleased to present the Audited Annual Accounts for Dundee City Council (“the Council”) and its Group for the year ended 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019 (“the Code”). This management commentary provides context for the annual accounts, an analysis of financial and non-financial performance and an insight into the priorities and plans of the Council and the key developments during the period. The principal financial risks and uncertainties facing the Council are identified, together with the potential impact and actions being taken.

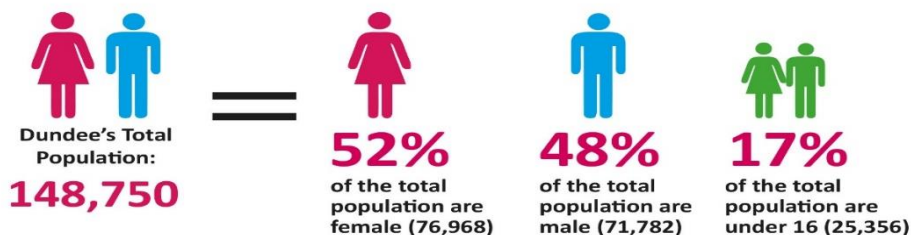
Service and Management Structures

There were no significant changes to service and management structures during 2018/2019. The Council’s five strategic service areas and two key partnerships are:

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

Dundee City Council

Dundee is Scotland’s fourth largest city, situated on the north coast the Tay Estuary in a stunning location and is Scotland’s sunniest city, with an average of over 1,500 hours of sunshine per year. The Dundee City Council area covers 60 square kilometres and is, geographically, the smallest local authority area in Scotland. Dundee is home to 148,750 people and is bordered by Perth and Kinross Council to the west and Angus Council to the north and east. Dundee continues to serve as the regional centre for this area and North-East Fife, with an estimated catchment population of some 490,000 people. Dundee has a sizeable student population, and is home to the University of Dundee, Abertay University and Dundee & Angus College.



PART 2 - FINANCIAL MATTERS**Review of the 2018/2019 Financial Year - Revenue Budget**

The 2018/2019 General Services Revenue Budget was agreed at the meeting of the Policy & Resources Committee on 22 February 2018. The Council Tax was increased by 3%, after budget savings totalling £5.825m were approved. No amounts were taken from accumulated General Fund balances in setting the 2018/2019 budget. The 2018/2019 Housing Revenue Account Budget was agreed at the meeting of the Policy & Resources Committee on 22 January 2018 and it was also agreed that rent levels would increase on average by 3%. The Policy & Resources Committee received regular revenue monitoring reports during 2018/2019 in order to keep elected members fully apprised as to the projected outturn position.

The Consolidated Income & Expenditure Statement (page 53) shows a deficit on the provision of services of £62.051m for 2018/2019, measured on an accounting basis. This deficit is carried forward to the Movement in Reserves Statement (page 55), where adjustments totalling -£66.308m have been made to restate the accounting position to a funding basis. After adjusting for net reserves transfers of £4.195m, the overall increase in usable reserves is £0.062m on a funding basis. The Expenditure and Funding Analysis (page 49) provides a detailed reconciliation between the funding and accounting bases, with the former also providing a direct linkage back to the regular revenue monitoring reports to Committee.

Within the overall increase in usable reserves of £0.062m, the increase in the General Fund and Housing Revenue Account balances over the year was £0.019m. This was against a budgeted reduction in General Fund and Housing Revenue Account balances of £3.299m (due mainly to the carry forward of underspends from 2017/2018 and allocations from the General Fund and Organisational Change Fund during 2018/2019), i.e. this represents an overall net underspend of £3.318m against the 2018/2019 Revenue Budget. The main components of the net underspend are as follows:

	(Under)/ Over Spend £m
Children & Families Services	(1.175)
City Development	2.767
Neighbourhood Services	0.047
Chief Executive	(0.100)
Corporate Services	(1.561)
DCS Construction	(0.689)
Housing Revenue Account	0.004
Other Miscellaneous Service Budgets	(0.503)
Net Underspend on Services	(1.210)
Financing & Investment Income & Expenditure	(0.398)
Taxation and Non Specific Grant Income	(0.908)
Net Underspend per Comprehensive Income & Expenditure Statement	(2.516)
Items in Movement in Reserves Statement:	
Pension Contributions	(0.293)
Loan Repayments & CFCR	(2.700)
Net Underspend Before Appropriations	(5.509)
Additional Contributions to / (from) Reserves:	
Surplus on Housing Revenue Account (transferred to Renewal & Repair Fund)	0.081
Repair & Renewal Fund	1.100
Insurance Fund	1.010
Net Underspend After Appropriations	(3.318)

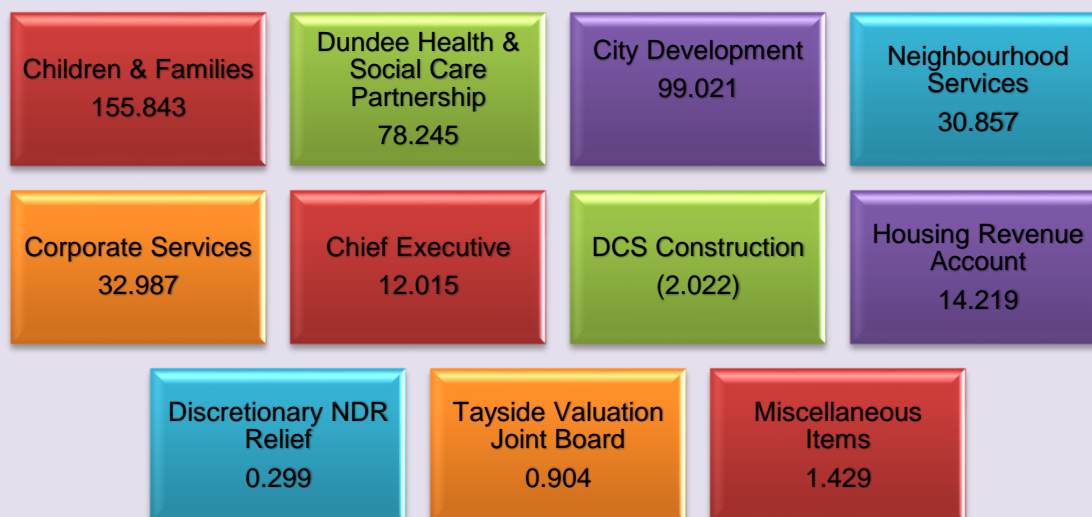
At a more detailed level, the main areas of variance against budget are:

Overspends:	£m
Higher than anticipated expenditure on housing repairs and relets due to current level of demand for these services. Also an increase in debt impairment allowance due to impact of Universal Credit.	0.524
Reduced income from investment properties	0.306
Additional lighting, electricity costs and security costs at various car parks.	0.625
Shortfall in external rental income and under-recovery of fees and charges in Architect and Fleet Services	1.028
Property costs overspend in relation to non domestic rates (£249k), repairs & maintenance (£1,228k), security (£233k) and other costs (£136k).	1.846
City Marketing and promotion costs incl Waterfront Development projects.	0.274
Savings in additional hours / overtime not achieved	0.300
Overspend on discretionary non-domestic rates	0.052
Increase in impairment allowance on trade debtors	0.459
Insurance Fund Transfer	0.500
Renewal & Repair Fund Transfer	1.100

Underspends:	£m
Net savings in staff costs across all services (excluding pension costs)	1.997
Pension contributions lower than budget	0.293
Dundee City Development receipt	1.635
Capital Finance Costs savings including Housing Revenue Account	3.545
Additional income from rent of houses and additional income from the Common Housing	0.251
Additional Tayside Contracts surpluses	0.147
In Children & Families - energy costs underspend	0.188
In Children & Families - savings achieved in Residential Schools	0.250
In Children & Families - savings achieved from new transport contract	0.165
In Children & Families - additional income from school meals	0.207
Discretionary Housing Payment budget underspend	0.251
School Clothing Grant at recommended level before increase in government grant.	0.255
Underspend on employability contract.	0.402
Council Tax - actual cost of reduction scheme lower than budget, also additional income from removal of discounts (earmarked for new social housing).	0.892

The General Fund balance has increased over the year by £0.019m, to £13.865m at 31 March 2019. Within this overall total it is estimated that £7.528m is uncommitted. This equates to 2.2% of annual budgeted net expenditure.

NET COST OF SERVICES 2018/2019 (£m)



The value of net assets shown in the Council's Balance Sheet (page 56) has increased from £720.5m (at 31 March 2018) to £780.3m (at 31 March 2019) ie an increase of £59.8m. The main reasons for this movement are increases in the value of Property, Plant & Equipment (£137.1m) and an increase in Cash and Cash Equivalents (£12.7m), partly offset by increases in Borrowing (£61.7m), PPP / DBFM Liabilities (£21.3m) and Pension Liabilities (£16.3m). The Cash Flow Statement (page 57) shows that cash and cash equivalents have increased by £12.700m over the period, with a closing net in balance of £9.615m.

Management of Reserves

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

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

The agreed protocol for the operation of the Council's Reserves states that the Executive Director of Corporate Services shall include a statement showing the movements in the Council's Reserves in the Annual Accounts. The following table shows the movements in the Council's available cash-backed reserves during 2018/2019.

	General Fund £m	Housing Renewal & Revenue Account £m	Repair Fund £m	Insurance Fund £m	Capital Fund £m	Total £m
Opening Balance 1 April 2018	13.846	-	5.850	1.563	2.110	23.369
Surplus / (Deficit) for the Year	1.619	0.081	(0.410)	0.510	0.016	1.816
Transfer of HRA Surplus	-	(0.081)	0.081	-	-	-
Transfer to Fund Capital Expenditure	-	-	-	-	(1.500)	(1.500)
General Reserve Transfers Under Delegated Powers	(1.600)	-	1.100	0.500	-	-
Closing Balance 31 March 2019	13.865	-	6.621	2.573	0.626	23.685

In addition to the above, £1.5m of capital receipts from asset sales during 2018/2019 have been set aside to fund costs associated with future transformation projects. In line with the statutory guidance set out in Local Government Finance Circular 4/2019, this sum is currently held in the Capital Grants & Receipts Unapplied Account pending its use.

Review of the 2018/2019 Financial Year - Capital Budget

On 30 October 2017, the Policy & Resources Committee approved a combined five year Capital Plan for General Services and Housing totalling £458.4m over the period 2018 to 2023. The gross capital budget for 2018/2019 totalled £128.375m, including an allowance for slippage. The Policy & Resources Committee received regular capital monitoring reports during 2018/2019 to keep elected members apprised of project cost to date, the projected outturn position and projected completion dates. Actual gross capital expenditure for the year was £114.468m. The following table compares the actual outturn position with budget for capital expenditure and the associated funding. The underspend against the original capital budget was due to slippage across a range of projects. There were no major asset disposals during the financial year.

	Budget £m	Actual £m	Variance £m
Gross Capital Expenditure	128.375	114.468	(13.907)
<i>Funded by:</i>			
Borrowing	76.972	60.534	(16.438)
Capital Grants & Receipts	41.667	52.411	10.744
CFCR	-	1.523	1.523
Slippage Allowance	9.500	-	(9.500)
	128.139	114.468	(13.671)

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



Capital Funding / Treasury Management

In terms of the funding of capital expenditure, borrowing has the effect of increasing the Council's overall indebtedness and the level of principal repayments and loan interest charges each year. Capital expenditure met directly from revenue resources (CFCR) increases total net revenue expenditure in that particular year but does not result in an increase in overall indebtedness. The Council uses these methods of funding capital expenditure as part of its long and short term capital financing strategy. The Council has several sources available to it in terms of borrowing to fund capital expenditure. The most significant of these is the Debt Management Office (an Executive Agency of HM Treasury), although the Council can also issue bonds and borrow from the money markets and the European Investment Bank. During 2018/2019 the Council's Capital Financing Requirement (CFR) increased by £61.0m, from £653.5m to £714.5m. The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be financed in future years by charges against revenue. The figure includes outstanding financing liabilities under the Schools PPP, DBFM and Waste Project contracts. The Council manages its CFR level in line with the requirements of the Prudential Code. The Council's external debt was £695.2m at 31 March 2019 (£631.2m at 31 March 2018). The fact that this is below the CFR confirms the Council is not borrowing for revenue purposes and is partly funding its capital expenditure from existing resources.

In terms of treasury management, the Treasury Policy Statement sets out the policies and objectives of the Council's Treasury Management activities and the practices to be used to achieve these. There is a separate Treasury Management Risk Register which identifies the risks associated with Treasury Management Activity as well as the measures taken to minimise or mitigate these risks where possible. Whilst these risks are continuously monitored, the Risk Register is presented to the Policy & Resources Committee on a six monthly basis (in conjunction with Treasury Activity Reporting), and maintained within the Council's Risk Management system. The Treasury Management Strategy Statement and Annual Investment Strategy for 2018/2019, required by the Council's Treasury Policy Statement and the CIPFA Code of Practice on Treasury Management, stated that the 2018/2019 Revenue Budget had been set to include a provision of £25.099m for Capital Financing Costs, based on an average Loans Fund Interest rate of 4.0%. It identified a new net borrowing requirement in 2018/2019 of £53m which would be funded through phased borrowing during the year. During the financial year, long-term borrowing of £37.5m was undertaken, including repayments of existing loans totalling £9.5m. This net borrowing was low due to more use of short term borrowing and slippage within the capital programme. These loans had an average interest rate of 2.26% and an average term of 38.7 years.

Pension Liability (International Accounting Standard 19)

Under International Accounting Standard 19 (Employee Benefits) the Council is required to include figures in its Annual Accounts relating to the assets, liabilities, income and expenditure of the pension scheme for its employees. It has been estimated that the Council had a net pension liability of £154.8m as at 31 March 2019 (£138.5m at 31 March 2018). The increase in the liability was largely due to the Current Service Cost for 2018/2019 being higher than the employer's pension contributions to the scheme.

Material Assets, Liabilities, Charges and Credits

There were no material transactions in relation to assets, liabilities, charges or credits outwith the normal scale of activities of the Council during the 2018/2019 financial year, other than those already separately disclosed in the Accounts.

Provisions, Write-offs and Contingencies

Provisions for the non-collection of various types of debt totalled £33.695m at 31 March 2019, an increase of £1.256m from the previous year. The level of provisions is partly a reflection of the difficult economic climate and the resulting increased potential for debtors to default on payment. Full details of provisions are shown in note 34. The Council includes a prudent level of contingencies within its annual revenue budget and also carries a prudent level of uncommitted reserves. These provide a cushion against any items of unforeseen or emergency expenditure or shortfalls in income or savings targets.

Contingent Assets & Liabilities

There were no contingent assets or contingent liabilities as at 31 March 2019.

Subsequent Events

There have been no events occurring after 31 March 2019 that would have a material impact on the figures shown in the 2018/2019 Annual Accounts.

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

The Accounting Policies set out the basis upon which the Annual Accounts have been prepared, and explain the accounting treatment of both general and specific items. There were no significant changes in the accounting policies shown in note 1 during 2018/2019.

The 2018/2019 Accounting Code of Practice adopts the new accounting standard IFRS 9 *Financial Instruments*. At 31 March 2019, the Council had investments in corporate bond funds totalling £4.482m (31 March 2018 £4.770m) and the Common Good Fund had similar investments totalling £3.406m (31 March 2018 £3.458m). The Council has made an irrevocable election to present movements in the fair value of these investments within Other Comprehensive Income and Expenditure (rather than within Surplus or Deficit on Provision of Services). As a result, unrealised gains and losses will be reflected in the Financial Instruments Revaluation Reserve, rather than within General Fund. The value of unrealised losses in 2018/2019 was £0.044m for the Council and £0.052m for the Common Good Fund.

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

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

Group Accounts

The Group Accounts on pages 126 to 136 bring together Dundee City Council and its interests in entities which would be regarded as its subsidiaries or associates or joint ventures if the local authority was subject to the Companies Act. The impact of consolidating group entities is shown on page 131.

Pension Fund Accounts

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

Financial Indicators

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

Category / Financial Indicator	2018/19	2017/18
<i>Reserves</i>		
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	2.17%	2.08%
Movement in the Uncommitted General Fund Balance	+£0.519m	+£1.997m
<i>Council Tax</i>		
In-year collection rate	94.1%	93.9%
Ratio of Council Tax Income to Overall Level of Funding	13.6%	13.1%
<i>Financial Management</i>		
Actual Outturn Net Service Expenditure compared to Budgeted Net Service Expenditure	99.7%	102.3%
Actual contribution to / from Unallocated General Fund Balance compared to Budget	-£0.519m	-£1.997m
<i>Debt / Long Term Borrowing</i>		
Capital Financing Requirement for the current year	£714.5m	£653.5m
External Debt Levels for the current year	£695.2m	£631.2m
Ratio of financing costs to net revenue stream – General Services	6.7%	8.2%
Ratio of financing costs to net revenue stream – HRA	38.8%	38.4%
Impact of Capital Investment on Weekly Rents	(£0.05)	£0.69

Significant Fraud Case

Following the significant fraud perpetrated against the Council by a long-term employee, over the period August 2009 to May 2016, action was taken immediately by management to strengthen the internal control environment and improve the Council's resilience to fraud and corruption. PwC, the Council's co-source internal audit partner at the time, was also commissioned by the Council to review the circumstances which enabled the fraud to take place and two reports were issued, containing a total of 11 recommendations to management, identifying control weaknesses and making recommendations for improvement. Two specific areas of weakness identified by PwC related to User Access Levels and BACS, these two areas were reviewed by Internal Audit and recommendations to enhance the internal financial controls made, some of which were implemented by management immediately. These reports were submitted to the Council's Scrutiny Committee during this financial year on 27 June 2018 and 26 September 2018 respectively.

In addition to these two specific reviews, the 2018/2019 Internal Audit Plan contained a dedicated resource to formally follow-up on all recommendations made by PwC to ensure that they had been implemented as intended. KPMG, the Council's current co-source partner, delivered this review and have concluded that Corporate Services has significantly enhanced the control environment in each of the areas covered in the two reports, however, there are some areas where further improvement could be made. The report will be submitted to the Council's Scrutiny Committee on 26 June 2019. Key areas of progress specifically highlighted in the report relate to the establishment of a formal process for daily and monthly reconciliations, including general ledger accounts and key system interfaces; development of a repository of reconciliations to track completion and enable senior review; and completion of supplier statement reconciliations on a monthly basis, with a risk based selection criteria. In relation to improvements, whilst the reconciliation framework including repository have been developed, it is in its infancy; and documentation of key systems, processes and accounting pathways has not been taken forward globally but instead is being addressed as new key systems are being procured. The outstanding areas will be followed-up by Internal Audit in line with standard working practices.

PART 3 - KEY DEVELOPMENTS DURING 2018/2019

The spotlight was most definitely on Dundee during this last year, being named among the coolest places in the world to visit in 2019 by the top travel magazine National Geographic Traveller, along with places like Hong Kong, Corsica and Antarctica, adding to a long list of 'must see' accolades from travel publications.

Dundee was also named the Best Place to Live in Scotland 2019 by the Sunday Times and quality of life for the citizens of Dundee remains one of the key priorities of the City Council. Over many years communities have been transformed with new housing, schools, community facilities, play areas, etc. building a strong sense of pride and satisfaction within neighbourhoods across the City. Evidence gathered via our Annual Citizen survey shows that our commitment to improving communities is improving the quality of life of our citizens. There is a clear long term positive growth relating to satisfaction with quality of life in local neighbourhoods and in Dundee. In our 2018 survey satisfaction with all neighbourhood aspects has increased to its highest levels yet; 98% of our citizens are happy with their neighbourhoods.

Some of the key developments and achievements during 2018/2019 that are worth noting are as follows:

Tackling poverty and inequality, and promoting fairness, has continued to be a high priority for the Council:

Dundee's second Fairness Commission met during 2017/2018 and consisted of twelve Commissioners with lived experience of poverty and twelve working in the public, political and business sectors within the city. They called themselves 'Dundee Fighting For Fairness' and formed three working groups to focus on themes within poverty that they felt needed to be tackled. The three themes were; people and money, mental health, and stigma. Their recommendations were published in November 2018. The recommendations were also presented to the Council's Policy and Resources Committee, the Dundee Partnership and the Cabinet Secretary for Communities and Local Government. These will form of a revised Fairness Action Plan which will be published in June 2019. While the community commissioners from the second Commission are working towards establishing a permanent anti-poverty campaigning group, a third and final Dundee Fairness Commission was convened in late May 2019. This will again take the format of the Poverty Truth Commission, with an even mix of community and civic commissioners.

Please [see here](#) for the commissions recommendations report.

The Council unveiled four pledges to tackle poverty-related issues in schools following a report into the cost of the school day. The pledges are:

- no child or young person will start school without a breakfast
- no child will miss out on their P7 residential trip due to cost

- all schools will develop cost of the School Day Action Plans by the end of this session
- all children and young people will have access to an affordable school uniform.

Our Children and Families Committee heard about progress in improving the lives of children and young people including:

- evidence of the poverty-related attainment gap beginning to close
- early learning and child care increasing
- improvements in BMI and dental health
- all children's homes receiving good or very good inspection grades
- work to help improve the attendance and attainment of vulnerable young people

New statistics showed that the attainment gap between pupils from the most and least deprived areas of Dundee is narrowing, along with an improvement in general attainment and more young people going to positive destinations after school. Education Scotland recognised the good progress being made in reducing the poverty attainment gap.

The successful scheme to help families with young children get out and about was run again during the school holidays. The Council teamed up with bus operators to offer a 20p fare to children when travelling with an adult, leading to a significant increase in bus journeys.

The Council adopted a Fair Work Charter, committing the Council to offering employees an effective voice, opportunity, security, fulfilment and respect. The Charter is based on the work of the Fair Work Convention which was made up of union representatives, business leaders, academics and local government and developed principles to make fair work a hallmark of Scotland's workplaces.

Dundee City Council won the Living Wage Champion Award for Local Authority Leadership 2018, recognising not just our own payment of the living wage but the work done to encourage other employers to adopt this. Dundee became the 1st Living Wage City in the UK.

And the Council has continued to tackle the social challenges which face the city:

- The Dundee Drug Commission has completed its evidence gathering and public sessions. It is now finalizing its recommendations relating to critical issues including leadership, prevention of drug deaths, treatment services and links to mental health support. The report will be launched in mid-August and the Dundee Partnership will then develop its improvement and action plan in close collaboration with the Alcohol and Drug Partnership.
- Developing a Rapid Rehousing Plan to minimise the time homeless people spend in temporary accommodation.
- Introducing the 'Pause' programme to support vulnerable women who've had children taken into care.
- Rolling out the innovative Caledonian scheme to tackle the behaviour of men convicted of domestic abuse while supporting victims.
- Strengthening our approach to the protection of vulnerable adults and children.
- Investing over £1 million more in home care and reducing delayed discharges from hospital by over 50%.

Dundee's regeneration continues as the Council continued to invest in improvements to the city which also boost the local economy:

V&A Dundee opened to the public on 15 September 2018 and has already passed the milestone of 500,000 visitors. Scotland's first design museum illustrates the international importance of design alongside Scotland's outstanding design achievements. It was a record-breaking year for tourism in Dundee, with the industry contributing £187 million to the local economy and supporting thousands of jobs. There were 1.05 million tourism visits to the city, up 19.2% on the previous year.

Dundee's new £38 million railway station was officially opened. The building hosts a new passenger concourse and ticketing facilities as well as space for a cafe and retail, with the new 120 bedroom Sleeperz hotel above, and provides an attractive gateway to the city.

During the year, there were official openings of the new £28.7 million Baldrigon Academy, which finalises an educational campus also including Sidlaw View Primary School and Jessie Porter Nursery School, the new £13.2 million Tayview Primary and Menzieshill Nursery building, the new £17 million North East Campus and the new £16 million Coldside Campus.

A £700,000 upgrade began at Coldside Library, including a new lift, accessible toilets, upgraded lighting, new floorcoverings and redecoration, while work got underway on a new multi use community centre in Menzieshill, including games halls, fitness suite, library and other multi-purpose rooms and areas along with a cafe.

The Council continues to lead the way in sustainable transport:

Dundee was named the most visionary city in Europe for electric vehicles at the World Electric Vehicle Association's annual gathering in Japan. The Council has developed the UK's largest public sector fleet of clean vehicles, with almost 40% of its cars and vans now electric. Around 15% of taxis are now electric and electric vehicle charging hubs continued to be developed, including work in the past year at Greenmarket, Lochee, Queen Street and Princes Street. Dundee already has one of the most extensive charging infrastructures in the UK, with nine of the top ten most used rapid chargers in Scotland being located in the city.

Almost £350,000 has been awarded to Dundee to explore the impact on traffic of a Low Emission Zone. The city is one of 4 in Scotland committed to introducing an LEZ by 2020 to improve air quality, and the research will look at how this could affect traffic movements.

The past year has seen some excellent examples of community participation and engagement:

Over 11,000 residents took the chance through Dundee Decides to vote on their priorities for how the Council should spend the £1.2 million Community Infrastructure Fund on projects such as play areas, pedestrian crossings, pavements, lighting and planting. Independent research described Dundee Decides as 'an outstanding success' which should act as an inspiration to other Councils. 77% of those taking part hadn't been involved in any community engagement exercise before.

A record number of Council tenants took part in this year's consultation on rent increases, which included community events, information on the website, social media and consultation with tenants' organisations. Over 18% of tenants participated.

Around 1,200 citizens responded to a consultation on the Council budget. This was part of a broader, digitally-led "Conversation with the City" about Council services, including two animated short films which were viewed a total of 24,000 times.

Welfare Reform

The Council continues to respond proactively and positively to the many challenges presented by welfare reform. Since Universal Credit (UC) Live Service was introduced in Dundee in November 2015 and migration to Full Service occurred on 8 November 2017 the demand for new claim support and digital support for customers has continued to be a significant factor affecting both Council Advice Services and rent arrears levels. Mitigation in the form of assistance to make and manage a UCFS claim online is provided at the Central Library by way of a drop in service that sits alongside the new Citizens Advice Bureau service "Help to Claim" from April 2019. Customers can use the computers themselves or receive assistance from staff within the library. Personal Budgeting Support, although no longer funded by the Department for Work and Pensions, continues to be provided by services such as Connect and Dundee Money Action.

Council Advice Services (incorporating Welfare Rights, Dundee Money Action, Connect, DEEAP and Making Money Work) continues to offer advice and assistance to those affected by Welfare Reform. The Council's Single Point of Contact has proven to be a proactive approach in addressing any issues raised via its dedicated email address and single access point number (01382 431188). Internal Council joint working has also allowed for increased income maximisation support for citizens of Dundee. Referrals from Corporate Debt and Benefit Delivery Team for income maximisation have increased and this, when combined with Council Advice Services improved model of working, has led to significant increases in benefits successfully claimed for customers. In 2018/2019 Council Advice Services successfully claimed benefits worth over £12 million, up 23% from 2017/2018. Joint working in relation to the ability to check UC customer journal payment histories has helped to increase income maximisation effectiveness, especially for more vulnerable customers who are often unclear on their entitlements or the stage of their claims.

The GP practice co-located Welfare Rights Officer service now reaches 57,045 patients in 8 GP practices across Dundee. In all practices, officers use consensual access to patients' medical records to assist people with problems arising from welfare reform changes introduced for sick and disabled citizens. Council Advice Services are working to support claimants making new PIP applications across the city and to ensure correct entitlements to benefits such as new style Employment and Support Allowance. Help to complete claim forms has significantly increased and claim numbers continue to increase. However representation at appeal tribunals, having tripled in the 2 years up to April 2018, has sharply declined in 2018/2019 (-30%) due in large part to Welfare Rights Officers having consensual access to medical records within our co-located surgery locations.

Partnership working has started with Social Security Scotland to promote the new and forthcoming devolved benefits such as Best Start Grant, Carer's Assistance and Funeral Expense Assistance as well as a proposal to link up advice service staff with the new Social Security Scotland Advisers in relation to preparation for Disability Assistance.

Integration of Health and Social Care

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

Dundee Health and Social Care Partnership (DHSCP) is the integrated operational delivery service responsible for the implementation of the IJB's Strategic and Commissioning Plan. During 2018/2019, DHSCP continued its programme of service redesign, including integrating community based health and social care services through its Transformation Programme. This includes investment in new services such as the Enhanced Community Support service, funded from the release of resources in hospital based care and care home beds in line with the priorities set out within the Strategic and Commissioning Plan. The effectiveness of these measures are monitored by the IJB's Performance & Audit Committee through a comprehensive suite of national and local performance indicators and summarised in the IJB's Annual Performance Report.

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

Our People

The implementation and development of the Our People Strategy continued in 2018/2019 with particular links with the Digital Strategy, opening up opportunity, access and communications for our workforce with no daily access to IT in line with our commitments to equality and developing our people. The Council have introduced a network of Digital Champions across all service areas, baseline data has been collated on the digital readiness of our workforce with very positive results, and the MyLearn Hub has been launched, this is the one stop approach to all learning and development needs. Next steps will be to make this available to all.

Workforce Planning gathered pace. A succession planning corporate group, workshops and a workforce planning toolkit provides overall workforce information and individual service information. The Council have an analysis of our workforce, graduates and modern apprenticeships in areas where there are skills shortages e.g. engineers and IT and an aging workforce e.g. construction and business support, 'grow your own' initiatives for teaching, early years and social work, a shared apprenticeship programme with Angus, engaging with schools to promote our career opportunities, careers events for social care recruitment at least twice a year and where there are specific shortages e.g. surveyors, skills are brought in via agencies. Within Children and Families, there has been a great deal of creative work undertaken on the support workforce to ensure the right numbers and skills are available to support our young people. The Corporate Business Support Service is an example of how delivering support services in a different way can make best use of a multi-skilled workforce across services while contributing to budgetary savings. There is clear budget information for each service area and all aspects are taken into account when filling posts or looking at new developments to ensure right person is recruited in the right place at the right time.

Our leadership development is advanced and the MYLearning Hub brings everything together in one place. Our policy - Health and Wellbeing - Promoting Attendance action plan continues to be implemented with a focus on mental health and wellbeing.

Awards

The Council view scrutiny, including external inspection and self-assessment, as a means of identifying best practice and securing improvement. Best practice is showcased through national awards. During 2018/2019 the Council was externally recognised for some of our achievements including;

- Energy Efficiency Awards 'UK Council of the Year' and Scottish Award for 'Vulnerable Customer Support' for our External Wall Insulation Programme which has now benefited over 5,000 households and cuts fuel bills and reduces carbon emissions.
- Best Winter Maintenance, Roads Maintenance and Streetlighting Partnership (with Tayside Contracts) in the Association for Public Sector Excellence Awards.
- Dundee Waterfront won City Regeneration Project of the Year in the Scottish Property Awards.
- COSLA Excellence Gold Awards for two projects:
- 'Dundee Decides' - the biggest participatory budgeting project run by any Scottish Council which saw 11,500 people taking part in decisions about spending on local infrastructure;
- 'Getting Ready for Work' - a project which combines language learning and employability skills to help the Syrian refugees who have settled in Dundee move into employment or set up a business.
- COSLA Excellence Bronze Awards for Family Fresh Air Club which supports young families in deprived areas to use our local greenspaces and for Earth Hour 2018, our campaign of events to raise awareness of climate change and encourage people to take action to reduce their own carbon emissions.
- SOLAR Best Team Award for our Commercial Legal team for their painstaking 'behind the scenes' legal work supporting the regeneration of Dundee's Waterfront.
- Award for Local Authority Leadership in the Living Wage Champion Awards.
- The Earth Hour 2018 environmental campaign won UK and Scottish awards and was crowned Local Authority Champion for Scotland.

Sickness Absence

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

2017/2018	11.43 days
2018/2019	12.88 days

A key factor in improving employee attendance will be ensuring our commitment to the new Health and Wellbeing - Promoting Attendance Policy approach consistently across services. This includes providing more individual information to employees and to managers to assist them and providing more practical training and development for managers engaged in this activity. The launch of the Health and Wellbeing Framework also focussed on this improvement agenda. The main objectives of this framework are creating a safe and health working environment and culture, develop resilience within our culture, to improve physical, mental and emotional wellbeing, to encourage employees to develop and maintain a healthy lifestyle, to support employees with health issues to maintain attendance at work, and to improve employee satisfaction, recruitment and retention, reduce sickness absence and improve attendance, engagement and satisfaction.

Contract for the Disposal of Residual Waste

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

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

The contract is supporting jobs in the Dundee City Region, at present principally through the construction programme which is anticipated to employ around 300 people in addition to the wider supply chain benefit. A combined Council construction oversight arrangement is currently in place to assist in ensuring adherence to the construction plan for the new facility. The ongoing plant operation will continue to support a number of permanent positions through the service delivery period. Since commencement in November 2017, the principal service objectives of the contract are being delivered satisfactorily. Contract management processes have been implemented to ensure effective delivery of the contractual obligations and commitments, including budget monitoring. Contract management process were recently audited by Angus Council as part of their Internal Audit programme for 2018/2019. Dundee City Council and Angus Council now have an appropriate delivery partner to ensure that all residual waste from the Councils is treated appropriately at a fixed cost and in compliance with all applicable regulations, with appropriate risk transfer to the contractor.

Climate Change and Sustainability

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

To provide the leadership, commitment and planning necessary for this transition, the Lord Provost and Leader of the Administration signed up to the global 'Covenant of Mayors' movement in March 2018. This has committed the city of Dundee to develop and deliver a Sustainable Energy and Climate Action Plan (SECAP) and achieve a 40% reduction in CO₂ emissions by 2030. The city-wide strategy will align with the Scottish Government's Climate Change Plan, Scottish Energy Strategy and Cleaner Air for Scotland Strategy. It will also have a shared vision and objectives with the Council's City Plan and Tay Cities Deal of supporting sustainable economic growth, reducing social inequality, and enabling entrepreneurship and innovation. Four Strategic Programme Areas covering Energy, Waste, Mobility and Resilience combine to form a single integrated plan. This has been coupled with the development of a 'Sustainable Dundee' brand to promote the efforts of Council and Dundee Partnership activities further afield and encourage inward investment. The draft SECAP is currently undergoing public consultation with the final plan expected to be published in autumn 2019.

The Council has demonstrated its commitment to the UN's Sustainable Development Goals by setting out 51 actions that it is taking across the 17 goals to support Scotland's efforts in ending extreme poverty, fighting inequality and tackling climate change.

Climate change reporting is now mandatory across the public sector in Scotland, reflecting the expectation that the public sector will lead by example in tackling climate change. The introduction of a new standard reporting regime aims to improve the quality of climate change information being reported and ensure that a consistent approach is adopted across the public sector in Scotland. Required reporting focusses on corporate emissions arising from organisational operations and service delivery, as well as key information on: Organisational Profile; Governance, Management and Strategy; Adaptation; Procurement; and Validation.

The Council's latest Public Bodies Climate Change Duties (PBCCD) Report is available to view at: https://www.dundee.gov.uk/sites/default/files/publications/332-pr-pbccd_final.docx

Brexit Preparations

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

- Citizens' Rights - the Council played a role in publicising the 'settled status' scheme for EU citizens and signposting people to advice and support (eg through the Brexit page on our website). Central Library became a location for the Assisted Digital Scheme for those needing help to make online applications.
- Local Economy - encouraging local businesses to use the Scottish Enterprise Toolkit to help them prepare for Brexit, and promoted the Scottish Government's grant scheme to support business preparations. The Council liaised with Dundee and Angus Chamber of Commerce and the Business Gateway on a survey of the preparedness of local businesses and to promote resources and events.
- Funding - a detailed analysis of the projects and staffing supported by EU funding is being carried out, and the Council will take part in consultation on the proposed UK Shared Prosperity Fund once this is launched. Decisions on priorities will be required if the amount of money currently received from the EU is not replicated.
- Lobbying/Engagement - letters have been sent to the UK and Scottish Governments on topics such as the UK Shared Prosperity Fund, participation in Interreg, Post-Study Visas and Funding for Colleges and Universities.
- Workforce - The Council continues to obtain fuller information of the numbers of EU nationals employed, particularly in fields such as teaching and social care, but have assessed the likely impact on service delivery as low so the Council continues to work to engage with and re-assure those affected and signpost them to information and support.
- Procurement - the impact of leaving the EU on contracts is being assessed on an ongoing basis, as well as any issues about the resilience of supply chains necessary to deliver Council services.
- Communications - a Brexit page on the Council's website was developed and is being updated to keep our citizens and businesses apprised of developments and support available. More detailed communications will be planned throughout April and beyond.

An officers' Brexit Advisory Team and a Cross Party European Group of councillors, MSPs and MPs met regularly to consider the risks facing the Council and the city and take any mitigating action which is possible. They also look to understand and capitalise any opportunities that may also occur.

Given the continuing uncertainty, much of the work in the run-up to the original dates scheduled for the UK to leave the EU focused on resilience planning in the event of a 'no deal' Brexit. Plans were put in place at national, regional and local levels to deal with any impacts, and officers with a role in reporting on these were identified and advised of requirements. At the time of writing, the political situation remains unclear and the Council remains alert to complex political developments and agile in responding to changing circumstances.

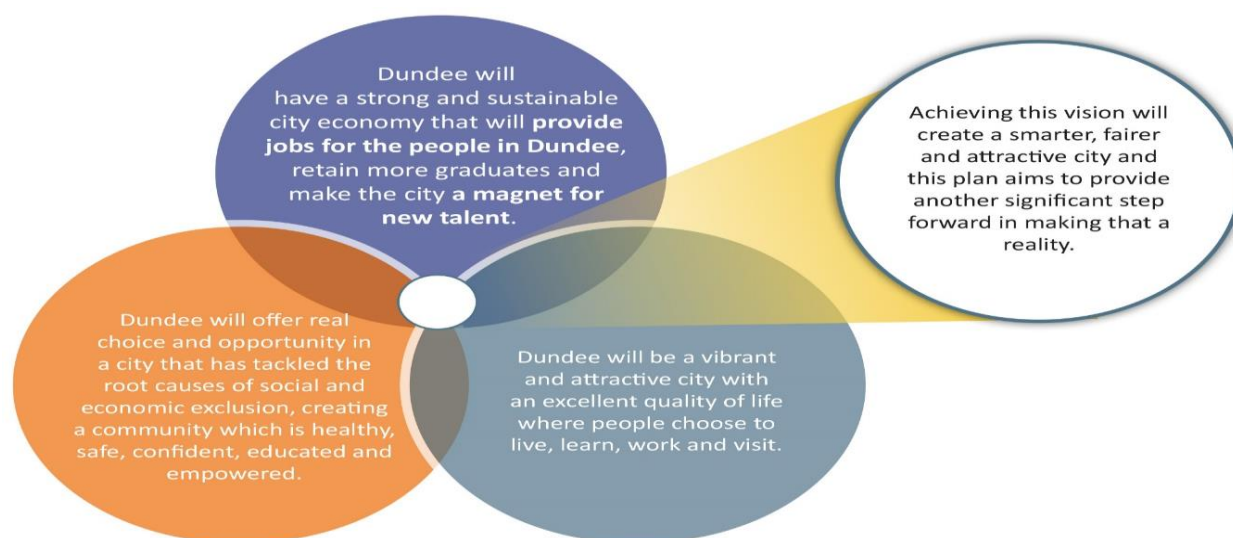
PART 4 - PLANS, PRIORITIES & RISKS

Strategic Planning

The V&A Dundee is a perfect illustration of Dundee forging a new and exciting path, and the city as a whole looks to match this transformation for every resident, worker and visitor. The council knows that there is much more to our city than just the Waterfront, with real investment and regeneration taking place in every community in Dundee. The Council also recognise that there is still a way to go and have never shied away from the challenges around deprivation and inequality, our strategic plans set out how the Council intends to deliver a step change in prosperity and fairness over the next decade.

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

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



The Council Plan is the strategic plan for Dundee City Council as a corporate entity. It sets out our main corporate approach and our priority targets and actions for the purposes of public accountability on delivering. But this Plan is even more ambitious. It sets out to tackle the root causes of social exclusion to ensure no one is left behind in the development of the new city economy. Delivering our Fairness Action Plan, Employability Partnership and measures to close the attainment gap are top priorities. The Council wants Dundee to be a great place to live, work and invest in. In order to deliver on the priorities set out in the City Plan and our Council Plan the Council will:

- Make best use of the financial resources available to us, ensuring best value for the public purse;
- Have a flexible, skilled and motivated workforce;
- Listen to, and be responsive to, our customers, shaping our services around their needs and focusing our resources where they are most needed; and
- Work closely with our partners, including local communities, to deliver a single set of outcomes for all the citizens of Dundee.

The Council Plan is supported by Strategic Service Area Plans and a variety of service strategies, financial, investment and management plans. These plans and strategies set out what the Council wants to achieve, how it will deliver this and the resources needed to secure the desired outcome.

Management of Risk

The Council continues to face challenges and risks at a national and local level and, consequently, is required to operate within a significantly changing environment. It is expected that demands on the level and pace of change will progressively increase and continue to do so for the foreseeable future. There is a difficult balance to be struck between increasing demands placed on services and ongoing resource constraints. However, effective risk management assists in striving to maintain the right balance and, in recognition of this, arrangements for the management of risk have been enhanced during 2018/2019, including:

- appointing a full time Corporate Risk Management Coordinator
- establishing a senior officer Corporate Risk Management Working Group chaired by the Executive Director of Corporate Services
- introducing a new Risk Management Policy and Strategy
- developing a corporate level Risk Appetite
- introducing formal, documented risk governance arrangements

In accordance with the revised governance arrangements, management of risk, including the Council's Corporate Risk Register, is subject to regular review and reporting to both Scrutiny Committee and Policy and Resources Committee. The most recent review of the Corporate Risk Register in 2018/2019, resulted in a number of changes, the most significant of which relates to the separate recognition of risk surrounding the Dundee Integrated Joint Board / Health and Social Care Partnership, which previously had been included under the 'Effectiveness of Partnerships' heading. Work to develop more detailed risk registers across individual Council Services is ongoing.

Performance

The Council's Performance Management Framework sets out the framework for our continuous improvement journey. This framework supports continuous improvement and measures delivery of the Council's Vision, Priorities and Outcomes. The Council set challenging targets and measure performance against this for a wide range of services. This is supported by our performance management system which analyses data, tracks progress and summarises actions for improvement. Regular reporting keeps our key stakeholders, including our communities, elected members and partners up to date on our performance. This is key to ensuring informed judgements are made about our services, to support effective decision making and to challenge performance. New performance reports have now also been developed to reflect the new City Plan and Council Plan.

The second annual Council Plan progress report will be presented to Committee on 26 June 2019. The progress report is structured around the strategic services areas in the Council and provides for each a performance scorecard. To allow members to read an integrated report on progress, the Dundee Health and Social Care Partnership and Leisure and Culture Dundee have updates included in our annual Council Plan progress report.

There are 90 Key Performance Indicators (KPIs) with targets up to 2027 in the plan. Where data is available 60% of those are the same or better than the previous year. The report provides an analysis of where the Council is succeeding and where further improvement is required.

Benchmarking is used to compare the Council's performance with other organisations to support the improvement journey. The Local Government Benchmarking Framework (LGBF) provides performance data for all 32 local authorities in Scotland and is now in its sixth year. It therefore provides valuable trend based insights as well as robust comparisons. The most recent data available is for 2017/2018 and reveals that over the five year period to March 2018, the Council has maintained or significantly improved performance for 73% of the LGBF indicators.

A further benchmark which the Council regularly uses is how Dundee performs in relation to the other main cities of Aberdeen, Edinburgh and Glasgow regarding top performance finishes (i.e. 1st of four). In 2017/2018 the Council had 30% (up from 28% in 2016/2017) of our indicators ranked 1st and overall sits 2nd behind Edinburgh. Dundee performs well compared to the other cities especially since Aberdeen and Edinburgh are not in the same family group as Dundee for Social Care, Children and Families and Housing where deprivation factors are a significant influence.

Although performance is down on our 2017/2018 position, the overall performance monitoring of the Council through the Council Plan, Local Government benchmarking and customer satisfaction monitoring shows the council maintaining a high level of continuous improvement and maintaining high levels of customer satisfaction. The Council is clear about its focus on for improving on key priorities. More information on how the Council compares can be found on our website www.dundecity.gov.uk/service-area/chief-executive/chief-executives-services/dundee-performs

PART 5 - LOOKING TO THE FUTURE

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

On 19 November 2018, the Policy & Resources Committee considered a report on the financial outlook at a national level for the three year period 2019-2022. The report set out the key figures, assumptions and risks from the Scottish Government's first Five Year Financial Strategy, published in May 2018. The report also set out Council expenditure and funding projections over a three year period, based on various scenarios for future government grant funding levels. An updated Medium Term Financial Strategy was approved as follows:

- the Council's corporate approach to identifying savings and efficiencies will be coordinated through the Changing for the Future transformational change programme (C2022) as agreed by Committee on 25 June 2018.
- the Organisational Change Fund will help support and resource, on a spend-to-save basis, the organisational transformation that will be needed to deliver the required savings and efficiencies.
- the Council will set annual balanced budgets, taking on board the prevailing constraints e.g. limits on Council Tax increases, reducing grant settlements, unavailability of balances etc.
- the Council will seek to achieve an overall outturn position each year in line with or below budget.
- the minimum uncommitted element of the General Fund balance will be the lower of £5 million or 1.5% of budgeted revenue expenditure but, ideally, a higher level will be held for operational purposes.
- services will be expected to operate within the limits of their overall revenue budget allocation. Cost pressures which emerge in-year should, where possible, be accommodated within the relevant service revenue budgets. The General Contingency should normally be used to fund items of a non-recurring or emergency nature. Expenditure of a recurring nature should normally be funded from within service revenue budgets.
- allocation of resources will be informed by a thematic approach designed to reflect the strategic priorities of the Council.
- budget provision will be made for estimated pay awards and, in limited circumstances, for areas of specific price inflation. The costs of incremental progression for staff will be funded from service revenue budgets.
- demographic growth will not be funded given the scale of the financial challenge. All services are expected to redesign services and work in partnership with other bodies to meet the cost of additional pressures.
- the reduction of grant that the Council receives after providing for new responsibilities will be shared by all directly provided and commissioned services, including Health and Social Care, Leisure & Culture Dundee and the Third Sector.
- Council Tax levels are planned to be increased by 3% per annum over the next 3 years.
- a review of resources within the Council will be undertaken to look at ways to deliver services more efficiently and effectively. Given employee costs account for around 62% of the net revenue budget, there is likely to be a significant reduction in the workforce of the Council over the next 3 years.
- the initial costs associated with VERs (Voluntary Early Retirements)/ VRs (Voluntary Redundancies) will be met from service revenue budgets. On-going staff costs savings from VERs / VRs will be reflected in service revenue budgets.
- the Council's Capital Plan will be prudent, sustainable and affordable. In particular, affordability will be assessed with reference to the level of loan charges and additional running costs (including lifecycle maintenance) that can be reasonably included within future revenue budgets.
- the Council's immediate planning horizon for revenue expenditure will be three years. In the continuing absence of three year grant allocations from the Scottish Government, years two and three of the budget period will, by necessity, be provisional in nature.
- proposals for service re-design and service development will be underpinned by a comprehensive and robust business case, including options appraisal.

In looking to the longer term, the report identified some macroeconomic factors that will heavily influence the Council's revenue budget over the medium to longer term, both on the expenditure and funding side. These are: pay awards, inflation, interest rates, economic growth, the local taxation base and demographics.

Following the Scottish Government announcements on the 2019/2020 local government finance settlement, a further report was submitted to the Policy & Resources Committee on 7 January 2019. The 2019/2020 Revenue Budget and Council Tax was agreed by the Policy & Resources Committee on 21 February 2019. A three year Revenue Budget was presented, as part of the Council's continuing commitment to improving medium-term financial planning. The covering budget report identified a range of savings requirements over the period 2019 to 2022, based on different scenarios for future grant funding levels:

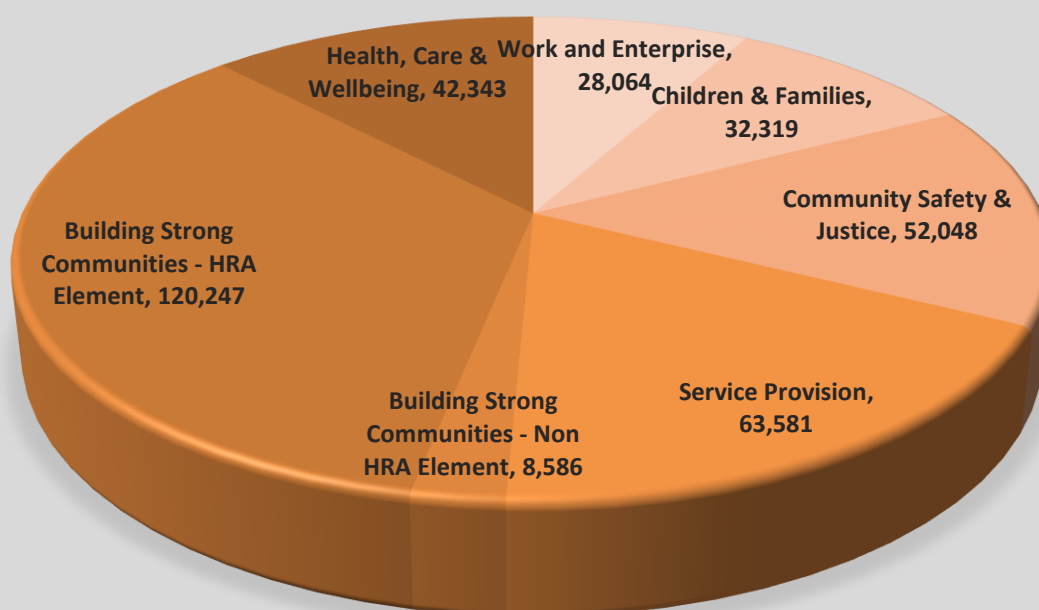
	Cumulative Savings Required (£m)			
	Flat Cash Grant	1% Grant Reduction	2% Grant Reduction	3% Grant Reduction
2019/2020	10.3	10.3	10.3	10.3
2020/2021	28.5	31.4	34.2	37.1
2021/2022	38.3	43.9	49.5	55.1

In setting the 2019/2020 Revenue Budget savings totalling £8.847m were agreed, together with a 3% increase in the Council Tax level. The approved savings included the sale and lease-back of the Council's headquarters building, Dundee House. Ten year revenue budget projections and an updated financial strategy will be presented to the Policy & Resources Committee in August 2019.

Future Developments – Capital Plan

Despite the problematic macro-economic situation, the Council is confident that it is well placed to tackle the challenges that lie ahead. In December 2018, the Policy & Resources Committee approved a combined five year Capital Plan for General Services and Housing totalling £347.1m over the period 2019 to 2024. In developing the five year Capital Plan, there has again been a focus on a thematic approach which highlights the Council's strategic priorities.

PLANNED CAPITAL EXPENDITURE 2019-2024 BY THEME (£M)



Our Capital Plan for 2019-2024 sets out a near £350 million building programme for the next five years. This includes projects such as the Waterfront, additional nursery accommodation, community facilities, improvements to parks and greenspaces, affordable and wheelchair housing and the Regional Performance Centre for Sport. Work is now well-advanced on Dundee's Regional Performance Centre for Sport. The centre will include an indoor athletics centre while the outdoor athletics track will be resurfaced and a covered spectator area added. There will also be indoor and outdoor 3G pitches, a strength and conditioning suite and sports science suite.

Our Strategic Housing Investment Plan will see more than 1,000 affordable new homes built in Dundee between now and 2021. The SHIP also highlights the progress being made towards delivering high quality, energy efficient new build social rented housing, along with ongoing energy efficiency measures to help reduce carbon emissions, address fuel poverty and ensure that tenants live in warm, affordable homes.

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

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

Tay Cities Deal

The Tay Cities Deals Heads of Terms was agreed in November 2018. The Heads of Terms sets out the scope of a City Region Deal that seeks to transform the regional economy by delivering inclusive growth: raising the productivity of the region and increasing the participation of its workforce. Its themes reflect the regional strategy and focus on inclusion, industry, innovation, internationalisation and empowerment. The Heads of Terms commits the UK Government and the Scottish Government to work collaboratively with the regional partners to deliver a Deal that will transform the regional economy. The Scottish Government and the UK Government will each invest up to £150 million in the Deal over 10-15 years, subject to final approval of robust business cases (with an additional £50 million from Scottish Government). The deal anticipates that Councils and their partners will lever an additional £400 million.

PART 6 - CONCLUSION & ACKNOWLEDGMENTS

Conclusion

Throughout 2018/2019 the Council continued to deliver high quality services to the people of Dundee and demonstrate sound financial management. Where pressures emerge, as with services delivered on behalf of the Health and Social Care Partnership, corrective action is taken. This is achieved through effective collaborative working within the Council and across Partnerships. Significant challenges continue to be faced due to the high levels of deprivation in some of our communities, economic and demographic pressures, legislative and regulatory changes, increasing demands and expectations from our communities.

The Council continue to be ambitious, innovative and committed to delivering the best possible services with the resources it has. This focus on improving our performance and achieving our vision for the city by delivering on our priorities and reducing inequalities in the city is reflected in our plans for 2019/2020.

Acknowledgements

We would like to thank Bailie Willie Sawers, the Senior Councillor with responsibility for Finance, all other elected members and officers of the Council for their active support and co-operation in the effective management of the Council's finances during another challenging year. Finally, we would conclude this report by thanking the Corporate Finance Team who contributed to the management and control of the Council's finances and to the finalisation of the Council's 2018/2019 Annual Accounts.



Gregory Colgan BAcc (Hons), ACMA, CGMA
Executive Director of Corporate Services
Dundee City Council
25 September 2019



David Martin
Chief Executive
Dundee City Council
25 September 2019



Councillor John
Leader
Dundee City Council
25 September 2019

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 (Chartered Institute of Public Finance & Accountancy / Society of Local Authority Chief Executives) 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 corporate governance arrangements exist within its other group entities. In line with Accounts Commission guidance, including Following the Public Pound and Arm's Length External Organisations (ALEOs): are you getting it right?, part of that responsibility is about ensuring that public money is being used appropriately and achieving value for money.

The Council's Governance Framework

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

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

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

The overall control arrangements include:

- Identifying the Council's objectives in the Council Plan, Community Plan and Local Outcomes Improvement Plan (City Plan).
- Monitoring of objectives by the Council and senior officers.
- A systematic approach to monitoring service performance at elected member, senior officer and project level.
- Reporting performance regularly to Council committees.
- Clearly defined Standing Orders and Schemes of Administration covering Financial Regulations, Tender Procedures and Delegation of Powers.
- A Monitoring Officer to ensure compliance with laws and regulations.
- A Scrutiny Committee and individual Service Committees.
- Approved anti-fraud and corruption strategies including "whistle-blowing" arrangements under the Public Interest Disclosure Act 1998.
- An Integrity Group.
- A Serious Organised Crime Group.
- Senior officer Resilience Group.
- Council Management Team and each Service's Senior Management Teams.
- Participating in National Fraud Initiative strategy for sharing and cross-matching data.
- Formal project appraisal techniques and project management disciplines.
- Setting targets to measure financial and service performance.

- Formal revenue and capital budgetary control systems and procedures.
- Clearly defined capital expenditure guidelines.
- A Capital Governance Group consisting of senior officers from across Council services and chaired by the Executive Director of Corporate Services is in place.
- The Council, together with NHS Tayside have established an Integrated Health and Social Care
- A People Strategy is in place to support the delivery of the Council Plan and its strategic priorities.
- Risk Management Policy and Strategy, Corporate Risk Register, and Risk Management Improvement Plan.
- Corporate Risk Management Working Group, chaired by the Executive Director of Corporate Services as
- Corporate Governance Assurance Statement Group.
- Strategic GDPR (General Data Protection Regulation) Group.
- The assurances provided by internal audit through their independent review work of the Council's
- A Chief Social Work Officer Governance Framework.

Review of Effectiveness

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

The effectiveness of the governance framework is reviewed annually by a working group of senior officers. Their regular review of the Local Code of Corporate Governance has identified the Council as being 95% (2017/2018: 94%) compliant with guidelines.

In addition Executive Directors from each service have made a self-assessment, in conjunction with their senior management teams, of their own governance, risk management and internal control arrangements. This involved the completion of a 55-point checklist covering seven key governance areas of Service Planning and Performance Management, Internal Control Environment; Fraud Prevention and Detection; Budgeting, Accounting and Financial Control; Risk Management and Business Continuity; Asset Management; and Partnerships. This again indicated a high level of compliance, with an overall score above 89% (2017/2018: 87%).

The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards and reports functionally to the Scrutiny Committee. Conformance with the PSIAS has been confirmed independently, through the completion of a formal External Quality Assurance process. Internal Audit undertakes an annual programme of work, which is reported to the Scrutiny Committee. The Senior Manager – Internal Audit provides an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. The overall audit opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year to 31 March 2019.

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

Continuous Improvement Agenda

The Council's progress against the Continuous Improvement Agenda items for 2018/2019 are detailed in tables 1 and 2. Several items are still in progress and have been carried forward to be actioned in 2019/2020. Additional areas for improvement have also been identified by the Council's Corporate Governance Assurance working group and these are included, along with the areas for improvement carried forward, on table 3 and form the Continuous Improvement Action Plan for 2019/2020. These were identified by Executive Directors and Heads of Services in the self-assessment checklists that were completed as part of the Council's assurance gathering process. A summary of the Council's Governance structure is also detailed.

Group Entities

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

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

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

Conclusion

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



David R Martin
Chief Executive, Dundee City Council
25 September 2019



John Alexander
Leader of the Council
25 September 2019

CONTINUOUS IMPROVEMENT AGENDA FOR 2018/2019 - WITH PROGRESS UPDATES

The Council's Corporate Governance working group has identified the following areas for improvement, full details are included in the Council's Local Code of Corporate Governance (<https://www.dundee.gov.uk/reports/reports/190-2018.pdf>) to be taken forward during 2018/2019:

TABLE 1:

ORIGINAL IMPROVEMENT AGENDA ON P&R REPORT						PROGRESS UPDATES		
	Improvement	Principle	Code Reference	Responsible Officer	Target Completion Date	Details	Actual Completion Date	Comments (e.g. Estimated Completion Date, Reasons for delays, etc.)
1	Develop Ethical Values Framework	A	2.1 to 2.4	Head of Democratic and Legal Services	31/07/2018	Carried forward from 2017 / 2018. In progress.		In progress. Awaiting finalisation of the Anti-Bribery Policy. *
2	Communication Strategy 2017-2020 to be launched	B	2.1, 3.2 to 3.4	Service Manager Communications	31/07/2018	Carried forward from 2017/2018. Reported to P&R Committee in April 2019.	31/07/2018	
3	Roll Out Integrated Impact Assessment Tool	C	1.2	(was Sustainability and Climate Change Manager). Changed to Community Planning Manager.	31/07/2018	Carried forward from 2017/2018. Rollout already commenced.	31/07/2018	Development of the Integrated Impact Assessment Tool is complete and work is ongoing to embed use of this across services.
4	Align quarterly performance reports with services	D	2.4	Transformation and Performance Manager	31/07/2018	Carried forward from 2017/2018.	20/08/2018	P&R Committee adopted Performance Management framework that includes Council Plan. Performance reports going twice per annum to P&R & Scrutiny. First report delivered on 20/8/2018.
5	Update Corporate Asset Management Strategy	E	1.1	(was Executive Director of City Development). Changed to Executive Director of Corporate Services (as chair of Capital Governance Group).	31/08/2018	Carried forward from 2017 / 2018. In progress.		Will be taken forward and discussed with the Council's Capital Governance Group. Revised timescales to be agreed. *

TABLE 1 (continued):

6	Develop Risk Management Framework	F	1.1 to 1.2	Executive Director of Corporate Services	30/06/2018	Carried forward from 2017 / 2018. In progress.		<p>The Council's Corporate Risk Register was developed during 2017/2018 and approved at P&R Committee at its meeting on 23 April 2018.</p> <p>An updated Corporate Risk Register was approved at P&R Committee on 10 December 2018 following a review by the Council Management Team along with a new Risk Management Policy and Strategy document.</p> <p>A formal Risk Management Improvement Plan is in place to ensure the Council's Risk Management Framework is appropriately developed and an update on the implementation of the actions contained within it was also provided to the P&R Committee on 10 December 2018. It is envisaged that all of the actions will have been addressed by 30 September 2019.</p> <p>The P&R report from the 10 December committee was also presented to the Council's Scrutiny Committee on 13 February 2019.</p> <p>A Risk Management Annual Report will be presented to Scrutiny Committee on 26 June 2019. *</p>
7	Continue to develop Business Continuity Strategy	F	1.3	Service Manager - Community Safety and Resilience	31/12/2018	Carried forward from 2017 / 2018. In progress.		In progress. Training programme agreed with training provider. Workshops scheduled for late June 2019. *
8	Provide Performance Training for Elected Members	G	2.2	Transformation and Performance Manager	31/07/2018	Carried forward from 2017 / 2018.	26/03/2019	
9	Develop Governance Arrangements to support the revised Risk Management arrangements	F	1.1 to 1.2	Head of Corporate Finance / Corporate Risk Management Co-ordinator	30/06/2018	Source: Corporate Risk Register.	10/12/2018	Governance arrangements incorporated into a new Risk Management Policy and Strategy document – refer items 6 & 10. This was approved at P&R Committee on 10 December 2018 and subsequently presented to Scrutiny Committee, following a review by the Council Management Team.

TABLE 1 (continued):

10	Review and revise the Council's Risk Management Strategy	F	1.1 to 1.2	Head of Corporate Finance / Corporate Risk Management Co-ordinator	30/09/2018	Source: Corporate Risk Register.	10/12/2018	A new Risk Management Policy and Strategy document incorporating Risk Appetite and assessment parameters was approved by the P&R Committee on 10 December 2018 and subsequently presented to Scrutiny Committee.
11	Launch a new Social Media Policy	B	3.2	Service Manager Communications	31/10/2018	Source: Corporate Communication Strategy 2018-2021.		Draft policy and guidance out for internal consultation. Due to be rolled out in Quarter 1 2019/2020. *
12	Develop & implement a comprehensive contingency plan / strategy for the possible impact of Brexit	D	1.1	Head of Chief Executive's Services	31/03/2019	Source: P&R Cttee: Brexit Update 28-2018 (Feb 2018) and 2018/19 Internal Audit Plan 119-2018 (April 2018).	07/01/2019	Planning has taken place, through the establishment of a Brexit Advisory Team of officers and a Cross Party Group including MSPs, MPs and councillors. Those groups have considered issues such as the rights of citizens, impact on employees, funding, Council finances, impact on the city economy and resilience planning in the event of a 'no deal' Brexit. Update reports have been provided to P&R Committee, and the Council continues to liaise closely with COSLA. The terms of any deal between the UK and EU, and therefore the detailed implications for the city, still remain uncertain at the time of writing.

* Carried forward items have been included in Table 3 with new target completion dates.

In addition, the following areas for improvement were identified in 2018/2019 by Executive Directors in the self-assessment checklists (SACs) completed as part of the Council's assurance gathering process where further improvement could be made:

TABLE 2:

ORIGINAL IMPROVEMENT AGENDA ON SCRUTINY REPORT							
	Improvement	Governance Area	SAC Reference	Responsible Officer	Target Completion Date	Actual Completion Date	Comments (e.g. Estimated Completion Date, Reasons for delays, etc.)
1	Continue to review approach to grant funding bids and claims	Budgeting, Accounting & Financial Controls	4.1 to 4.5	Head of Corporate Finance	31/07/2018	01/07/2018	Corporate Policy on Grant Income approved by CMT in May 2018. It was communicated to all Services and was effective from 1 July 2018.
2	Continue to further improve financial systems controls	Budgeting, Accounting & Financial Controls	4.1 to 4.5	Head of Corporate Finance	30/06/2018	18/03/2019	A ledger reconciliation framework was implemented in February 2019. Updated journal procedures were implemented in January 2019. An updated Revenue Budget Control Manual was circulated on 18 March 2019.
3	Further develop and enhance the use of the corporate Performance Management system	Service Planning & Performance Management	1.4 to 1.6	Transformation and Performance Manager	31/08/2018	20/08/2018	Development plan for the Corporate Performance Management System is well advanced. City Plan and Council Plan digital scorecards for each theme and strategic service area loaded and reports to Committee (20 August 2018) and Management now being delivered. Internal Audit using it to monitor completion of agreed actions and Risk registers. Internal Audit reviews of the system will further embed the procedures for maintaining the data.
4	Enhance awareness of Health & Safety Risk controls	Internal Control Environment	2.2 (b & c)	CMT / Health & Safety Co-ordinator	31/08/2018	28/08/2018	The Council's Health and Safety Plan 2018-2022 approved in August 2018 by the CMT has identified that risk assessments are to be dated, signed and communicated to those at risk. For further info: The current baseline level of performance has been specified to be improved upon and Services will be subject to monitoring through risk assessment survey's and surveying investigating loss-time incidents which focus on the appropriateness of approved risk controls, and their implementation. The risk assessment survey will be completed by the end of March 2019. The lost-time survey has identified that 91% of recommended risk controls were appropriate and 91% were implemented within 4 months.

TABLE 2 (continued):

5	Develop programme for consideration of the suitability of key Operational IT systems	Internal Control Environment	2.5	Head of IT & Customer Services	31/12/2018		The Councils IT Strategy was Agreed by Policy and Resources Committee in February 2019 (Report 21-2019). Major replacement of key IT systems is underway examples include Office 365 agreed by Policy and Resources Committee in April 2019 (Report 170-219 Refers). *
6	Revisit and refresh Employee Performance and Development Review process	Internal Control Environment	2.9	Head of HR and Business Support	31/08/2018	14/02/2019	Completed and published on My Learning Hub.
7	Re-launch Anti-Money Laundering (AML) Policy and Guidance	Fraud Prevention & Detection	3.6	Financial Services & Investment Manager	31/07/2018		<ul style="list-style-type: none"> • Risk framework being developed with assistance of Council's Risk Management Coordinator. • DCC Communications service assisting in development of interactive staff AML awareness and learning tool. The above will not result in change of policy, but will be integrated into the Council's risk management framework. Estimated completion by end of May 2019. *
8	Ensure key staff are aware of their responsibilities regarding the Risk Management Framework	Risk Management & Business Continuity	5.3	CMT	31/08/2018	10/12/2018	New Risk Management Policy and Strategy developed in conjunction with Corporate Risk Management Working Group (comprises of Risk Champions representing all Council Services). Presented to CMT on 20/11/2018, approved at P&R Committee on 10/12/2018 and presented to Scrutiny Committee on 13/02/2019. This contains governance requirements including key responsibilities of all the foregoing.
9	Develop Service level Risk Registers	Risk Management & Business Continuity	5.1 to 5.3	CMT	31/03/2019		<ul style="list-style-type: none"> • One-to-one meetings held with Executive Directors / Risk Management Champions. • Corporate Performance Management System 'housekeeping' undertaken as an initial enabling measure: • Outdated registers deactivated. • Risk tree - framework established. • Risk assessment matrices rationalised into one standardised 5x5 matrix. • Pilot Risk Management Workshops undertaken within Corporate Services to identify key risks. This is now nearing completion and being rolled out across all Services. Due to the number of workshops and diary difficulties, completion not anticipated until September 2019. An indicative rollout plan has been developed which supports this timescale. *

* Carried forward items have been included in Table 3 with new target completion dates.

CONTINUOUS IMPROVEMENT AGENDA FOR 2019/2020

The Council's Corporate Governance working group has identified the following areas for improvement, full details are included in the Council's Local Code of Corporate Governance, to be taken forward during 2019/2020:

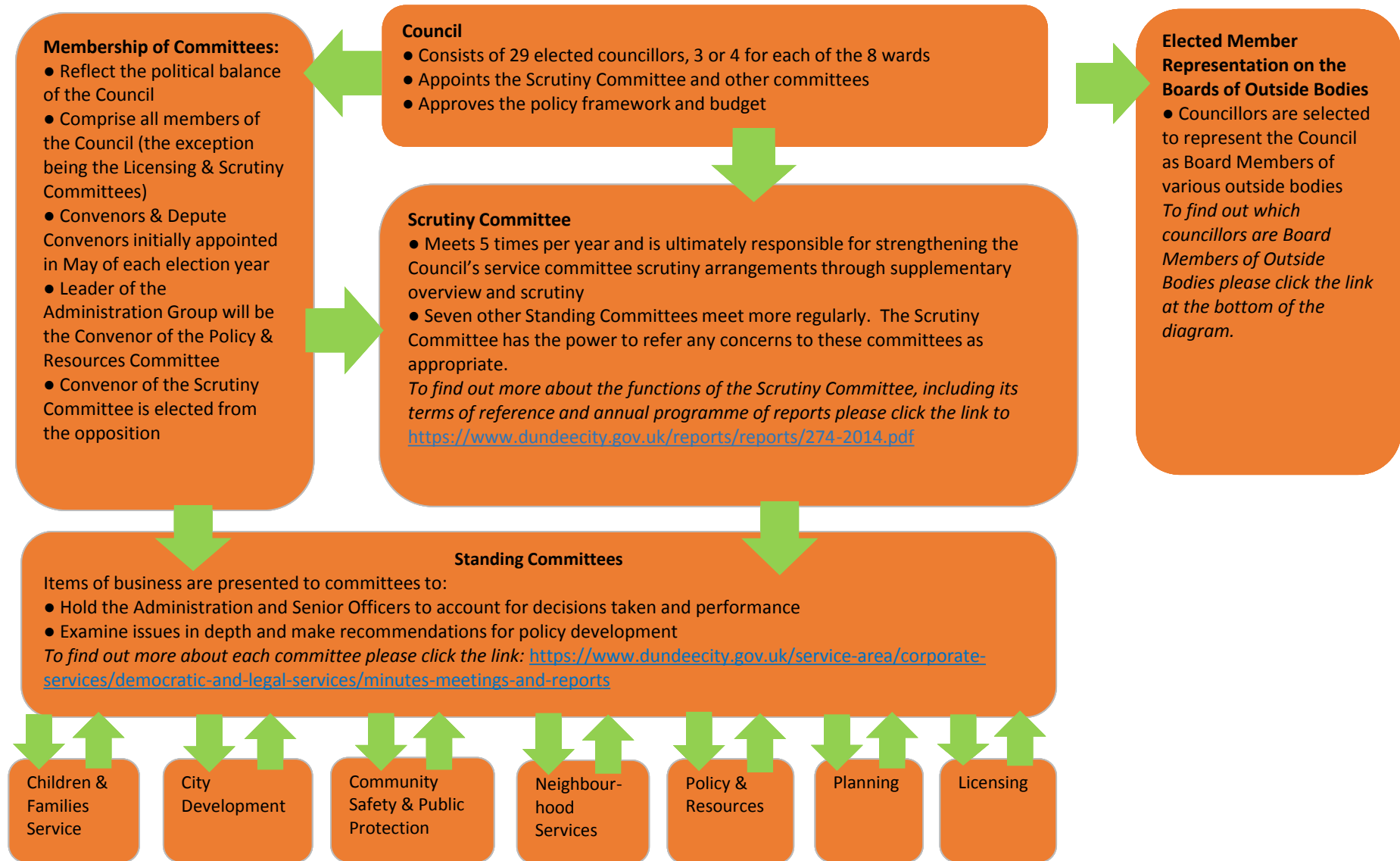
TABLE 3

	Improvement	Source	Details	Responsible Officer	Target Completion Date
1	Develop Ethical Values Framework.	Local Code of Corporate Governance 2017/2018. (Principle A: Integrity & Ethics). Report 223-2017	Carried forward from 2018/2019. In progress.	Head of Democratic and Legal Services.	30/09/2019
2	Update Corporate Asset Management Strategy.	Local Code of Corporate Governance 2017/2018. (Principle E: Developing the Entity). Report 223-2017	Carried forward from 2018/2019. In progress.	Executive Director of Corporate Services.	31/03/2020
3	Develop Risk Management Framework.	Local Code of Corporate Governance 2017/2018. (Principle F: Managing Risk). Report 223-2017	Carried forward from 2018/2019. In progress.	Executive Director of Corporate Services.	30/09/2019
4	Continue to develop Business Continuity Strategy.	Local Code of Corporate Governance 2017/2018. (Principle F: Managing Risk). Report 223-2017	Carried forward from 2018/2019. In progress.	Service Manager - Community Safety and Resilience.	31/03/2020
5	Launch a new Social Media Policy.	Local Code of Corporate Governance 2018/2019. (Principle B: Openness & engagement). P&R Report 190-2018	Carried forward from 2018/2019. In progress. Source: Corporate Communication Strategy 2018-2021.	Service Manager Communications.	30/09/2019
6	Develop programme for consideration of the suitability of key Operational IT systems.	Annual Governance Statement 2018/2019. (Self-Assessment Checklist (SAC): Internal Control Environment section). Report 214-2018	Carried forward from 2018/2019. In progress.	Head of IT and Customer Services.	31/12/2019
7	Re-launch Anti-Money Laundering Policy and Guidance.	Annual Governance Statement 2018/2019. (SAC: Fraud Prevention & Detection section). Report 214-2018	Carried forward from 2018/2019. In progress.	Financial Services and Investment Manager.	31/05/2019
8	Develop Service level Risk Registers.	Annual Governance Statement 2018/2019. (SAC: Risk Management & Business Continuity section). Report 214-2018	Carried forward from 2018/2019. In progress.	CMT.	30/09/2019
9	Develop a Serious Organised Crime Guide.	Serious Organised Crime Newsletter, June 2018. Issue 1		Head of Corporate Finance.	31/03/2020
10	Replace Construction Services' Costing System.			Head of Construction and Head of IT and Customer Services.	31/03/2020
11	Develop further the Governance Arrangements in place with significant partnerships.		Further consideration to be given to Health and Social Care and Tay Cities Deal (TCRJC also mentioned in IA 2019/2020 Audit Plan).	Executive Director of Corporate Services.	31/03/2020

TABLE 3 (continued):

12	Develop further the Governance Arrangements in place with significant partnerships.		Adoption / Formalising of the Property, Housing and Construction Services Partnership is key action for 2019.	Executive Director of Neighbourhood Services, City Development, and Corporate Services.	31/03/2020
13	Develop Data Protection Policy.	Internal Audit section (Ref 2012/36).		Information Governance Manager.	31/12/2019
14	Develop Reportable Incidents Policy.	Internal Audit section (Ref 2012/36).		Information Governance Manager.	31/12/2019
15	Revise Corporate Fraud Policy.	Internal Audit section (Ref 2014/08).		Senior Manager - Internal Audit.	31/03/2020
16	Formally map out all Emergency Planning duties & responsibilities.	Internal Audit Report 2016/27. Report 44-2018		Executive Director of Neighbourhood Services.	31/03/2020
17	Develop Service Area Scorecards in the Corporate Performance Management system.	Internal Audit Report 2017/22, 23 and 24. Report 374-2018		Transformation and Performance Manager	31/03/2020
18	Develop a new Workforce Strategy.	Council Plan 2017-2022 Progress Report. Report 251-2018		Head of Human Resources and Business Support.	31/03/2020
19	Develop Long-Term Financial Planning for Revenue Resources.	External Audit Annual Audit Report 2017/2018 Report 308-2018 and Audit Scotland's Local Government in Scotland: Challenges and Performance 2019 Report 166-2019		Executive Director of Corporate Services.	31/12/2019

Dundee City Council's Governance Structure:



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

ANNUAL REMUNERATION REPORT

INTRODUCTION

The Council is required to prepare and publish within its Annual Accounts an annual Remuneration Report under the Local Authority Accounts (Scotland) Regulations 2014. The report sets out the remuneration and accrued pension benefits of the Senior Councillors and Senior Employees of the Council and the most senior manager of the Council's one former subsidiary body. The report also provides information on the number of Council Employees (including Senior Employees) whose total actual remuneration was £50,000 or more, this information being disclosed in salary bandings of £5,000 above £50,000. The following report has been prepared in accordance with the aforementioned Regulations. The Remuneration Report also provides details of Termination Benefits and Exit Packages for staff. The Council's External Auditor is required to audit certain parts of the Remuneration Report and give a separate opinion in his report on the Annual Accounts as to whether the Remuneration Report has been properly prepared in accordance with the Regulations and other relevant guidance. All the tables in this report are subject to audit except the table on page 34 relating to Councillors Allowances and Expenses.

REMUNERATION ARRANGEMENTS

Senior Councillors

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

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2018/2019 the salary for the Leader of Dundee City Council was £33,992. The Regulations permit the Council to remunerate one Civic Head. The Regulations set out the maximum salary that may be paid to that Civic Head. The agreed policy of Dundee City Council is to pay the Civic Head (Lord Provost) the maximum salary set out in the Regulations (£25,494). The Regulations allow the Civic Head to incur expenditure of up to £3,000 on expenses associated with the position. During 2018/2019, the Council's Lord Provost did not incur any expenditure under this heading.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors that the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors (including the Leader and Civic Head) shall not exceed £335,665 and the number of Senior Councillors shall not exceed 15. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. Following the Local Government elections on 4 May 2017 the Council's arrangements in this area were agreed, for 2017/2018 onwards, at the meeting of the City Council on 22 May 2017 and were to be effective from that date.

With effect from 22 May 2017, Dundee City Council has had 15 Senior Councillors including the Leader and Civic Head. The remuneration payable to these Councillors in a full financial year totals £335,665, incorporating the effect of a 0.4% pay increase from 1 April 2018. The actual remuneration paid to Senior Councillors in 2018/2019 was £334,788. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become Councillor members of the pension scheme.

The remuneration details for the Leader of the Council, the Civic Head (Lord Provost for Dundee City Council) and Senior Councillors are set out in Table 1a. The remuneration details for Councillors with the responsibility of a Convener or Vice Convener of a Joint Board are set out in Table 1b. The salaries, allowances and expenses for all Councillors (including Senior Councillors) are set out below.

	2018/2019	2017/2018
	£	£
Salaries	574,624	571,356
Mileage, Travel & Subsistence etc	4,918	5,603
Training & Conferences	585	614
Telephone Expenses	2,616	1,680
	582,743	579,253
Provision of Council Cars	40,283	40,340
Total	623,026	619,593

The full Annual Return of Councillors Salaries & Expenses for 2018/2019 is available on the Council's website (www.dundee.gov.uk/sites/default/files/publications/elected_members_return_1819.pdf).

Senior Employees of the Council

The salary of Senior Employees is set by reference to national agreements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/144 sets the amount of salary for the Chief Executive of Dundee City Council for the period 2008 to 2011 and continued to apply in the 2018/2019 financial year. The salaries of the Executive Directors and Heads of Service are determined with reference to the Chief Executive's salary taking into account the duties and responsibilities of their posts. The Council's Policy & Resources Committee is responsible for agreeing the salaries of Executive Directors and Heads of Service. As part of the revised service and management structures agreed in June 2015, the Council adopted a single pay and grading structure for all employees, other than those on SNCT conditions of service.

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

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

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

The Council has determined that 7 employees (6 posts) meet the criteria for designation as a Senior Employee in 2018/2019, with all 7 employees falling into either category (i) and / or (ii) above. The remuneration details for the Senior Employees of the Council are set out in Table 2a.

The Regulations also require information to be published on the total number of Council employees (including Senior Employees) whose total actual remuneration was £50,000 or more. This information is to be disclosed in salary bandings of £5,000 above £50,000 and is shown in the following table:

Remuneration Bands	No of Employees 2018/2019	No of Employees 2017/2018
£50,000 - £54,999	75	88
£55,000 - £59,999	67	41
£60,000 - £64,999	22	14
£65,000 - £69,999	8	16
£70,000 - £74,999	7	3
£75,000 - £79,999	5	5
£80,000 - £84,999	5	9
£85,000 - £89,999	3	6
£90,000 - £94,999	8	-
£95,000 - £99,999	-	2
£100,000 - £104,999	1	1
£105,000 - £109,999	-	1
£110,000 - £114,999	3	2
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	1	1
Total	205	189

The Council's Subsidiary Bodies

Dundee City Council increased its shareholding in Dundee Energy Recycling Limited (DERL) from 40% to 100% on 21 October 2013. The company therefore became a Subsidiary of the Council on that date. Dundee City Council sold its shareholding in DERL to MVV Environment Limited on 28 November 2017. The remuneration policy for employees and directors of DERL was determined by the company's board of directors. The Council had no role in determining the remuneration policy of the company. The remuneration details for the most senior manager of DERL are set out in Table 2b.

ACCRUED PENSION BENEFITS

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

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

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

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009, contribution rates were set at 6% for all non-manual employees. The members contribution rates for 2018/2019 remain at the 2009/2010 rates, however the pay bandings have been updated from 2017/2018. The tiers and contribution rates are as follows:

Whole Time Pay	Contribution Rate 2018/2019
On earnings up to and including £21,300	5.5%
On earnings above £21,300 and up to £26,100	7.25%
On earnings above £26,100 and up to £35,700	8.5%
On earnings above £35,700 and up to £47,600	9.5%
On earnings above £47,600	12%

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

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

Senior Councillors

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

Senior Employees of the Council

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

Assumptions and Contextual Information

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

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

- (i) the figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.
- (ii) the accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time. In 2018/2019, the scheme member contribution rate for Senior Councillors was in the range of 5.5% to 6.4% (2017/2018 5.5% to 6.5%) of pensionable pay and for Senior Employees was in the range of 5.2% to 10.0% (2017/2018 9.8% to 10.4%) of pensionable pay. In 2018/2019, the employer contribution rate was 17.0% (2017/2018 17.0%) of pensionable pay for both Senior Councillors and Senior Employees.

The Council's Subsidiary Bodies

The employees of DERL participated in a pension scheme that was a money purchase scheme. For the purposes of the Remuneration Report, the Regulations specify that the information to be disclosed is limited to the amount of pension contributions made to that scheme by the company. The relevant details for the most senior manager of DERL are set out in Table 4b. Dundee City Council sold its shareholding in DERL to MVV Environment Limited on 28 November 2017.

TERMINATION BENEFITS & EXIT PACKAGES

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



David Martin
Chief Executive, Dundee City Council
25 September 2019



Councillor John Alexander
Leader of the Council
25 September 2019

TABLE 1a – REMUNERATION OF SENIOR COUNCILLORS

Councillor Name	Responsibility	Salary, Fees & Allowances £	Taxable Expenses £	Non-cash Expenses & Benefits -in-Kind £	Total Remuneration 2018/2019 £	Total Remuneration 2017/2018 £
Ken Guild	Leader (until 3/5/17)	-	-	-	-	3,088
Bob Duncan	Lord Provost (until 3/5/17)	-	-	-	-	2,316
Willie Sawers	Depute Convener, Policy & Resources (until 4/5/17 and wef 22/5/17)	22,573	-	-	22,573	21,450
Stewart Hunter	Convener, Children & Families Services (until 4/5/17 and wef 21/8/18))	13,835	-	-	13,835	2,111
Ken Lynn	Lead Member for Health & Social Care (until 4/5/17 and wef 22/5/17)	22,573	-	-	22,573	21,450
Will Dawson	Convener, City Development (until 4/5/17) and Convener, Planning (wef 22/5/17)	22,573	-	-	22,573	21,451
David Bowes	Convener, Development Management (until 3/5/17)	-	-	-	-	2,051
John Alexander	Convener, Neighbourhood Services (until 4/5/17) and Leader (wef 22/5/17)	33,992	-	-	33,992	31,235
Kevin Keenan	Convener, Scrutiny and Leader of the Major Opposition Group (until 4/5/17 and wef 22/5/17)	22,573	-	-	22,573	21,450
Alan Ross	Convener, Community Safety & Public Protection (until 4/5/17 and wef 22/5/17)	22,573	-	-	22,573	21,451
Christina Roberts	Depute Lord Provost (until 4/5/17) and Depute Convener, Development Management (wef 22/5/17) (see table 1b)	-	-	-	-	3,622
Gregor Murray	Depute Convener, Children & Families Services (until 4/5/17) and Convener, Children & Families Services (wef 22/5/17, until 10/8/18))	7,861	-	-	7,861	21,128
Bill Campbell	Depute Convener, City Development (until 4/5/17) and Depute Lord Provost (wef 22/5/17)	19,119	-	-	19,119	18,169
Vari McDonald	Depute Convener, Neighbourhood Services (until 3/5/17)	-	-	-	-	1,737

TABLE 1a – REMUNERATION OF SENIOR COUNCILLORS (continued)

Councillor Name	Responsibility	Salary, Fees & Allowances £	Taxable Expenses £	Non-cash Expenses & Benefits -in-Kind £	Total Remuneration 2017/2018 £	Total Remuneration 2017/2018 £
Kevin Cordell	Depute Convener, Community Safety & Public Protection (until 4/5/17) and Convener, Neighbourhood Services (wef 22/5/17)	22,573	-	-	22,573	21,128
Ian Borthwick	Lord Provost (wef 22/5/17)	25,494	-	-	25,494	21,843
Lynne Short	Convener, City Development (wef 22/5/17)	22,573	-	-	22,573	19,340
Mark Flynn	Depute Convener, City Development (wef 22/5/17)	19,119	-	-	19,119	16,381
Anne Rendell	Depute Convener, Neighbourhood Services (wef 22/5/17)	19,119	-	-	19,119	16,381
Roisin Smith	Depute Convener, Children & Families Services (wef 22/5/17)	19,119	-	-	19,119	16,381
Total		315,669	-	-	315,669	304,163

TABLE 1a NOTES

- 1 Local Government Elections were held on 4 May 2017. All Senior Councillors were deemed to vacate their posts on that date or on the day before.
- 2 Lord Provost Duncan and Councillors Guild, Bowes and McDonald either retired or were not re-elected at the elections on 4 May 2017.
- 3 Appointments to Senior Councillor posts are deemed to be effective from the date of the Statutory Council meeting following the elections (22 May 2017).
- 4 In addition to the figures shown above, Councillor John Alexander received remuneration in 2017/2018 totalling £167 in respect of his role with the Association of Public Service Excellence (APSE). Dundee City Council received re-imburement from APSE for this payment.
- 5 Councillor Christina Roberts was remunerated as Vice Convener of Tayside Valuation Joint Board with effect from 26 June 2017 (see Table 1b below).

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

Councillor Name	Responsibility	Salary, Fees & Allowances £	Taxable Expenses £	Non-cash Expenses & Benefits-in- £	Total Remuneration 2018/2019 £	Total Remuneration 2017/2018 £
Jimmy Black	Depute Chairperson, Tay Road Bridge Joint Board (until 3/5/17)	-	-	-	-	1,834
Stewart Hunter	Chairperson, Tay Road Bridge Joint Board (from 19/6/17 until 20/8/18)	8,224	-	-	8,224	16,575
Christina Roberts	Vice Convener, Tayside Valuation Joint Board (from 26/6/17)	20,183	-	-	20,183	15,356
Total		28,407	-	-	28,407	33,765

Note

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

	2018/2019 £	2017/2018 £
Tay Road Bridge Joint Board	1,645	3,606
Tayside Valuation Joint Board	1,064	810
Total	2,709	4,416

TABLE 1b NOTES

- The figures for Salary, Fees and Allowances represents total remuneration for the year including payment for being a Basic Councillor, together with the additional payment for being a Convener or Vice Convener of a Joint Board.

TABLE 2a – REMUNERATION OF SENIOR EMPLOYEES OF THE COUNCIL

Employee Name	Post Title	Salary, Fees & Allowances £	Bonuses £	Taxable Expenses £	Compensation for Loss of Employment £	Benefits Other Than in Cash £	Total Remuneration 2018/2019 £	Total Remuneration 2017/2018 £
David Martin	Chief Executive (see note 1)	143,353	-	-	-	-	143,353	147,557
Marjory Stewart	Executive Director of Corporate Services (retired 30/6/17) (see note 2)	-	-	-	-	-	-	30,148
Gregory Colgan	Executive Director of Corporate Services (wef 19/6/17) (see note 3)	110,895	-	-	-	-	110,895	83,997
Michael Wood	Executive Director of Children & Families (retired 8/5/17)	-	-	-	-	-	-	11,830
Paul Clancy	Executive Director of Children & Families (wef 10/2/17)	114,194	-	-	-	-	114,194	108,145
Michael P Galloway	Executive Director of City Development (retired 30/9/18, full year equivalent £114,194)	56,297	-	-	-	-	56,297	112,593
Robin Presswood	Executive Director of City Development (wef 1/10/18, full year equivalent £107,693)	53,846	-	-	-	-	53,846	-
Elaine Zwirlein	Executive Director of Neighbourhood Services	114,194	-	-	-	-	114,194	112,593
Stewart Murdoch	Director of Leisure & Culture Dundee	101,558	-	-	-	-	101,558	99,956
Total		694,337	-	-	-	-	694,337	706,819

TABLE 2a NOTES

- 1 The Total Remuneration 2018/2019 figure for David Martin, Chief Executive, includes £1,551 for election duties (2017/2018: £7,355).
- 2 The Total Remuneration 2017/2018 figure for Marjory Stewart, Executive Director of Corporate Services, includes £2,000 for election duties.
- 3 The Total Remuneration 2017/2018 figure for Gregory Colgan, Executive Director of Corporate Services, includes £140 for election duties.

TABLE 2b – REMUNERATION: THE COUNCIL’S SUBSIDIARY BODIES

Employee Name	Post Title	Salary, Fees & Allowances £	Bonuses £	Taxable Expenses £	Compensation for Loss of Employment £	Benefits Other Than in Cash £	Total Remuneration 2018/2019 £	Total Remuneration 2017/2018 £
Kenneth Kerr	Managing Director, Dundee Energy Recycling Limited (DERL) (seconded from Dundee City Council from 1/10/16 until 27/11/17, full year equivalent 2017/2018 £70,698)	-	-	-	-	-	-	56,787
Total		-	-	-	-	-	-	56,787

TABLE 2b NOTES

1 Dundee City Council increased its shareholding in Dundee Energy Recycling Limited (DERL) from 40% to 100% on 21 October 2013. The company therefore became a Subsidiary of the Council on that date. Dundee City Council sold its shareholding in DERL to MVV Environment Limited on 28 November 2017.

TABLE 3 – SENIOR COUNCILLORS ACCRUED PENSION BENEFITS

Councillor Name	Responsibility	Pension as at 31 March 2019 £000	Pension Difference from 31 March 2018 £000	Lump Sum as at 31 March 2019 £000	Lump Sum Difference from 31 March 2018 £000	Pension Contribution 2018/2019 £	Pension Contribution 2017/2018 £
Willie Sawers	Depute Convener, Policy & Resources (until 4/5/17 and wef 22/5/17)	4.8	0.5	1.7	0.0	3,837	3,647
Stewart Hunter	Convener, Children & Families Services (until 4/5/17 and wef 21/8/18)	4.6	0.6	1.6	0.0	3,750	3,176
Will Dawson	Convener, City Development (until 4/5/17) and Convener, Development Management (wef 22/5/17)	4.8	0.5	1.7	0.0	3,837	3,647
John Alexander	Convener, Neighbourhood Services (until 4/5/17) and Leader (wef 22/5/17)	3.5	0.7	0.0	0.0	4,816	5,310
Kevin Keenan	Convener, Scrutiny and Leader of the Major Opposition Group (until 4/5/17 and wef 22/5/17)	5.2	0.5	2.0	0.0	3,837	3,647
Alan Ross	Convener, Community Safety & Public Protection (until 4/5/17 and wef 22/5/17)	4.3	0.6	1.1	0.1	3,837	3,647
Christina Roberts	Depute Lord Provost (until 4/5/17) and Depute Convener, Development Management (wef 22/5/17)	4.2	0.5	1.5	0.0	3,431	3,227
Gregor Murray	Depute Convener, Children & Families Services (until 4/5/17) and Convener, Children & Families Services (wef 22/5/17 until 10/8/18)	2.4	0.2	0.0	0.0	1,382	3,592
Bill Campbell	Depute Convener, City Development (until 4/5/17) and Depute Lord Provost (wef 22/5/17)	2.6	0.5	0.0	0.0	3,250	3,089
Kevin Cordell	Depute Convener, Community Safety & Public Protection (until 4/5/17) and Convener, Neighbourhood Services (wef 22/5/17)	2.7	0.5	0.0	0.0	3,837	3,592
Lynne Short	Convener, City Development (wef 22/5/17)	1.3	0.6	0.0	0.0	3,837	3,288

TABLE 3 – SENIOR COUNCILLORS ACCRUED PENSION BENEFITS (continued)

Councillor Name	Responsibility	Pension as at 31 March 2019 £000	Pension Difference from 31 March 2018 £000	Lump Sum as at 31 March 2019 £000	Lump Sum Difference from 31 March 2018 £000	Pension Contribution 2018/2019 £	Pension Contribution 2017/2018 £
Mark Flynn	Depute Convener, City Development (wef 22/5/17)	0.8	0.5	0.0	0.0	3,250	2,785
Anne Rendall	Depute Convener, Neighbourhood Services (wef 22/5/17)	0.8	0.5	0.0	0.0	3,250	2,785
Roisin Smith	Depute Convener, Children & Families Services (wef 22/5/17)	0.8	0.5	0.0	0.0	3,250	2,785
Total		42.8	7.2	9.6	0.1	49,401	48,217

TABLE 3 NOTES

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

TABLE 4a – SENIOR EMPLOYEES OF THE COUNCIL ACCRUED PENSION BENEFITS

Employee Name	Post Title	Pension as at 31 March 2019 £000	Pension Difference from 31 March 2018 £000	Lump Sum as at 31 March 2019 £000	Lump Sum Difference from 31 March 2018 £000	Pension Contribution 2018/2019 £	Pension Contribution 2017/2018 £
David Martin	Chief Executive (see note 1)	67	2	131	1	24,370	25,085
Gregory Colgan	Executive Director of Corporate Services (wef 19/6/17)	18	5	-	-	18,852	14,210
Paul Clancy	Executive Director of Children & Families (wef 10/2/17)	60	5	121	6	19,413	18,385
Robin Presswood	Executive Director of City Development (wef 1/10/18)	1	-	-	-	9,154	-
Elaine Zwirlein	Executive Director of Neighbourhood Services	53	3	97	2	19,413	19,141
Stewart Murdoch	Director of Leisure & Culture Dundee	59	3	121	2	17,265	16,993
Total		258	18	470	11	108,467	93,814

TABLE 4a NOTES

- 1 The Pension Contribution 2018/2019 figure for David Martin, Chief Executive, includes £264 contributions payable on fees for election duties (2017/2018: £1,247).
- 2 Part-year pension contributions were made in respect of Senior Employees who retired during the 2018/2019 financial year: Michael P Galloway, Executive Director of City Development (2018/2019: £9,570 , 2017/2018 £19,141). (2017/2018: Marjory Stewart, Executive Director of Corporate Services: £4,785 and Michael Wood, Executive Director of Children & Families: £2,011).
- 3 The pension figures for Robin Presswood, Executive Director of City Development, relate solely to benefits accrued during employment with Dundee City Council.

TABLE 4b – THE COUNCIL'S SUBSIDIARY BODIES: ACCRUED PENSION BENEFITS

Employee Name	Post Title	Pension as at 31 March 2019 £000	Pension Difference from 31 March 2018 £000	Lump Sum as at 31 March 2019 £000	Lump Sum Difference from 31 March 2018 £000	Pension Contribution 2018/2019 £	Pension Contribution 2017/2018 £
Kenneth Kerr	Managing Director, Dundee Energy Recycling Limited (DERL) (seconded from Dundee City Council, from 1/10/16 until 27/11/17, full year equivalent 2017/2018 £70,698)	n/a	n/a	n/a	n/a	n/a	5,695
Total		-	-	-	-	-	5,695

TABLE 4b NOTES

- 1 Dundee City Council increased its shareholding in Dundee Energy Recycling Limited (DERL) from 40% to 100% on 21 October 2013. The company therefore became a Subsidiary of the Council on that date. Dundee City Council sold its shareholding in DERL to MVV Environment Limited on 28 November 2017.
- 2 The employees of DERL participated in a pension scheme that is a money purchase scheme. In line with the Remuneration Report regulations, the information disclosed is limited to the amount of pension contributions made to that scheme by the company.

TABLE 5 – TERMINATION BENEFITS & EXIT PACKAGES

Exit Package Cost Band	Number of Compulsory Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£000)	
	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019
£0 - £20,000	-	-	12	7	12	7	128	50
£20,001 - £40,000	-	-	5	8	5	8	135	235
£40,001 - £60,000	-	-	2	4	2	4	91	184
£60,001 - £80,000	-	-	3	1	3	1	215	69
£80,001 - £100,000	-	-	5	1	5	1	453	94
£100,001 - £150,000	-	-	1	1	1	1	125	127
£150,001 - £250,000	-	-	1	-	1	-	-	-
£250,001 - £350,000	-	-	-	-	-	-	-	-
Total	-	-	29	22	29	22	1,147	759

TABLE 5 NOTES

- 1 The above table includes costs of termination benefits associated with voluntary redundancy payments to employees that left during 2018/19. Under the terms of the Council's severance schemes for non-teaching staff, employees can elect to receive a statutory voluntary redundancy payment. During 2018/2019, a total of 9 employees received voluntary redundancy payments (2017/2018 16 employees) for which the Council incurred one-off redundancy costs of £86,000 (2017/2018 £166,000).
- 2 The costs shown in the above table have been calculated on an actuarial basis by the Council's appointed actuary (Barnett Waddingham), in accordance with IAS 19 Employee Benefits. The actual costs incurred by the Council in 2018/19, in terms of payments to pension schemes and to individuals, were £0.260m (2017/2018 £0.542m). The average pay-back period for exit packages in 2018/19 was 0.30 years (2017/2018 0.48 years). The pay-back period represents the time taken for the costs of the exit package to be recovered by the subsequent saving in salary costs, including oncosts.

The Council's Responsibilities

The Council is required to:

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

I confirm that these Annual Accounts were approved for signature by the Scrutiny Committee at its meeting on 25 September 2019.

Signed on behalf of Dundee City Council

Councillor John Alexander
Leader of the Council
25 September 2019

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

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

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

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

The Executive Director of Corporate Services has also:

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

I certify that the financial statements give a true and fair view of the financial position of the local authority (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2019.

Gregory Colgan BAcc (Hons), ACMA, CGMA
Executive Director of Corporate Services
Dundee City Council
25 September 2019



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

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

2017/2018				2018/2019		
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis (see below/MIRS) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis (see below/MIRS) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
147,383	5,833	153,216	Children & Families Services	150,253	5,590	155,843
73,470	4,757	78,227	Budgets Delegated to Dundee Health & Social Care Partnership	74,004	4,241	78,245
16,583	48,898	65,481	City Development	18,000	81,021	99,021
27,028	4,374	31,402	Neighbourhood Services	26,258	4,599	30,857
11,498	329	11,827	Chief Executive	11,734	281	12,015
28,043	5,860	33,903	Corporate Services	27,664	5,323	32,987
(3,174)	1,927	(1,247)	DCS Construction	(3,366)	1,344	(2,022)
824	19,308	20,132	Housing Revenue Account	(81)	14,300	14,219
340	-	340	Discretionary NDR Relief	299	-	299
903	-	903	Tayside Valuation Joint Board	904	-	904
2,719	-	2,719	Write-off of DERL Debt (DCC Services)	-	-	-
(2,023)	1,044	(979)	Miscellaneous Items	(863)	2,292	1,429
303,594	92,330	395,924	Cost Of Services	304,806	118,991	423,797
(307,172)	(38,441)	(345,613)	Other Income and Expenditure	(306,586)	(55,160)	(361,746)
(3,578)	53,889	50,311	(Surplus) or Deficit on Provision of Services	(1,780)	63,831	62,051
9,841			Opening General Fund and HRA Balance	13,846		
3,578			Less / Add Surplus or (Deficit) on General Fund and HRA Balance in Year	1,780		
427			Transfers to / from Other Reserves	(1,761)		
13,846			Closing General Fund and HRA Balance at 31 March *	13,865		

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

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

Expenditure and Funding Analysis (cont)

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

Adjustments between Funding and Accounting Basis

2017/2018				2018/2019				
Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
15	5,727	91	5,833	Children & Families Services	10	5,559	21	5,590
				Budgets Delegated to Dundee				
2	4,714	41	4,757	Health & Social Care Partnership	4	4,413	(176)	4,241
46,952	1,930	16	48,898	City Development	80,380	1,808	(1,167)	81,021
1,292	3,056	26	4,374	Neighbourhood Services	1,824	2,940	(165)	4,599
0	320	9	329	Chief Executive	0	286	(5)	281
1,724	4,109	27	5,860	Corporate Services	1,658	3,704	(39)	5,323
5	1,913	9	1,927	DCS Construction	0	1,731	(387)	1,344
25,282	925	(6,899)	19,308	Housing Revenue Account	21,167	682	(7,549)	14,300
-	1,044	-	1,044	Miscellaneous Items	0	432	1,860	2,292
75,272	23,738	(6,680)	92,330	Cost Of Services	105,043	21,555	(7,607)	118,991
				Other income and expenditure from the Expenditure and Funding Analysis				
(61,642)	7,650	15,551	(38,441)		(63,887)	1,097	7,630	(55,160)
				Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services				
13,630	31,388	8,871	53,889		41,156	22,652	23	63,831

Notes

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

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

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

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

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

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

For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

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

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

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

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

Subjective Analysis of Surplus or Deficit on the Provision of Services

2017/2018 £000		2018/2019 £000
251,679	Employee benefit expenses	258,593
370,279	Other service expenses	345,355
2,859	Support service recharges	2,900
86,171	Depreciation, amortisation and impairment	117,022
35,321	Interest payments	27,819
903	Precepts and levies	904
4,352	Loss on disposal of non-current assets	-
751,564	Total Expenditure	752,593
(214,216)	Fees, charges and other service income	(199,115)
(1,098)	Interest and investment income	(1,116)
(49,922)	Income from Council Tax	(52,831)
(436,017)	Government grants and contributions	(436,131)
-	Gain on disposal of non-current assets	(1,349)
(701,253)	Total Income	(690,542)
50,311	(Surplus) or Deficit on the Provision of Services	62,051

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

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

2017/2018				2018/2019			
Gross Expend £000	Gross Income £000	Net Expend / (Income) £000		Gross Expend £000	Gross Income £000	Net Expend / (Income) £000	Unaudited 2018/2019 Budgeted Net Expenditure/ (Income) £000
171,512	(18,296)	153,216	Children & Families Services	178,997	(23,154)	155,843	157,018
196,996	(118,769)	78,227	Budgets Delegated to Dundee Health & Social Care	192,613	(114,368)	78,245	78,245
84,216	(18,735)	65,481	City Development	115,962	(16,941)	99,021	96,254
39,907	(8,505)	31,402	Neighbourhood Services	39,376	(8,519)	30,857	30,810
13,363	(1,536)	11,827	Chief Executive	13,274	(1,259)	12,015	12,115
108,443	(74,540)	33,903	Corporate Services	98,998	(66,011)	32,987	34,548
9,980	(11,227)	(1,247)	DCS Construction	10,764	(12,786)	(2,022)	(1,333)
71,881	(51,749)	20,132	Housing Revenue Account	66,601	(52,382)	14,219	14,215
340	-	340	Discretionary NDR Relief	299	-	299	247
903	-	903	Tayside Valuation Joint Board	904	-	904	914
2,719	-	2,719	Write-off of DERL Debt (DCC Services)	-	-	-	-
1,089	(2,068)	(979)	Miscellaneous Items	2,158	(729)	1,429	1,974
701,349	(305,425)	395,924	Cost Of Services	719,946	(296,149)	423,797	425,007
		4,401	Other Operating Expenditure (note 5)			(1,349)	(1,349)
		30,209	Financing and Investment Income and Expenditure (note 6)			27,464	27,862
		(380,223)	Taxation and Non-Specific Grant Income (note 7)			(387,861)	(386,953)
		50,311	Deficit on Provision of Services			62,051	64,567
		(57,924)	(Surplus) or Deficit on revaluation of non-current assets			(118,821)	(118,821)
		2,398	Impairment losses on non-current assets charged to the Revaluation Reserve			3,280	3,280
		(27)	(Surplus) or Deficit on revaluation of available-for-sale financial assets			44	44
		(274,700)	Remeasurements of the net defined benefit liability (asset)			(6,420)	(6,420)
		(330,253)	Other Comprehensive (Income) / Expenditure			(121,917)	(121,917)
		(279,942)	Total Comprehensive (Income) / Expenditure			(59,866)	(57,350)

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

Movement in Reserves Statement

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

2017/2018	<u>Revenue Reserves</u>				<u>Capital Reserves</u>			Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Renewal & Repair Fund £000	Insurance Fund £000	Capital Grants & Receipts Unapplied Account £000	Capital Fund £000				
Balance at 31 March 2017	(9,841)	-	(6,732)	(1,118)	-	(2,100)	(19,791)	(420,728)	(440,519)	
Movement in Reserves During 2017/2018										
Total Comprehensive Income & Expenditure	23,347	26,964	-	-	-	-	50,311	(330,253)	(279,942)	
Adjustments Between Accounting Basis & Funding Basis Under Regulations (note 9/EFA)	(27,749)	(26,140)	-	-	(3,393)	-	(57,282)	57,282	-	
Net (Increase)/ Decrease before Transfers to Earmarked Reserves	(4,402)	824	-	-	(3,393)	-	(6,971)	(272,971)	(279,942)	
Transfers to/(from) Earmarked Reserves	397	(824)	882	(445)	-	(10)	-	-	-	
(Increase)/ Decrease in 2017/2018	(4,005)	-	882	(445)	(3,393)	(10)	(6,971)	(272,971)	(279,942)	
Balance at 31 March 2018 carried forward	(13,846)	-	(5,850)	(1,563)	(3,393)	(2,110)	(26,762)	(693,699)	(720,461)	

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

2018/2019	Revenue Reserves				Capital Reserves		Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Renewal & Repair Fund £000	Insurance Fund £000	Capital Unapplied Account £000	Capital Fund £000			
Balance at 31 March 2018 brought forward	(13,846)	-	(5,850)	(1,563)	(3,393)	(2,110)	(26,762)	(693,699)	(720,461)
Movement in Reserves during 2018/2019									
Total Comprehensive Income & Expenditure	48,041	14,010	-	-	-	-	62,051	(121,917)	(59,866)
Adjustments Between Accounting Basis & Funding Basis Under Regulations (note 9/EFA)	(49,740)	(14,091)	-	-	(2,477)	-	(66,308)	66,308	-
Net (Increase)/ Decrease before Transfers to Earmarked Reserves	(1,699)	(81)	-	-	(2,477)	-	(4,257)	(55,609)	(59,866)
Transfers to/(from) Earmarked Reserves	1,680	81	(771)	(1,010)	2,731	1,484	4,195	(4,195)	-
(Increase)/ Decrease in 2018/2019	(19)	-	(771)	(1,010)	254	1,484	(62)	(59,804)	(59,866)
Balance at 31 March 2019 carried forward	(13,865)	-	(6,621)	(2,573)	(3,139)	(626)	(26,824)	(753,503)	(780,327)

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

31 March 2018 £000		Note	31 March 2019 £000
1,474,059	Property, Plant & Equipment	27	1,611,185
8,382	Heritage Assets	42/43	8,382
21,034	Investment Property	24	20,370
1,114	Intangible Assets	25	980
29	Long Term Investments	38	29
12,334	Long Term Debtors	38/45	11,724
1,516,952	Long Term Assets		1,652,670
4,770	Short Term Investments	38	4,482
1,100	Inventories	31	1,241
58,734	Short Term Debtors	32	64,776
-	Cash and Cash Equivalents	16	9,615
3,649	Assets held for sale	30	4,403
68,253	Current Assets		84,517
(104,992)	Short Term Borrowing	38	(140,239)
(75,210)	Short Term Creditors	33/38	(75,611)
(3,085)	Cash and Cash Equivalents	16	-
(183,287)	Current Liabilities		(215,850)
(3,675)	Provisions	34	(3,340)
(440,578)	Long Term Borrowing	38	(466,983)
(235,941)	Other Long Term Liabilities	44	(269,228)
(1,263)	Grants Receipts in Advance	37	(1,459)
(681,457)	Long Term Liabilities		(741,010)
720,461	Net Assets		780,327
26,762	Usable reserves	11	26,824
693,699	Unusable Reserves	12	753,503
720,461	Total Reserves		780,327



Gregory Colgan BAcc (Hons), ACMA, CGMA
Executive Director of Corporate Services
Dundee City Council
26 June 2019

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

2017/2018		2018/2019
£000		£000
50,311	Net deficit on the provision of services	62,051
(134,470)	Adjust net (surplus) on the provision of services for non cash movements	(134,854)
6,811	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	4,211
(77,348)	Net cash flows from Operating Activities	(68,592)
114,734	Investing Activities (note 14)	112,361
(36,877)	Financing Activities (note 15)	(56,469)
509	Net decrease in cash and cash equivalents	(12,700)
(2,576)	Cash and cash equivalents at the beginning of the reporting period	(3,085)
(3,085)	Cash and cash equivalents at the end of the reporting period (note 16)	9,615

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1 Accounting Policies

A General Principles

The Annual Accounts summarise the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare Annual Accounts by The Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires that they be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act. The accounts have been prepared on a going concern basis. The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

B Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

C Cash and Cash Equivalents

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

D Changes in Accounting Policies and Estimates and Errors

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

E Charges to Revenue for Non-Current Assets

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

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

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

F Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

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

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

Service Cost comprising:

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

Remeasurements comprising:

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

G Events After the Reporting Period

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

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

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

H Financial Liabilities

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

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

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

I Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

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

Financial Assets Measured at Fair Value Through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

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

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

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

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

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

J Government Grants and Contributions

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

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

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

K Heritage Assets

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

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

Museum and Art Gallery Collections

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

Other Heritage Assets

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

Heritage Assets Not Recognised in the Balance Sheet

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

Heritage Assets - Impairment

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

L Interests in Companies and Other Entities

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

M Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is generally assigned using the weighted average costing formula. Where inventories are acquired through a non-exchange transaction, they are included in the Balance Sheet at their fair value at the date of acquisition. Where inventories are held for distribution at no charge or for a nominal charge, or for consumption in the production process of such goods, then their value is measured at the lower of cost or current replacement cost. Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

N Investment Properties

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

O Leases

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

The Council as Lessee

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

The Council as Lessor

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

P Overheads and Support Services

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

Q Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

Impairment

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

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

Assets Held for Sale / Disposals

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

R Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – posted to the Balance Sheet as additions to Property, Plant and Equipment but determined as non-value adding.

S Provisions, Contingent Liabilities and Contingent Assets

Provisions - General

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

Provisions - Carbon Reduction Commitment

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the third year of its second phase, which ends on 31 March 2019. The Council is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

Contingent Liabilities

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

Contingent Assets

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

T Reserves

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

U VAT

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

V Intangible Assets

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

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

W Fair Value Measurement

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

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

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

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

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

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

The following accounting changes are introduced in the 2019/20 Code of Practice:

Amendments to IAS 40 *Investment Property: Transfers of Investment Property*

Annual Improvements to IFRS Standards 2014-2016 Cycle

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

IFRIC 23 *Uncertainty over Income Tax Treatments*

Amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*

The Council will be required to reflect these changes, as necessary, in its 2019/2020 Annual Accounts. It is not anticipated that these accounting changes will have a significant impact on the Council.

3 Critical Judgements in Applying Accounting Policies

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

- There is a continuing high degree of uncertainty about future levels of funding for local government, particularly in light of continuing single year grant settlements from the Scottish Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council is deemed to control the services provided under the PPP contract with Discovery Education PLC to construct, maintain and facilities-manage six new primary schools and two new secondary schools in the city. The Council is also deemed to control the residual value of the schools at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the schools (valued at £109.5m as at 31 March 2019) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- The Council is deemed to control the services provided under the DBFM contract with Hub East Central (Baldragon) Limited to construct, maintain and facilities-manage a new secondary schools in the city. The Council is also deemed to control the residual value of the school at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the school (valued at £25.4m as at 31 March 2019) is recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- The Council is deemed to control the services provided under the long term waste disposal contract with MVV Environment Baldovie Limited (MEB). The existing DERL plant is being utilised by MEB to deliver the contractual requirements during a 3 year interim service period, whilst a new plant is constructed on an adjacent site. The new plant is being constructed by MEB and will also be maintained by them. The Council is also deemed to control the residual value of the new plant at the end of the contract. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the plant (valued at £27.0m as at 31 March 2019) is recognised as Assets Under Construction on the Council's Balance Sheet.

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

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

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £1.3m for every year that useful lives had to be reduced.
Provisions	The Council has made provisions for certain liabilities where there is a degree of uncertainty as to the amount and / or timing of settlement. Detailed information on provisions is provided in note 34.	The total value of provisions in the Council's balance sheet at 31 March 2019 is £3.340m. If eventual settlement of the related liabilities is higher than the amounts currently provided for, then an additional charge would require to be made.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £27.7m. However, the assumptions interact in complex ways. During 2018/2019, the Council's actuaries advised that the net pensions liability had increased by £16.3m, largely due to the Current Service Cost being higher than the employer's pension contributions to the scheme.
Debtors / Non-collection Provisions	At 31 March 2019, the Council has a gross balance for short-term sundry debtors of £98.471m, including local taxation and housing rent debtors. A review of the different categories of debt has concluded that an overall allowance for impairment of £33.695m is appropriate. However, while representing our best estimate, in the current economic climate it is not certain that these allowances would be sufficient. Detailed information on debtor impairment allowances is provided in note 34.	If collection rates were to deteriorate, an increase in the amount provided for doubtful debts would require to be charged.

5 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2017/2018		2018/2019
£000		£000
4,352	(Gains) / losses on the disposal of non current assets	(1,349)
49	Impairment of Assets Held for Sale	-
4,401	Total	(1,349)

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

2017/2018		2018/2019
£000		£000
26,445	Interest payable and similar charges	27,819
8,876	Debt Rescheduling Premium	-
10,406	Net interest on the net defined benefit liability (asset)	3,801
(786)	Interest receivable and similar income	(759)
87	Changes in the fair value of investment properties	350
(312)	Net income from investment properties	(357)
(589)	Share of Tayside Contracts surplus	(443)
(13,327)	Receipt from sale of DERL and associated write-offs	-
(591)	Scottish Government contribution to DBFM interest costs	(1,989)
-	Trade Debtors Impairment Allowance	677
-	Receipt from Dundee City Developments Ltd	(1,635)
30,209	Total	27,464

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

2017/2018		2018/2019
£000		£000
(49,922)	Council Tax Income	(52,831)
(66,700)	Contribution from national non domestic rates pool	(55,553)
(214,961)	Non-ring-fenced government grants	(232,996)
(48,640)	Capital grants and contributions	(46,481)
(380,223)	Total	(387,861)

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

There were no material items of income or expense in 2018/2019 that are not already disclosed on the face of the Consolidated Income and Expenditure Statement or elsewhere in the notes to the accounts.

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

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

	Usable Reserves					Movement in Unusable Reserves £000	Total 2017/ 2018 £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants & Receipts & Unapplied Account £000	Capital Fund £000		
2017/2018							
Adjustments involving the Capital Adjustment Account:							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Charges for depreciation and impairment of non current assets	(49,727)	(36,308)	-	-	-	86,035	-
Movements in the market value of Investment Properties & Assets Held for Sale	(129)	(7)	-	-	-	136	-
Capital grants and contributions that have been applied to capital financing	43,180	2,067	-	-	-	(45,247)	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(5,497)	(5,666)	-	-	-	11,163	-
Provision against long-term debtor where advance from Consolidated Loans Fund has already been repaid to the value of the provision.	(450)	-	-	-	-	450	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment	16,904	10,763	-	-	-	(27,667)	-
Capital expenditure charged against the General Fund and HRA balances	1,036	-	-	-	-	(1,036)	-
Adjustments involving the Capital Receipts Reserve and Capital Fund:							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,161	4,650	(6,811)	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	6,811	-	-	(6,811)	-

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

	Usable Reserves					Movement in Unusable Reserves £000	Total 2017/ 2018 £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants & Receipts & Unapplied Account £000	Capital Fund £000		
2017/2018 (continued)							
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants applied for capital funding purposes	3,393	-	-	(3,393)	-	-	-
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(8,720)	78	-	-	-	8,642	-
Adjustments involving the Pensions Reserve:							
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 20)	(51,400)	(2,844)	-	-	-	54,244	-
Employer's pensions contributions & direct payments to pensioners payable in the year	21,717	1,139	-	-	-	(22,856)	-
Adjustments involving the Accumulating Compensated Absences Adjustment Account:							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(217)	(12)	-	-	-	229	-
Total Adjustments 2017/2018	(27,749)	(26,140)	-	(3,393)	-	57,282	-

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

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

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

	Usable Reserves					Movement in Unusable Reserves £000	Total 2018/ 2019 £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants & Receipts Unapplied Account £000	Capital Fund £000		
2018/2019 (continued)							
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to CIES	977	-	-	(977)	-	-	-
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	216	102	-	-	-	(318)	-
Adjustments involving the Pensions Reserve:							
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 20)	(44,409)	(1,698)	-	-	-	46,107	-
Employer's pensions contributions & direct payments to pensioners payable in the year	22,591	864	-	-	-	(23,455)	-
Adjustments involving the Accumulating Compensated Absences Adjustment Account:							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(334)	(7)	-	-	-	341	-
Total Adjustments 2018/2019	(49,740)	(14,091)	-	(2,477)	-	66,308	-

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

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

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

2017/2018	Balance at 1 April 2017 £000	Transfers Out 2017/2018 £000	Transfers In 2017/2018 £000	Balance at 31 March 2018 £000	Purpose of the Earmarked Reserve
General Fund					
Car Parking Balances	(459)	91	-	(368)	To fund future car parking projects
Empty Properties etc Discount Reduction	(1,182)	681	-	(501)	To fund new social housing
Organisational Change Fund	(2,930)	1,248	-	(1,682)	To fund service transformation initiatives
2016/17 Carry Forwards	(258)	258	(2,536)	(2,536)	To fund underspends carried forward from previous yr
Sale of DERL - Warranties	-	-	(1,750)	(1,750)	To fund any future liabilities arising
Total - Earmarked Balances	(4,829)	2,278	(4,286)	(6,837)	
Uncommitted General Fund Balances	(5,012)	-	(1,997)	(7,009)	To fund unforeseen / emergency expenditure
Total - General Fund Balances	(9,841)	2,278	(6,283)	(13,846)	

11 Balance Sheet – Usable Reserves

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

12 Balance Sheet – Unusable Reserves

31 March 2018		31 March 2019
£000		£000
(538,738)	Revaluation Reserve	(631,628)
(315)	Financial Instruments Revaluation Reserve	(271)
(317,993)	Capital Adjustment Account	(301,206)
13,841	Financial Instruments Adjustment Account	13,523
138,547	Pensions Reserve	154,779
10,959	Accumulating Compensated Absences Adjustment Account	11,300
(693,699)	Total Unusable Reserves	(753,503)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2017/2018		2018/2019
£000		£000
(506,028)	Balance at 1 April	(538,738)
(83,167)	Upward revaluation of assets	(165,477)
27,641	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	49,936
(55,526)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(115,541)
17,580	Difference between fair value depreciation and historical cost depreciation	20,896
5,227	Accumulated gains on assets sold or scrapped	1,755
9	Depreciation adjustment on previously impaired assets	-
22,816	Amount written off to the Capital Adjustment Account	22,651
(538,738)	Balance at 31 March	(631,628)

Financial Instruments Revaluation Reserve

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

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

2017/2018		2018/2019
£000		£000
(288)	Balance at 1 April	(315)
(42)	Upward revaluation of investments	(16)
15	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	60
(27)		44
(315)	Balance at 31 March	(271)

Capital Adjustment Account

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

2017/2018 £000		2018/2019 £000
(312,200)	Balance at 1 April	(317,993)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
86,035	Charges for depreciation and impairment of non current assets	116,672
11,163	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,862
97,198		119,534
(22,816)	Adjusting amounts written out of the Revaluation Reserve	(22,651)
74,382	Net written out amount of the cost of non current assets consumed in the year	96,883
	Capital financing applied in the year:	
(6,811)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,711)
-	Use of Capital Fund to finance new capital expenditure	(1,500)
(45,247)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(45,504)
-	Application of grants to capital financing from the Capital Grants Unapplied Account	(2,695)
(27,667)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(26,513)
(1,036)	Capital expenditure charged against the General Fund and HRA balances	(1,523)
(80,761)		(80,446)
136	Movements in the market value of Investment Properties and Assets Held for Sale debited or credited to the Comprehensive Income and Expenditure Statement	350
450	Provision against long-term debtor where advance from Consolidated Loans Fund has already been repaid to the value of the provision	-
(317,993)	Balance at 31 March	(301,206)

Financial Instruments Adjustment Account

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

2017/2018 £000		2018/2019 £000
5,199	Balance at 1 April	13,841
8,659	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(306)
(12)	Difference in interest on stepped rate loans (existing 31 March 2007)	(12)
(5)	Difference in interest on soft loans (existing at 31 March 2007)	-
8,642	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(318)
13,841	Balance at 31 March	13,523

Pensions Reserve

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

2017/2018 £000		2018/2019 £000
381,859	Balance at 1 April	138,547
(274,803)	Actuarial (gains) or losses on pensions assets and liabilities	(6,629)
103	Difference between actuarial pensions contribution figure and actual pensions contribution figure	209
54,244	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	46,107
(22,856)	Employer's pensions contributions and direct payments to pensioners payable in the year	(23,455)
138,547	Balance at 31 March	154,779

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2017/2018		2018/2019
£000		£000
10,730	Balance at 1 April	10,959
(10,730)	Settlement or cancellation of accrual made at the end of the preceding year	(10,959)
10,959	Amounts accrued at the end of the current year	11,300
229	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	341
10,959	Balance at 31 March	11,300

13 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2017/2018		2018/2019
£000		£000
(788)	Interest received	(715)
25,015	Interest paid	28,270
(150)	Dividends received	(141)

14 Cash Flow Statement – Investing Activities

2017/2018		2018/2019
£000		£000
121,388	Purchase of property, plant and equipment, investment property and intangible assets	117,396
1,483	Other payments for investing activities	1,322
(6,811)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,211)
(1,326)	Other receipts from investing activities	(2,146)
114,734	Net cash flows from investing activities	112,361

15 Cash Flow Statement – Financing Activities

2017/2018		2018/2019
£000		£000
(64,267)	Cash receipts of short and long-term borrowing	(71,656)
1,980	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	5,697
25,410	Repayments of short- and long-term borrowing	9,490
(36,877)	Net cash flows from financing activities	(56,469)

Reconciliation of Liabilities Arising from Financing Activities

	Financing				31 March 2019 £000
	1 April 2018 £000	Cash Flows £000	Non-cash Acquisition £000	Changes Other £000	
Long-term Borrowings	(440,578)	(37,500)	-	11,095	(466,983)
Short-term Borrowings	(104,992)	(24,666)	-	(10,581)	(140,239)
Lease Liabilities	-	-	-	-	-
On Balance Sheet PFI Liabilities	(98,796)	5,697	-	(26,955)	(120,054)
Total Liabilities from Financing	(644,366)	(56,469)	-	(26,441)	(727,276)

16 Cash Flow Statement – Cash and Cash Equivalents

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

31 March 2018 £000		31 March 2019 £000
109	Cash held by the Council	110
(7,397)	Bank current accounts	(14,193)
4,203	Short-term deposits with banks and building societies	23,698
(3,085)	Total cash and cash equivalents	9,615

17 Agency Services

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

	2017/2018 (Income) £000	2017/2018 Expenditure £000	2018/2019 (Income) £000	2018/2019 Expenditure £000
Special Education services to Various Local Authorities	(1,015)	1,015	(1,081)	1,081
Provision of Social Work Services to NHS Tayside	(14,274)	14,274	(15,481)	15,481
Various Social Work Services to Perth & Kinross Council	(105)	105	(97)	97
Various Social Work Services to Angus Council	(1,002)	1,002	(1,073)	1,073
Scottish Water Income	(574)	-	(574)	-
Improvement Service - Implementation of National Entitlement Card	(1,281)	1,281	(994)	994
	(18,251)	17,677	(19,300)	18,726

18 External Audit Costs

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

	2017/2018 £000	2018/2019 £000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	343	349
Total	343	349

19 Pensions Schemes Accounted for as Defined Contribution Schemes

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

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

In 2018/19, the Council paid £14.2m to Teachers' Pensions in respect of teachers' retirement benefits, representing 25.4% of pensionable pay. The figures for 2017/18 were £14.2m and 25.7%. There were no contributions remaining payable at the year-end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and included in note 20.

20 Defined Benefit Pension Schemes

Participation in pension schemes

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

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

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

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

Transactions relating to post employment benefits

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

	Local Government Pension Scheme and Discretionary Benefits Arrangements	
	2017/2018	2018/2019
	£000	£000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
<i>Service cost comprising:</i>		
• current service cost	42,797	41,874
• past service costs	423	167
• (Gains)/Losses on settlements and curtailments	618	265
<i>Financing and Investment Income and Expenditure</i>		
• net interest on the defined liability	10,021	3,245
• administration expenses	385	556
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	54,244	46,107
<i>Other Post Employment Benefit Charged to the CIES</i>		
<i>Remeasurement gains or (losses) against net defined benefit liability comprising:</i>		
• Return on plan assets (excluding the amount included in the net interest expense)	33,187	26,750
• Changes in demographic assumptions	86,124	47,604
• Changes in financial assumptions	67,825	(67,725)
• Other actuarial gains or (losses)	14,360	-
• Other experienced gains or (losses) on defined benefit obligation	73,307	-
• Difference between actuarial pensions contribution figure and actual pensions contribution figure	(103)	(209)
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	(220,456)	39,687
<i>Movement in Reserves Statement</i>		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	54,244	46,107
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
• employers' contributions payable to scheme	22,856	23,455
Reconciliation of opening and closing balances of the present value of the defined benefit obligation (scheme liabilities):		
	Year to 31 March 2018 £000	Year to 31 March 2019 £000
Opening defined benefit obligation	1,572,588	1,399,472
Current service cost	42,797	41,874
Interest cost	42,050	35,231
Contributions by scheme participants	7,665	7,392
<i>Remeasurement (gains) and losses:</i>		
• Changes in financial assumptions	(67,825)	67,725
• Changes in demographic assumptions	(86,124)	(47,604)
• Experience loss / (gain) on defined benefit obligation	(73,307)	-
Curtailments	618	265
Benefits paid	(36,879)	(41,307)
Past service costs	423	167
Unfunded pension payments	(2,534)	(2,571)
Closing defined benefit obligation	1,399,472	1,460,644

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

	Year to 31 March 2018 £000	Year to 31 March 2019 £000
Opening fair value of fund assets	1,190,729	1,260,925
Interest	32,029	31,986
Remeasurement gains and (losses):		
• Return on plan assets, excluding the amount included in the net interest expense	33,187	26,750
• Other actuarial gains / (losses)	14,360	-
Employer contributions	22,753	23,246
Administration Expenses	(385)	(556)
Contributions by scheme participants	7,665	7,392
Benefits paid	(39,413)	(43,878)
Closing fair value of fund assets	1,260,925	1,305,865

Local Government Pension Scheme Assets

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

	31 March 2018		31 March 2019	
	£000	%	£000	%
Equities				
Consumer	148,576	12	131,845	10
Manufacturing	47,444	4	43,078	3
Energy and Utilities	38,705	3	63,964	5
Financial Institutions	164,807	13	163,174	13
Health and Care	52,439	4	77,018	6
Information Technology	69,918	5	84,851	6
Investment Funds Unit Trusts	158,564	13	151,426	12
Others	191,026	15	186,671	14
	871,479	69	902,027	69
Gilts				
Government Bonds	66,853	5	18,698	1
	66,853	5	18,698	1
Other Bonds				
Corporate Bonds (Investment Grade)	110,908	12	151,112	12
Investment Funds Unit Trusts	21,803		29,454	2
Others	13,271	-	15,367	1
	145,982	12	195,933	15
Property				
UK Property	147,291	12	163,022	13
Overseas Property	1,303	-	-	-
	148,594	12	163,022	13
Cash				
Cash and Cash Equivalents	28,017	2	23,071	2
Foreign Exchange	-	2	3,114	-
	28,017	2	26,185	2
Totals	1,260,925	100	1,305,865	100

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

	31 March 2018			31 March 2019		
	Quoted %	Unquoted %	Total %	Quoted %	Unquoted %	Total %
Equities	58	12	70	58	11	69
Gilts	5	-	5	1	-	1
Other Bonds	9	2	11	13	2	15
Property	11	-	11	13	-	13
Cash etc	3	-	3	2	-	2
Total	86	14	100	87	13	100

Basis for estimating assets and liabilities

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

	31 March 2018	31 March 2019
Life expectancy (years) from age 65 for current pensioners i.e. those retiring today:		
Men	20.3	19.6
Women	22.2	21.6
Life expectancy (years) from age 65 for future pensioners i.e. those retiring in 20 years time:		
Men	22.1	21.3
Women	24.1	23.4
Rate of inflation (RPI)	3.3%	3.4%
Rate of inflation (CPI)	2.3%	2.4%
Rate of increase in salaries	3.3%	3.4%
Rate of increase in pensions	2.3%	2.4%
Rate for discounting scheme liabilities	2.6%	2.4%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

Sensitivity Analysis

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

	Increase in Assumption £000	Decrease in Assumption £000
Life expectancy (increase or decrease by 1 year)	52,415	(50,594)
Rate of increase in salaries (increase or decrease by 0.1%)	4,296	(4,263)
Rate of increase in pensions (increase or decrease by 0.1%)	23,899	(23,425)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(27,661)	28,223

Impact on Future Cash Flows

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 are £20.327m.

Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2020 are £2.716m.

Possible Future Increase in Pension Liabilities

A ruling has been made regarding age discrimination arising from public sector pension scheme transition arrangements. Court of Appeal judgements were made in cases affecting judges pensions and firefighter pensions which had previously been considered by employment tribunals. The rulings have implications for the Local Government Pension Scheme since similar reforms were implemented. The final situation in terms of employer pension liabilities and financial impact is not clear, since the government may appeal the ruling and any remediation process, including cost cap considerations, may affect the resolution and financial impact for entities. Timescales for the resolution of this matter may be lengthy and outcomes are challenging for entities to assess and quantify, especially at Fund or Authority level. The Fund's actuaries continue to participate in discussions with the governing bodies of the LGPS to understand how this may affect mechanisms within the scheme, however at this point in time there is no guidance or indication of the likely impact of this ruling.

21 Events After the Reporting Period

There were no events that occurred between 1 April 2019 and 26 June 2019 that would require adjustment to the 2018/2019 financial statements. The latter date is the date on which the unaudited accounts were authorised for issue by the Executive Director of Corporate Services.

22 Related Parties

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

Central Government

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

Members

Members of the Council have direct control over the Council’s financial and operating policies. The total of members’ allowances paid and further details of senior members’ remuneration are included in the Remuneration Report (page 34). Under the Councillors’ Code of Conduct, members are required to declare an interest in matters that directly or indirectly may influence, or be thought to influence, their actions as a Councillor. Membership of statutory Joint Boards or Committees, which are composed exclusively of elected members, does not raise any issue of declaration of interest in regard to Council business. In terms of any other relevant parties, those members with declarations of interest did not take part in any discussion or decisions relating to transactions with these parties. A copy of the Register of Members Interest can be obtained from the Council’s website www.dundecity.gov.uk.

Officers

Senior Officers have control over the Council’s financial and operating policies. The total remuneration paid to senior officers is shown in the Remuneration Report (page 33). Officers have the responsibility to adhere to a Code of Conduct, which requires them to declare an interest in matters that directly or indirectly may influence, or be thought to influence their judgement or decisions taken during the course of their work. In terms of any relevant parties, officers with declarations of interest did not take part in any discussion or decisions relating to transactions with these parties.

Pension Fund

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

During 2017/2018		As at 31 March 2018			During 2018/2019		As at 31 March 2019	
Charges To	Charges From	Amounts Due From	Amounts Due To		Charges To	Charges From	Amounts Due From	Amounts Due To
£000	£000	£000	£000		£000	£000	£000	£000
1,016	-	-	3,103	Tayside Pension Fund	1,065	-	-	4,029

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Other Entities Controlled or Significantly Influenced by the Council

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

During 2017/2018		As at 31 March 2018			During 2018/2019		As at 31 March 2019	
Charges To £000	Charges From £000	Amounts Due From £000	Amounts Due To £000		Charges To £000	Charges From £000	Amounts Due From £000	Amounts Due To £000
58	-	1,457	-	Broughty Ferry NHT 2011 LLP	58	-	1,486	-
-	88	-	-	Design Dundee Ltd	-	177	-	-
-	11,251	-	954	Discovery Education PLC	-	11,669	-	-
18	798	203	13	Dovetail Enterprises (1993) Ltd	222	848	225	7
31	112	-	-	Dundee City Developments Ltd	1,635	-	-	-
16	275	151	3	Dundee Contemporary Arts Ltd	18	273	52	1
1,966	4,011	-	-	Dundee Energy Recycling Ltd	-	-	-	-
85,314	85,284	-	4,629	Dundee Health & Social Care Integration Joint Board	78,458	74,827	3,630	2,787
30	829	300	-	Hub East Central (Baldragon) Ltd	30	2,965	300	-
497	8,994	489	308	Leisure and Culture Dundee	331	8,236	685	184
120	17	8	49	Tay Road Bridge Joint Board	173	32	64	32
17	1	-	196	Tayplan (SDPA)	8	1	-	280
4,425	26,100	8,488	3,201	Tayside Contracts Joint Committee	4,455	28,514	9,195	2,522
67	905	85	2	Tayside Valuation Joint Board	63	908	139	5

23 LeasesCouncil as Lessee*Finance Leases*

The Council has no assets that have been acquired under finance leases.

Operating Leases

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

	31 March 2018	31 March 2019
	£000	£000
Not later than one year	354	358
Later than one year and not later than five years	439	406
Later than five years	-	-
	793	764

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

	2017/2018	2018/2019
	£000	£000
Minimum lease payments	597	616
Less Employers Contributions	(161)	(133)
	436	483

Council as Lessor*Finance Leases*

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

Operating Leases

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

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

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

	2017/2018	2018/2019
	£000	£000
Not later than one year	4,732	5,598
Later than one year and not later than five years	12,433	14,164
Later than five years	65,689	81,008
	82,854	100,770

24 Investment Properties

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

	2017/2018	2018/2019
	£000	£000
Rental income from investment property	338	394
Direct operating expenses arising from investment property	(26)	(37)
Net gain/(loss)	312	357

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

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

	2017/2018	2018/2019
	£000	£000
Balance at start of the year	22,200	21,034
Disposals	(1,064)	-
Net gains/(losses) from fair value adjustments	(87)	(350)
Transfers:		
- (to)/from Property, Plant and Equipment	(15)	(314)
Balance at end of the year	21,034	20,370

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

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2019 are as follows:

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

2018 Comparative Figures:

	Quoted prices in active markets for identical assets Level 1 £000	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair Value as at 31 March 2018 £000
Recurring Fair Value measurements using:				
Assets held for Capital Appreciation	-	12,461	-	12,461
Office Units	-	135	-	135
Commercial Units	-	8,438	-	8,438
Total	-	21,034	-	21,034

Fair Value Hierarchy

Level 1 - Quoted prices in active markets for identical assets

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

Level 2 - Significant Observable Inputs

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

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

Level 3 - Significant Unobservable Inputs

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

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

Transfers between levels of the Fair Value Hierarchy

There were no transfers between hierarchy levels in the year.

Highest and Best Use of Investment Properties

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

Valuation Techniques and Process

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

25 Intangible Assets

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

	2017/2018	2018/2019
	£000	£000
Opening Gross Book Value	1,377	1,546
Additions	169	112
Disposals	-	-
Other Movements	-	-
Closing Gross Book Value	1,546	1,658
Opening Accumulated Amortisation	216	432
Amortisation Charge for the Year	216	246
Closing Accumulated Amortisation	432	678
Closing Net Book Value	1,114	980

26 Impairment Losses

Impairment losses charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement during 2018/2019 totalled £62.548m (2017/2018 £33.118m).

Of this total, £22.762m (2017/2018 £24.311m) relates to expenditure in the year which did not add value to assets. £13.506m (2017/2018 £18.995m) relates to expenditure on Council Houses, £1.892m (2017/2018 £2.678m) relates to expenditure on schools and the remaining £7.364m (2017/2018 £2.367m) relates to expenditure on other Council land & buildings.

The remaining £39.786m (2017/2018 £8.807m) relates to impairment charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as a result of revaluation losses relating to land and buildings.

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27 Property, Plant and Equipment

Movements in 2018/2019:

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra- structure Assets £000	Comm- unity Assets £000	Surplus Assets £000	Assets Under Con- struction £000	Total Property, Plant & Equipment £000	PPP Assets Included in Property, Plant & Equipment £000	DBFM Assets Included in Property, Plant & Equipment £000	SCA Assets Included in Property, Plant & Equipment £000
Cost or Valuation											
At 1 April 2018	538,655	703,015	100,896	255,920	6,493	2,784	154,001	1,761,764	113,100	26,080	-
Additions	12,361	11,884	4,371	17,823	-	271	94,600	141,310	7	435	26,955
Revaluation inc/(dec) recognised in the Revaluation Reserve	4,309	(6,951)	-	-	-	1,229	-	(1,413)	-	-	-
Revaluation inc/(dec) recognised in the Surplus / Deficit on the Provision of Services	(16,252)	(49,379)	-	(559)	-	(104)	-	(66,294)	(7)	(435)	-
Disposals	(543)	(479)	(1,483)	-	-	-	-	(2,505)	-	-	-
Reclassification within PPE	2,074	157,990	-	-	-	(50)	(160,011)	3	-	-	-
(To)/from Assets Held for Sale	-	(1,940)	-	-	-	(594)	-	(2,534)	-	-	-
To)/from Investment Properties	-	-	-	-	-	314	-	314	-	-	-
At 31 March 2019	540,604	814,140	103,784	273,184	6,493	3,850	88,590	1,830,645	113,100	26,080	26,955
Accumulated Depreciation and Impairment											
At 1 April 2018	(66,193)	(40,476)	(83,662)	(97,374)	-	-	-	(287,705)	-	-	-
Depreciation charge	(16,487)	(24,505)	(3,863)	(9,020)	-	(3)	-	(53,878)	(3,587)	(709)	-
Depreciation written out to the Revaluation Reserve	81,995	34,955	-	-	-	-	-	116,950	-	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	585	3,163	-	-	-	-	-	3,748	-	-	-
Disposals	100	9	1,313	-	-	-	-	1,422	-	-	-
Other Movements	-	-	-	-	-	3	-	3	-	-	-
At 31 March 2019	-	(26,854)	(86,212)	(106,394)	-	-	-	(219,460)	(3,587)	(709)	-
Net Book Value:											
At 31 March 2019	540,604	787,286	17,572	166,790	6,493	3,850	88,590	1,611,185	109,513	25,371	26,955
At 31 March 2018	472,462	662,539	17,234	158,546	6,493	2,784	154,001	1,474,059	113,100	26,080	-

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Comparative Movements in 2017/2018:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infra- structure Assets £000	Comm- unity Assets £000	Surplus Assets £000	Assets Under Con- struction £000	Total Property, Plant & Equipment £000	PPP Assets Included in Property, Plant & Equipment £000	DBFM Assets Included in Property, Plant & Equipment £000	SCA Assets Included in Property, Plant & Equipment £000
Cost or Valuation											
At 1 April 2017	541,162	675,937	107,381	237,680	6,493	226	95,868	1,664,747	104,553	-	-
Additions	18,995	39,594	4,515	18,510	-	93	74,229	155,936	21	28,684	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	17,554	-	-	-	322	-	17,876	(21)	(92)	-
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(18,995)	(38,557)	-	(270)	-	(65)	-	(57,887)	8,547	(3,572)	-
Disposals	(5,397)	(1,570)	(11,000)	-	-	-	-	(17,967)	-	-	-
Reclassification of assets (To)/from Assets Held for Sale	2,890	13,206	-	-	-	-	(16,096)	-	-	-	-
To)/from Investment Properties	-	(3,149)	-	-	-	2,193	-	(956)	-	-	-
	-	-	-	-	-	15	-	15	-	1,060	-
At 31 March 2018	538,655	703,015	100,896	255,920	6,493	2,784	154,001	1,761,764	113,100	26,080	-
Accumulated Depreciation and Impairment											
At 1 April 2017	(50,332)	(80,656)	(86,406)	(89,176)	-	-	-	(306,570)	(11,128)	-	-
Depreciation charge	(16,512)	(22,297)	(5,679)	(8,198)	-	(4)	-	(52,690)	(2,782)	-	-
Depreciation written out to the Revaluation Reserve	-	37,636	-	-	-	4	-	37,640	-	-	-
Depreciation written out to the Surplus/ Deficit on the Provision of Services	-	24,769	-	-	-	-	-	24,769	13,910	-	-
Disposals	651	72	8,423	-	-	-	-	9,146	-	-	-
At 31 March 2018	(66,193)	(40,476)	(83,662)	(97,374)	-	-	-	(287,705)	-	-	-
Net Book Value											
At 31 March 2018	472,462	662,539	17,234	158,546	6,493	2,784	154,001	1,474,059	113,100	26,080	-

Depreciation

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

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

Capital Commitments

At 31 March 2019, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/2020 and future years budgeted to cost £44m. Similar commitments at 31 March 2018 were £91m. The major commitments are:

- Regional Performance Centre - £10.5m
- Fire and Smoke Detection Systems in Council Housing - £7.8m
- Increased Supply of Council Housing - £5.8m
- Menzieshill Community Provision - £3.8m
- Non Domestic Energy Efficiency Works - £2.6m

This gross expenditure of £44m will be funded from a combination of Council Borrowing, Grants and Contributions.

Effects of Changes in Estimates

In 2018/2019, the Council did not make any material changes to its accounting estimates for Property, Plant and Equipment:

Revaluations

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

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

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

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Surplus Assets £000	Total £000
Carried at historical cost	-	-	4,372	-	4,372
Valued at fair value as at:					
31 March 2019	83,964	61,018		1,257	146,239
31 March 2018	-	53,419	-	353	53,772
Total Cost or Valuation	83,964	114,437	4,372	1,610	204,383

28 Capital Expenditure and Capital Financing

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

	2017/2018 £000	2018/2019 £000
Opening Capital Financing Requirement	578,143	653,489
<i>Capital investment</i>		
Property, Plant and Equipment	127,254	114,356
Intangible Assets	169	112
DBFM Project (Baldragon Academy)	28,684	-
Service Concession Arrangement (Waste Project)	-	26,955
<i>Sources of finance:</i>		
Capital receipts	(6,811)	(2,711)
Government grants and other contributions	(45,247)	(45,504)
Transfer from Capital Fund	-	(1,500)
Transfer from Capital Grants & Receipts Unapplied Account	-	(2,695)
<i>Sums set aside from revenue:</i>		
• Direct revenue contributions	(1,036)	(1,523)
• Loans fund principal	(27,667)	(26,513)
Closing Capital Financing Requirement	653,489	714,466
<i>Explanation of movements in year</i>		
Increase in underlying need to borrowing (unsupported by government financial assistance)	48,642	39,719
Assets acquired under PFI/PPP contracts	(1,980)	(2,143)
Assets acquired under DBFM contract	28,684	(889)
Assets acquired under Service Concession Arrangement	-	24,290
Increase/(decrease) in Capital Financing Requirement	75,346	60,977

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

2018/19 was the eleventh year of a 30 year PFI contract with Discovery Education PLC to construct, maintain and facilities-manage six new primary schools and two new secondary schools in the city. The Council has rights under the contract to specify the services provided with the priority being the provision of an Education Service during the school day, followed by Community use. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and provide a facilities management service. At the end of the contract the schools will be transferred back to the Council for nil consideration.

Property Plant and Equipment

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

Payments

The Council makes an agreed payment each year which is increased each year by inflation and will be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2019 (excluding any estimation of inflation and availability/performance deductions are as follows :-

	Payment for Services £000	Repayment of Liability £000	Interest £000	Lifecycle Maintenance £000	Total £000
Payable in 2019-20	3,282	1,895	5,059	1,897	12,133
Payable within 2-5 years	13,969	9,417	21,425	6,830	51,641
Payable within 6 - 10 years	19,519	16,922	29,708	6,005	72,154
Payable within 11 - 15 years	22,083	18,705	29,938	10,909	81,635
Payable within 16 - 20 years	19,930	21,029	27,640	5,083	73,682
TOTAL	78,783	67,968	113,770	30,724	291,245

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

	2017/2018 £000	2018/2019 £000
Balance at the start of the year	72,092	70,112
Payments during the year	(1,980)	(2,143)
Balance at year-end	70,112	67,969

ii) *Baldragon DBFM Project*

2018/19 was the second year of a 25 year DBFM contract with Hub East Central (Baldragon) Ltd to design, construct, maintain and facilities-manage a new secondary school in the city. Dundee City Council took occupation of the new school on 11th December 2018. The Council has rights under the contract to specify the services provided with the priority being the provision of an Education Service during the school day, followed by Community use. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below minimum standards. The contractor took on the obligation to construct the school and maintain it in a minimum acceptable condition and provide a facilities management service. At the end of the contract the school will be transferred back to the Council for nil consideration.

Property, Plant and Equipment

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

Payments

The Council makes an agreed payment each year which is increased each year by inflation and will be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the DBFM contract at 31 March 2019 (excluding any estimation of inflation and availability/performance deductions) are as follows :-

	Payment for Services £000	Repayment of Liability £000	Interest £000	Lifecycle Maintenance £000	Total £000
Payable in 2019-20	277	909	1,339	105	2,630
Payable within 2-5 years	1,178	3,763	4,904	821	10,666
Payable within 6 - 10 years	1,645	5,156	5,232	1,656	13,689
Payable within 11 - 15 years	1,861	6,020	4,121	2,130	14,132
Payable within 16 - 20 years	2,107	6,992	2,825	2,710	14,634
Payable within 21 - 25 Years	1,735	4,955	974	3,683	11,347
TOTAL	8,803	27,795	19,395	11,105	67,098

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

	2017/2018 £000	2018/2019 £000
Balance at the start of the year	-	28,684
Payments during the year	-	889
Capital expenditure incurred in the year	28,684	-
Other movements	-	-
Balance at year-end	28,684	27,795

iii) Waste Disposal Project

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

Property Plant and Equipment

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

Payments

The Contractor is paid a unitary charge comprising a contractually agreed gate fee for each tonne of waste treated (subject to a guaranteed minimum tonnage) and some ancillary pass through costs. The gate fee is subsidised by a guaranteed level of commercial income. This net gate fee is fixed for the contract life, subject to annual inflationary increases at 50% of RPIX and any service availability / performance deductions. There is also an excess revenue sharing mechanism in place, with the Council benefitting if the Contractor outperforms the assumptions in its business case for third party revenues. Payments remaining to be made under the contract at 31 March 2019 (excluding any estimation of service availability deductions, performance deductions and excess revenue sharing) are as follows:

	Payment for Services £000	Repayment of Liability £000	Interest £000	Lifecycle Maintenance £000	Total £000
Payable in 2019-20	5,296	3,558	-	-	8,854
Payable within 2-5 years	16,744	6,818	14,802	-	38,364
Payable within 6 - 10 years	21,527	6,733	23,179	323	51,762
Payable within 11 - 15 years	25,475	8,853	20,057	1,578	55,963
Payable within 16 - 20 years	28,515	14,078	16,867	391	59,851
Payable within 21 - 25 Years	33,200	18,851	10,309	2,432	64,792
Payable within 26 - 30 years	11,987	8,655	1,856	-	22,498
TOTAL	142,744	67,546	87,070	4,724	302,084

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

	2017/2018 £000	2018/2019 £000
Balance at the start of the year	-	-
Capital expenditure incurred in the year	-	26,955
Payments during the year	-	(2,665)
Other movements	-	-
Balance at year-end	-	24,290

30 Assets Held for Sale

	Current Assets	
	2017/2018 £000	2018/2019 £000
Balance at start of year	4,019	3,649
Assets newly classified as held for sale:		
• Property, Plant and Equipment	956	2,534
Revaluation losses	(48)	-
Assets sold	(1,278)	(1,780)
Balance at year-end	3,649	4,403

31 Inventories

	Consumable Stores		Total	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Balance outstanding at start of year	1,145	1,100	1,145	1,100
Purchases	2,896	3,147	2,896	3,147
Recognised as an expense in the year	(2,973)	(3,230)	(2,973)	(3,230)
Written Off Balances	-	(1)	-	(1)
Other Adjustments	32	225	32	225
Balance outstanding at year-end	1,100	1,241	1,100	1,241

32 Short Term Debtors

	31 March 2018 £000	31 March 2019 £000
Central government bodies	16,136	20,189
Other local authorities	3,770	4,169
NHS bodies	3,337	3,021
Other entities and individuals	35,491	37,397
Total	58,734	64,776

33 Short Term Creditors

	31 March 2018 £000	31 March 2019 £000
Central government bodies	10,142	11,858
Other local authorities	7,864	6,794
NHS bodies	811	488
Public corporations and trading funds	631	595
Other entities and individuals	55,762	55,876
Total	75,210	75,611

34 Provisions

	Self-Insured / Uninsured Losses			
	Dundee City Council £000	ex-TRC/DCC Funds £000	Construction Services £000	Total £000
Balance at 1 April 2018	2,895	780	-	3,675
Additional provisions made in 2018/2019	1,111	-	35	1,146
Amounts used in 2018/2019	(1,440)	(41)	-	(1,481)
Balance at 31 March 2019	2,566	739	35	3,340

Self-Insured/Uninsured Losses

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

Analysis of claims figures highlights the following features:

Employers Liability: shows a general reduction in claims from 2016/2017 of 12 claims to 5/6 for the last two financial years. This is through improvements in health and safety and successful defence of older claims which has reduced previously larger provisions.

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

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

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

Construction Services

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

Debtor Impairment Allowances

The above items are shown as Provisions in the Council's Long Term Liabilities section of the Council's Balance Sheet. In addition, there are a number of impairment allowances that are netted-off against Short Term Debtors in the Current Assets section of the Council's Balance Sheet. As at 31 March 2019, these are as follows:

- Council Tax - the allowance of £20.633m (31 March 2018: £20.197m) has been calculated using the non-collection rate anticipated when each financial year's Council Tax was set, or a lower figure where the anticipated collection rate has been exceeded.
- Statutory Additions - the impairment allowance of £4.204m (31 March 2018: £4.096m) has been calculated by applying the overall percentage relating to the charge elements (i.e. Non Domestic Rates and Council Tax) to which the Statutory Addition was applied.
- Miscellaneous Invoiced and Other Debt - the impairment allowance of £3.660m (31 March 2018: £3.259m) has been calculated by applying non-collection rates to an aged debt analysis. The percentage increases according to the age of the debt. Higher percentages are also applied to types of debt which have proven difficult to collect.

- Housing Rents - the impairment allowance of £3.225m (31 March 2018: £2.697m) has been calculated by applying various percentages to a value-banded debt analysis. The percentage increases according to the value of the debt.
- Housing Benefit Overpayments - the impairment allowance of £1.973m (31 March 2018: £2.190m) has been calculated by applying an anticipated non-collection rate to the total debt.

Movements in the level of impairment allowance arise from write-offs of debt against the allowance during the course of the financial year, together with a re-assessment of the required level of allowance at the balance sheet date.

35 Contingent Liabilities

There were no Contingent Liabilities at 31 March 2019 (31 March 2018: nil).

36 Contingent Assets

There were no Contingent Assets at 31 March 2019 (31 March 2018: nil).

37 Grant Income

The Council credited grants and contributions to the Comprehensive Income and Expenditure Statement in 2018/2019. These included the following grants and contributions:

	2017/2018 £000	2018/2019 £000
Credited to Taxation and Non Specific Grant Income		
RSG & Non-Specific Grants	(214,961)	(232,996)
Contribution from NNDR Pool	(66,700)	(55,553)
Capital Grants	(48,640)	(46,481)
Council Tax	(49,922)	(52,831)
Total	(380,223)	(387,861)
	2017/2018 £000	2018/2019 £000
Credited to Services:		
General Capital Grant: Central Waterfront Development	(1,033)	(276)
General Capital Grant: Whitetop Centre	(429)	-
Scottish Government: PSO Air Service	(818)	(618)
Scottish Government: Smarter Choices Smarter Places	(171)	(186)
Scottish Government: Employability	(259)	(387)
ERDF Grants	(275)	(420)
Scottish Government: Air Quality Grant	(158)	(234)
Scottish Government: Winter maintenance and pothole repair	(155)	-
NHS Tayside: The Crescent	(214)	(208)
Scottish Government: OLEV City bid	(179)	(66)
TACTRAN / SESTRAN: Active Travel Infrastructure Fund	-	(127)
Scottish Government: Skills Development Grant	(153)	(175)
Department for Transport: Go Ultra Low	(147)	(95)
Other Local Authorities: Contributions for Tay Cities Deal	(174)	(85)
Private Sector Housing Grant	(1,249)	(1,058)
Scottish Government: Self Directed Support Grant	(238)	(31)
NHS Tayside: Community Equipment	(351)	(371)
NHS Tayside: Alcohol & Drugs Project Team	(414)	(524)
Angus Council: Contribution to Joint Equipment Service	(599)	(661)
Macmillan Cancer Care: Welfare Rights Grant	(36)	-
NHS Tayside: Delayed Discharge Fund	(734)	(430)
NHS Tayside: Integrated Care Fund	(2,056)	(2,600)
NHS Tayside: Social Care Integration Fund	(10,004)	(9,812)
NHS Tayside: Shared Care Homes	(348)	(3,413)
NHS Tayside: Drug & Alcohol Grant	(130)	(137)
Macmillan Cancer Care: Local Authority Partnership	(120)	(322)
UK Government, Home Office - Syrian Refugees	(606)	(739)
Scottish Government: Community Link Work Programme	(224)	(351)
Other Local Authorities: Contributions to Resident's Care Home costs	-	(238)
NHS Tayside: Contribution for services to Scottish Assoc for Mental Health	-	(52)
NHS Tayside: Contribution for IJB Operational costs	-	(138)
DHSCP: Contribution for Adult Services' costs	-	(2,740)
Scottish Government: Opportunities for All Grant	(162)	(162)
ESF: Activity Agreement	(55)	(20)
Big Lottery Fund: Dundee Money Action	(302)	(682)
Sports Council Contribution to Sports Co-ordinators	(316)	(318)
Arts Council: Youth Music	(148)	(194)
Scottish Government: Attainment Challenge - Primary	(3,869)	(3,956)
Scottish Government: Attainment Challenge - Secondary	(1,128)	(1,632)
Scottish Government: Pupil Equity Fund	(3,094)	(5,156)
Scottish Government: Early Learning Childcare (ELC) Delivery Model Grant	(489)	(1,771)
Scottish Government: ELC Additional Graduate Commitment	-	(514)
Scottish Futures Trust: Share of Service Cost element for Baldrigon Academy	(113)	(265)

Scottish Government: Care Experienced Children and Young People funding	-	(273)
Angus Council: Contribution to Out of Hours Service	(162)	(173)
Criminal Justice Grant	(4,680)	(4,652)
Other Local Authorities: Contribution to Tay Project	-	(171)
Scottish Government: WRAP Major Service Change Support Grant	(116)	(241)
Improvement Service: National Entitlement Card	(1,278)	(994)
University of Dundee: Contribution to VRC	(82)	(80)
Scottish Government: Tackling Funeral Poverty	-	(94)
DWP: Rent Allowances/Rebate Subsidies (prev Housing Benefit Subsidy)	(67,043)	(58,208)
DWP: Housing Benefit / Council Tax Benefit Administration	(1,054)	(1,237)
DWP: Fraud & Error Reduction Incentive Scheme (FERIS)	(59)	-
DWP: Funding for new burdens imposed on local authorities	-	(95)
UK Government, Cabinet Office: Individual Electoral Registration Funding	(137)	(60)
Angus Council: Contribution for Tayside Scientific Services	-	(256)
Other Local Authorities: Contribution to Tayside Procurement Consortium	-	(172)
Anti-Social Behaviour Contribution	(83)	(82)
Scottish Government: Community Choices Grant	(72)	(8)
Total	(105,716)	(107,960)

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver.

The main balances at the year-end are as follows:

	31 March 2018	31 March 2019
	£000	£000
Capital Grants Receipts in Advance:		
Section 75 Contributions	(1,263)	(1,459)
Total	(1,263)	(1,459)

	31 March 2018	31 March 2019
	£000	£000
Revenue Grants Receipts in Advance:		
Improvement Service: National Entitlement Card	(416)	(316)
Other Local Authorities: Regional Destination Development Fund	(125)	(36)
Scottish Government: Elevator Fund	(65)	-
Scottish Government: Scottish Cities Alliance: Data Cluster project	-	(80)
Scottish Government: Scottish Futures Trust: 5G Testbed	-	(50)
Scottish Government: Pupil Equity Fund	(1,880)	(1,705)
Scottish Government: ELC Delivery Model Grant	(77)	(342)
Scottish Government: Attainment Challenge	(74)	-
Scottish Government: English Speakers of Other Languages Funding	(40)	(35)
Scottish Government: Self Directed Support	(31)	-
Scottish Government: Link Worker Grant	(259)	(60)
UK Government, Home Office: Refugees	(352)	(386)
NHS Tayside: Alcohol and Drugs Partnership	-	(300)
Big Lottery Fund: Delivering Intensive Support Services	(109)	-
Total	(3,428)	(3,310)

38 Financial Instruments

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

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

Categories of financial assets and financial liabilities

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

	Long-term		Current	
	31 March	31 March	31 March	31 March
	2018	2019	2018	2019
	£000	£000	£000	£000
Investments				
Equity Instruments at Fair Value Through Other Comprehensive Income & Expenditure	-	-	4,770	4,482
Unquoted equity investment at cost	29	29	-	-
Total investments	29	29	4,770	4,482

Debtors

Loans and receivables:				
Cash and Bank	-	-	109	110
Other Short Term Deposits	-	-	4,203	23,698
Soft Loans	-	94	94	-
Other Loans at Market Rates	12,334	11,630	-	-
Financial assets carried at contract amounts:				
Sundry Debtors including trade receivables	-	-	58,734	64,776
Total Debtors	12,334	11,724	63,140	88,584

Borrowings

Financial liabilities at amortised cost:				
Borrowing Repayable:				
Public Works Loan Board	(399,045)	(425,464)	(14,782)	(15,598)
Lender Option/Borrower Option	(41,533)	(41,519)	(416)	(416)
Other	-	-	(88,214)	(122,739)
Temporary Advances from Other Accounts	-	-	(1,580)	(1,486)
Bank Overdraft	-	-	(7,397)	(14,193)
Total borrowings	(440,578)	(466,983)	(112,389)	(154,432)

Creditors

Financial liabilities carried at contract amount:				
Sundry creditors including trade payables	-	-	(75,210)	(75,611)
Total Creditors	-	-	(75,210)	(75,611)

Income, Expense, Gains and Losses

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

2017/2018		Financial	2018/2019	Financial	2018/2019
		Liabilities	Financial	Assets	Financial
			Assets	Assets	
		Liabilities			
		measured at			
		amortised			
		cost			
		£000			
			Loans and	Investments	
			receivables		
			£000	£000	
26,445	Interest Expense	27,819	-	-	27,819
26,445	Total expense in Surplus or Deficit on the Provision of Services	27,819	-	-	27,819
(786)	Interest Income	-	(618)	(141)	(759)
(786)	Total income in Surplus or Deficit on the Provision of Services	-	(618)	(141)	(759)
(27)	Gains on revaluation	-	-	44	44
(27)	Surplus/deficit in Surplus or Deficit on the Provision of Services	-	-	44	44
25,632	Net gain/(loss) for the year	27,819	(618)	(97)	27,104

Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates at 31 March 2019 of 1.75% to 14.00% for loans from the PWLB and 0.85% to 4.95% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are as follows:

	Note	31 March 2018		31 March 2019			Carrying Amount £000	Fair Value £000
		Carrying Amount £000	Fair Value £000	Principal Amount Outstanding £000	LOBO Accounting Adjustment £000	Add Accrued Interest £000		
Financial liabilities:								
Borrowing Repayable:								
Public Works Loan Board	i	(413,827)	(568,052)	(436,545)	-	(4,517)	(441,062)	(604,105)
Lender Option/ Borrower Option	i	(41,960)	(60,908)	(40,000)	(1,519)	(416)	(41,935)	(61,873)
Other	i	(88,214)	(88,248)	(122,301)	-	(438)	(122,739)	(122,779)
Temporary Advances from Other Accounts	ii	(1,580)	(1,580)	(1,486)	-	-	(1,486)	(1,486)
Bank Overdraft	iii	(7,398)	(7,398)	(14,193)	-	-	(14,193)	(14,193)

i Borrowing Repayable

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

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

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

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

Discount rates used in NPV calculation - The rates quoted in this valuation were obtained for the market on 31 March 2019, using bid prices where applicable.

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

ii Temporary Advances from Other Accounts

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

iii Bank Overdraft

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

	Note	31 March 2018		31 March 2019	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables:					
Cash and Bank	i	109	109	110	110
Other Short term Deposits	i	4,203	4,203	23,698	23,698
Short-term debtors:					
Soft Loans	ii	94	94	-	-
Long-term debtors:					
Other Loans at Market rates	iii	12,334	12,334	11,724	11,724

i Cash and Bank / Other Short term Deposits

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

ii Soft Loans

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

iii Other Loans at Market Rates

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

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

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

39 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

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

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

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

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £12m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities in UK to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

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

	Amount at 31 March 2019 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2019 %	Estimated maximum exposure to default and uncollectability at 31 March 2018 £000	Estimated maximum exposure at 31 March 2018 £000
	A	B	C	(A x C)	
Financial Institutions (F1)	23,698	-	-	-	-
				-	-

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

Liquidity risk

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

	31 March 2018 £000	31 March 2019 £000
Less than one year	97,541	133,382
Between one and two years	11,081	13,024
Between two and five years	29,617	24,101
Between five and ten years	32,551	35,055
More than ten years	365,797	393,284
	536,587	598,846

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

Interest rate risk

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

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

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

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

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

According to this assessment strategy, at 31 March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	1,223
Increase in interest receivable on variable rate investments	Nil
Impact on Surplus or Deficit on the Provision of Services	1,223
Share of overall impact debited to the HRA	391
Decrease in fair value of fixed rate investment assets	Nil
Impact on Other Comprehensive Income and Expenditure	Nil
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	107,996

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

Price risk

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

Foreign exchange risk

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

40 Charitable Trust Funds Account (Registered Charities)

During 2018/2019, the Council acted as Trustees for 5 Registered Charitable Trusts and Endowments. The Income & Expenditure Account below details the transactions in the year and the Balance Sheet summarises the assets and liabilities at the year end. An analysis of the assets and liabilities included within the Balance Sheet over the various trusts is also shown within the notes to the Charitable Trust Funds Account. These have been prepared in accordance with the Charities SORP (FRS102). Dundee City Council has undertaken a reorganisation of its Charitable Trusts and Endowments. This reorganisation was completed during 2017/2018 and has resulted in the number of Charitable Trusts and Endowments reducing from 22 to 5.

Income & Expenditure Account		2018/2019				
2017/2018		Interest on	Other	Total	(Surplus)/	
£000		Investments	Income	Income	Expenditure	
		£000	£000	£000	£000	
					Deficit	
					£000	
(1)	Hospital Fund	(5)	(24)	(29)	33	4
-	Belmont Estate	(1)	(8)	(9)	9	-
-	Other Various Smaller Trusts (20 in total)	-	-	-	70	70
(1)	Total	(6)	(32)	(38)	112	74

2018		2019
£000	Balance Sheet as at 31 March	£000
4,891	Tangible Fixed Assets	4,764
4,891		4,764
	Current Assets	
976	Short Term Investments	902
1		1
20	Bank	1
997		904
	Less Current Liabilities	
21	Sundry Creditors	2
21		2
976	Net Current Assets	902
5,867	Total Assets Plus Net Current Assets	5,666
5,867	Net Assets	5,666
	Financed By Fund Balances and Reserves	
	Not Available for Use:	
4,891	Revaluation Reserve	4,764
4,891		4,764
	Available for Use:	
976	Fund Balances	902
5,867		5,666

NATURE AND PURPOSE OF VARIOUS FUNDS

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

Hospital Fund

This Fund was established under the Dundee Churches and Hospital Act 1964, on behalf of the poor of the town. An annual payment of £80 is made from the Fund to local pensioners who require financial assistance. The balance on the Fund at 31 March 2019 was £1.157m (31 March 2018 £1.175m).

Belmont Trust Estate

Estate gifted in 1918 by the late Mrs Emma Caird or Marryat of Roseangle, Dundee, in memory of her husband and her brothers, to be utilised for the benefit of the citizens of Dundee. The balance on the Fund at 31 March 2019 was £2.193m (31 March 2018 £2.193m)

CHARITABLE TRUSTS REGISTERED WITH OFFICE OF THE SCOTTISH CHARITY AND REGULATOR

During 2018/2019, the following Charitable Trusts and Endowments were registered with the Office of the Scottish Charity and Regulator (OSCR):

Belmont Estate Trust (SC018900)

Camperdown Estate (SC018899)

William Dawson Trust (SC018920)

Hospital Fund (SC018896)

The Dundee Trust (SC046260)

ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET

	Balance Sheet at 31 March 2018 £000	Gross Income £000	Gross Expenditure £000	Capital Expenditure/ Receipts & Transfers £000	Balance Sheet at 31 March 2019 £000
Hospital Fund					
Fixed Assets	464	-	-	(14)	450
Current Assets	711	29	(33)	-	707
Net Assets	1,175	29	(33)	(14)	1,157
Revaluation Reserve	464	-	-	(14)	450
Fund Balance	711	29	(33)	-	707
	1,175	29	(33)	(14)	1,157
Belmont Estate					
Fixed Asset	2,007	-	-	-	2,007
Current Assets	186	9	(9)	-	186
Net Assets	2,193	9	(9)	-	2,193
Revaluation Reserve	2,007	-	-	-	2,007
Fund Balance	186	9	(9)	-	186
	2,193	9	(9)	-	2,193
Others					
Fixed Assets	2,420	-	-	(113)	2,307
Current Assets	79	-	(70)	-	9
Net Assets	2,499	-	(70)	(113)	2,316
Revaluation Reserve	2,420	-	-	(113)	2,307
Fund Balance	79	-	(70)	-	9
	2,499	-	(70)	(113)	2,316
Total					
Fixed Assets	4,891	-	-	(127)	4,764
Current Assets	976	38	(112)	-	902
Net Assets	5,867	38	(112)	(127)	5,666
Revaluation Reserve	4,891	-	-	(127)	4,764
Fund Balance	976	38	(112)	-	902
	5,867	38	(112)	(127)	5,666

41 Charitable Trust Funds Account (Unregistered Charities)

The Council acts as Trustees for 5 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.

2017/2018 Actual £000	Income & Expenditure Account		2018/2019		(Surplus)/ Deficit £000	
	Interest on Investments £000	Other Income £000	Total Income £000	Expenditure £000		
(36)	Fleming Trust	(8)	(340)	(348)	200	(148)
(4)	Other Various Smaller Trusts (4 in total)	(4)		(4)	1	(3)
(40)	Total	(12)	(340)	(352)	201	(151)
2018 £000	Balance Sheet as at 31 March		2019 £000			
7,360	Tangible Fixed Assets		6,463			
7,360			6,463			
	Current Assets					
52	Sundry Debtors		58			
1,352	Short Term		1,605			
552	Bank		341			
1,956			2,004			
	Less Current Liabilities					
(298)	Sundry Creditors		(195)			
(298)			(195)			
1,658	Net Current Assets		1,809			
9,018	Total Assets Plus Net Current Assets		8,272			
9,018	Net Assets		8,272			
	Financed By Fund Balances and Reserves					
	Not Available for Use:					
7,360	Revaluation		6,463			
7,360			6,463			
	Available for Use:					
1,658	Fund Balances		1,809			
9,018			8,272			

FLEMING TRUST

Included in the expenditure shown above, the Fleming Trust incurred capital expenditure of £122,266 financed from revenue in 2018/2019 (2017/2018 £201,234). No capital receipts were received in 2018/2019 (2017/2018 £Nil).

NATURE AND PURPOSE OF VARIOUS FUNDS

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

Fleming Trust

This Trust was established with sums gifted in 1929 by Robert Fleming for the purchase of land and buildings and the provision of suitable accommodation for re-housing the displaced occupants of slum property in Dundee. The balance on the Trust at 31 March 2019 was £7.775m (31 March 2018 £8.524m).

ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET

	Balance Sheet at 31 March 2018 £000	Gross Income £000	Gross Expenditure £000	Capital Expenditure/ Receipts & Transfers £000	Balance Sheet at 31 March 2019 £000
Fleming Trust					
Fixed Assets	7,360	-	-	(897)	6,463
Current Assets	1,462	348	(303)	-	1,507
Current Liabilities	(298)		103		(195)
Net Assets	8,524	348	(200)	(897)	7,775
Revaluation Reserve	7,360	-	-	(897)	6,463
Fund Balance	1,164	348	(200)		1,312
	8,524	348	(200)	(897)	7,775
Others					
Current Assets	494	3	-	-	497
Net Assets	494	3	-	-	497
Fund Balance	494	3	-	-	497
	494	3	-	-	497
Total					
Fixed Assets	7,360	-	-	(897)	6,463
Current Assets	1,957	351	(303)	-	2,005
Current Liabilities	(299)	-	103	-	(196)
Net Assets	9,018	351	(200)	(897)	8,272
Revaluation Reserve	7,360	-	-	(897)	6,463
Fund Balance	1,658	351	(200)		1,809
	9,018	351	(200)	(897)	8,272

42 Heritage Assets

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

	Museum & Art Gallery Collections £000	Other Heritage Assets £000	Total Assets £000
1 April 2018	7,248	1,134	8,382
Additions	-	-	-
31 March 2019	7,248	1,134	8,382

Museum and Art Gallery Collections

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

Other Heritage Assets

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

Additions & Disposals of Heritage Assets

Additions in 2018/2019 - £Nil (2017/2018 - £Nil)

There were no disposals in 2018/2019 (2017/2018 - none)

43 Heritage Assets: Further Information

Museum and Art Gallery Collections

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

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

New Collection - 'Charting New Waters'

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

Community History

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

Decorative Arts / Crafts

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

Early History

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

Fine Art

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

Natural History

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

Social History

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

World Cultures

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

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

www.mcmanus.co.uk

Library Collections of Rare Books, Manuscripts and Archives

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

Among the collections and features are:

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

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

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

Preservation and Management

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

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

44 Other Long Term Liabilities

	31 March 2018	31 March 2019
	£000	£000
Pension Liability	138,547	154,779
PPP Schools Liability	67,969	66,074
DBFM School Liability (Baldragon)	27,795	26,886
Service Concession Arrangement Liability (Waste Project)	-	20,732
Burial Grounds Perpetuity Fund	1,239	757
Public Open Spaces	391	-
Total	235,941	269,228

45 Long Term Debtors

	31 March 2018	31 March 2019
	£000	£000
Advances to Tayside Contracts for Capital Expenditure	6,843	6,711
Loans to Other Organisations	1,891	1,959
Housing Loans / Mortgages	3,600	3,054
Total	12,334	11,724

46 Service Income and Expenditure Including Internal Recharges

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

2017/2018				2018/2019		
Gross Expenditure	Gross Income	Net Expenditure / (Income)		Gross Expenditure	Gross Income	Net Expenditure / (Income)
£000	£000	£000		£000	£000	£000
176,105	(22,889)	153,216	Children & Families Services	178,997	(23,154)	155,843
			Budgets Delegated to Dundee Health & Social Care			
196,996	(118,769)	78,227	Partnership	192,613	(114,368)	78,245
99,359	(33,878)	65,481	City Development	129,870	(30,849)	99,021
46,422	(15,020)	31,402	Neighbourhood Services	45,617	(14,760)	30,857
13,363	(1,536)	11,827	Chief Executive	13,274	(1,259)	12,015
109,782	(75,879)	33,903	Corporate Services	100,293	(67,306)	32,987
26,314	(27,561)	(1,247)	DCS Construction	25,877	(27,899)	(2,022)
73,432	(53,300)	20,132	Housing Revenue Account	67,193	(52,974)	14,219
340	-	340	Discretionary NDR Relief	299	-	299
903	-	903	Tayside Valuation Joint Board	904	-	904
2,719	-	2,719	Write-off of DERL Debt (DCC Services)	0	-	-
4,109	(5,088)	(979)	Miscellaneous Items	3,278	(1,849)	1,429
749,844	(353,920)	395,924	Cost Of Services	758,215	(334,418)	423,797

47 Revenue from Contracts with Service Recipients

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

2017/2018 £000		2018/2019 £000
Revenue from contracts with service recipients:		
47,146	Housing Rents	48,360
2,853	Sheltered Housing Charge	2,831
716	Temporary Accommodation Properties	694
5,404	Residential Care	5,157
985	Non Residential Care	1,204
1,435	School Meals	1,497
602	Social Care Meals	619
3,433	Off Street Parking	3,741
1,665	On Street Parking	1,389
790	Building Warrants	820
597	Planning Applications	725
851	Trade Waste	980
421	Special Collections	539
536	Licensing	583
648	Burial Ground Charges	545
1,962	Miscellaneous	2,013
70,044	Total Included in Comprehensive Income and Expenditure	71,697

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

<u>31 March 2018</u> £000		<u>31 March 2019</u> £000
(5)	Contract Assets	(3)
139	Contract Liabilities	79
134	Total Included in Net Assets	76

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

<u>31 March 2018</u>			<u>31 March 2019</u>	
Contract Assets	Contract Liabilities		Contract Assets	Contract Liabilities
£000	£000		£000	£000
-	-	Contract assets and liabilities at the beginning of the year	(5)	139
(5)	139	Increases (decreases) due to cash received (paid)	-	-
(5)	139	Transfers from contract assets (liabilities) recognised at the beginning of the period to receivables (payables)	(5)	139
-	-	Changes as a result of changes in the measure of progress	2	(60)
(5)	139	Contract assets and liabilities at the end of the year	(3)	79

The value of revenue that is expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the year is:

31 March 2018		31 March 2019	
Contract Assets	Contract Liabilities	Contract Assets	Contract Liabilities
£000	£000	£000	£000
(3)	74 Not later than one year	(3)	72
(2)	65 Later than one year	-	7
(5)	139 Amounts of transaction price, partially or fully unsatisfied	(3)	79

48 Capital Grants & Receipts Unapplied Account

	31 March 2018	31 March 2019
	£000	£000
Capital Grants	3,393	1,639
Future Transformation Projects	-	1,500
Total	3,393	3,139

49 Debtors for Local Taxation

	31 March 2018	31 March 2019
	£000	£000
Up to One Year:		
Council Tax	2,012	1,948
NDRI	1,538	1,835
Total	3,550	3,783
Over One Year:		
Council Tax	3,468	3,483
NDRI	621	819
Total	3,468	3,483
Total		
Council Tax	5,480	5,431
NDRI	2,159	2,654
Total	7,639	8,085

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

2017/2018 £000		2018/2019 £000
80,593	Gross Council Tax levied and contributions in lieu	83,260
(67)	Adjustments for prior years Council Tax	(40)
80,526		83,220
	Adjusted for:	
(16,958)	Other discounts and reductions	(16,686)
(11,947)	Council Tax Reduction Scheme	(11,956)
(1,699)	Provision for Non-collection	(1,747)
49,922	Net Council Tax Income per the Comprehensive Income and Expenditure Account	52,831

The calculation of the Council Tax Base 2018/2019:

	No of Dwellings	No of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	Total Dwellings	Ratio to Band D	Band D Equivalents
Band A	28,255	3,194	29	16,597	525	20,710	240/360	13,804
Band B	17,114	1,613	60	7,581	310	14,454	280/360	10,464
Band C	9,339	983	63	3,478	150	7,415	320/360	6,592
Band D	9,054	522	67	2,662	105	7,825	360/360	7,825
Band E	7,268	812	78	1,650	86	5,935	473/360	7,799
Band F	2,360	102	13	464	31	2,122	585/360	3,447
Band G	1,062	23	8	174	10	982	705/360	1,924
Band H	36	5	-	4	5	28	882/360	67
						TOTAL		51,922
						Provision for non-collection (3.2%)		(1,661)
						Council Tax Base		50,261

Dwellings fall within a valuation band between A to H which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to Dundee City Council, the band D charge for 2018/2019 was £1,278.

Dundee City Council £ per year for 2018/2019:

Band A	£852.00
Band B	£994.00
Band C	£1,136.00
Band D	£1,278.00
Band E	£1,679.15
Band F	£2,076.75
Band G	£2,502.75
Band H	£3,131.10

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

2017/2018 £000		2018/2019 £000
92,978	Gross rates levied and contributions in lieu	97,276
	Less:	
(24,346)	Reliefs and other deductions	(27,063)
(7,779)	Write Off of uncollectable debt and allowance for impairment	(8,690)
60,853	Net Non Domestic Rate Income	61,523
(222)	Adjustment to Previous Years' Non-Domestic Rates	(2,242)
60,631	Total Non Domestic Rate Income (before local authority retentions)	59,281
60,631	Contribution to Non-Domestic Rate Pool	59,281

Net Rateable Value Calculation

The amount paid for NNDR is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £, which is determined each year by the Scottish Government. The NNDR poundage rate set by the Scottish Government for 2018/2019 was £0.48, with a large business supplement of 2.6p payable when rateable value exceeds £51,000.

	2018/2019 £
Analyses of Rateable Values:	
Rateable Value at 1/4/2018	190,081,000
Running Roll (Full Year Rateable Value)	3,355,000
Rateable Value at 31/3/2019	193,436,000
Less: Wholly Exempt	(8,432,000)
Net Rateable Value at 31/03/2019	185,004,000
Dundee City Council's Rateable Values at 1 April 2018	
Commercial	97,406
Industrial and Freight Transport	33,399
Public Undertakings	7,095
Others	52,181
Total	190,081

Housing Revenue Account - Income & Expenditure Statement

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

2017/2018 £000	Notes	2018/2019 £000
Income		
46,284	Dwelling Rents	47,465
809	Non-dwelling Rents	819
3,950	Any Other Income	3,373
51,043	Total Income	51,657
Expenditure		
(20,768)	Repairs and Maintenance	(19,395)
(12,896)	Supervision and Management	(12,232)
(394)	Rent, rates, taxes and other charges	(310)
(36,045)	Depreciation and Impairment on Non-Current Assets	(32,796)
(1,072)	Movement in the Impairment Allowance for Non-Trade Debtors	5
(71,175)	Total Expenditure	(65,876)
(20,132)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(14,219)
(442)	HRA Services' Share of Corporate and Democratic Core	(473)
(20,574)	Net Cost for HRA Services	(14,692)
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(1,016)	Gain or (Loss) on Sale of HRA Non-Current Assets	558
(7,035)	Interest Payable and Similar Charges	(6,804)
(7)	Impairment of Assets Held for Sale	0
69	Interest and Investment Income	108
(468)	Pension Interest Cost and Expected Return on Pension Assets	(152)
2,067	Capital Grants and Contributions Receivable	7,257
-	Movement in the Impairment Allowance for Trade Debtors	(285)
(26,964)	Surplus or (Deficit) for the Year on HRA Services	(14,010)

Housing Revenue Account - Movement in Reserves Statement

2017/2018			2018/2019
£000		Notes	£000
(26,964)	Surplus or (Deficit) for the Year on HRA Income and Expenditure Statement		(14,010)
26,140	Adjustments between Accounting Basis and Funding Basis Under Statute	1	14,091
(824)	Net Increase or (Decrease) Before Transfers to or from Reserves		81
824	Transfers (to) or from Reserves	2	(81)
-	Increase or (Decrease) in Year on the HRA		-
- Balance on the HRA at the end of the Current Year			-

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

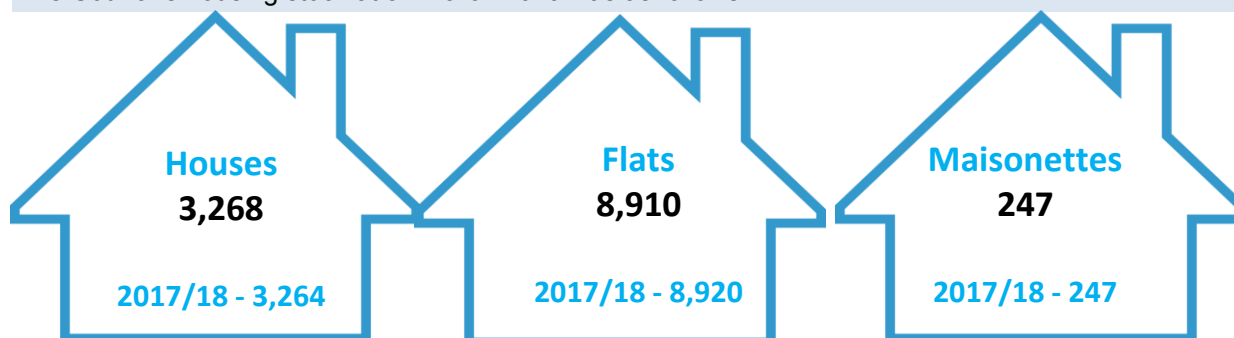
2017/2018		2018/2019
£000		£000
1,016	Gain or loss on sale of HRA non-current assets	(558)
7	Impairment of Assets Held for Sale	-
	Transfer to/from Capital Adjustment Account:	
36,045	* Depreciation and Impairment - Housing Revenue Account Assets	32,796
263	* Depreciation and Impairment - Central Support Assets	0
(2,067)	* Capital Grants and Contributions	(7,257)
(10,763)	* Repayment of Debt	(11,629)
-	* Change in Fair Value of Investment Property	-
12	Short Term Accumulating Absences	7
1,705	HRA share of contributions to or from the Pensions Reserve	834
(78)	HRA Share of Transfer to/from the Financial Instruments Adjustment Account	(102)
26,140	Total	14,091

2 Transfers (to) or from Reserves

2017/2018		2018/2019
£000		£000
824	Transfer (to)/from the Renewal & Repair Fund	(81)
824	Total	(81)

3 Housing Stock

The Council's housing stock at 31 March 2019 was as follows:

**4 Rent Arrears**

Rent Arrears at 31 March 2019 were £3,027,225 (£2,589,860 at 31 March 2018).

5 Impairment of Debtors

In 2018/2019 an impairment of £3,224,784 has been provided in the Balance Sheet for irrecoverable rents, a net increase of £527,451 from the provision in 2017/2018.

6 Voids

The total value of uncollectable void rents was £894,733 (2017/2018 £921,615). This has been netted against rental income.

7 Accumulated Housing Revenue Account Balance

The General Fund Balance at 31 March 2019 was £6.6m, of which £3.8m was earmarked for the Housing Revenue Account.

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

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

2017/2018			2018/2019			
Gross Expenditure £000	Gross Income £000	Gross Net Expenditure / (Income) £000		Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000
171,512	(18,296)	153,216	Children & Families Services	178,997	(23,154)	155,843
196,996	(118,769)	78,227	Budgets Delegated to Dundee Health & Social Care Partnership	192,613	(114,368)	78,245
84,216	(18,735)	65,481	City Development	115,962	(16,941)	99,021
41,305	(11,073)	30,232	Neighbourhood Services	39,454	(8,859)	30,595
13,363	(1,536)	11,827	Chief Executive	13,274	(1,259)	12,015
108,443	(74,540)	33,903	Corporate Services	98,998	(66,011)	32,987
9,980	(11,227)	(1,247)	DCS Construction	10,764	(12,786)	(2,022)
71,881	(51,749)	20,132	Housing Revenue Account	66,601	(52,382)	14,219
340	-	340	Discretionary NDR Relief	299	-	299
903	-	903	Tayside Valuation Joint Board	904	-	904
-	-	-	Write-off of DERL Debt (DCC Services)	-	-	-
1,089	(2,068)	(979)	Miscellaneous Items	2,158	(729)	1,429
134	0	134	Common Good Fund	158	-	158
2,360	(118)	2,242	Associates Accounted for on an Equity Basis	1,852	(90)	1,762
77,901	-	77,901	Joint Ventures Accounted for on an Equity Basis	86,301	-	86,301
783,142	(308,111)	475,031	Cost Of Services	808,335	(296,579)	511,756
		4,401	Other Operating Expenditure			(1,349)
		(161)	Share of Other Operating Expenditure (Associates)			(152)
		30,209	Financing and Investment Income and Expenditure			27,464
		378	Share of Financing and Investment Income and Expenditure (Associates)			95
		190	Share of Financing and Investment Income and Expenditure (Subsidiaries)			(157)
		(380,223)	Taxation and Non-Specific Grant Income			(387,861)
		(77,701)	Share of Taxation and Non-Specific Grant Income (Joint Ventures)			(85,404)
		(959)	Share of Taxation and Non-Specific Grant Income (Associates)			(966)
		51,165	(Surplus) or Deficit on Provision of Services			63,426
		(57,924)	(Surplus) or Deficit on revaluation of fixed assets			(118,821)
		2,398	Impairment losses on non-current assets charged to Revaluation			3,280
		(27)	(Surplus) or Deficit on revaluation of available-for-sale financial assets			44
		(284,250)	Remeasurements of the net defined benefit liability (asset)			(6,420)
		1,084	Share of Other Comprehensive Income and Expenditure (Associates)			(139)
		(338,719)	Other Comprehensive (Income) / Expenditure			(122,056)
		(287,554)	Total Comprehensive (Income) / Expenditure			(58,630)

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

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

	<u>Revenue Reserves</u>				<u>Capital Reserves</u>			Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Renewal and Repair Fund £000	Insurance Fund £000	Capital Grants & Receipts Unapplied Account £000	Capital Fund £000				
Balance at 31 March 2017	(5,800)	-	(6,732)	(1,118)	-	(2,100)	(15,750)	(401,076)	(416,826)	
-										
Movement in reserves during 2017/2018										
Total Comprehensive Expenditure and Income	24,531	26,964	-	-	-	-	51,495	(338,719)	(287,224)	
-										
Adjustments between Group Accounts and Council Accounts	(11,152)	-	-	-	-	-	(11,152)	(9,790)	(20,942)	
Net (Increase)/Decrease before Transfers	13,379	26,964	-	-	-	-	40,343	(348,509)	(308,166)	
-										
Adjustments between Accounting Basis and Funding Basis Under Regulations	(27,749)	(26,140)	-	-	(3,393)	-	(57,282)	57,282	-	
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(14,370)	824	-	-	(3,393)	-	(16,939)	(291,227)	(308,166)	
-										
Transfers to/(from) Earmarked Reserves	397	(824)	882	(445)	-	(10)	-	-	-	
(Increase)/Decrease in 2017/2018	(13,973)	-	882	(445)	(3,393)	(10)	(16,939)	(291,227)	(308,166)	
-										
Balance at 31 March 2018 Carried Forward	(19,773)	-	(5,850)	(1,563)	(3,393)	(2,110)	(32,689)	(692,303)	(724,992)	

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

	<u>Revenue Reserves</u>				<u>Capital Reserves</u>			Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund Balance	Housing Revenue Account	Renewal and Repair Fund	Insurance Fund	Capital Grants & Receipts Unapplied Account	Capital Fund	£000			
Balance at 31 March 2018	(19,773)	-	(5,850)	(1,563)	(3,393)	(2,110)	(32,689)	(692,303)	(724,992)	
Movement in reserves during 2018/2019										
Total Comprehensive Expenditure and Income	49,416	14,010	-	-	-	-	63,426	(122,056)	(58,630)	
Adjustments between Group Accounts and Council Accounts	(978)	-	-	-	-	-	(978)	3,147	2,169	
Net (Increase)/Decrease before Transfers	48,438	14,010	-	-	-	-	62,448	(118,909)	(56,461)	
Adjustments between Accounting Basis and Funding Basis Under Regulations	(49,740)	(14,091)	-	-	(2,477)	-	(66,308)	66,308	-	
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(1,302)	(81)	-	-	(2,477)	-	(3,860)	(52,601)	(56,461)	
Transfers to/(from) Earmarked Reserves	1,680	81	(771)	(1,010)	2,731	1,484	4,195	(4,195)	-	
(Increase)/Decrease in 2018/2019	378	-	(771)	(1,010)	254	1,484	335	(56,796)	(56,461)	
Balance at 31 March 2019	(19,395)	-	(6,621)	(2,573)	(3,139)	(626)	(32,354)	(749,099)	(781,453)	

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

31 March 2018		31 March 2019
£000		£000
1,481,419	Property, Plant & Equipment	1,617,648
8,382	Heritage Assets	8,382
21,034	Investment Property	20,370
1,114	Intangible Assets	980
29	Long Term Investments	29
674	Investments in Associates	269
10,124	Long Term Debtors	9,637
1,522,776	Long Term Assets	1,657,315
8,301	Short Term Investments	7,972
1,100	Inventories	1,241
54,122	Short Term Debtors	61,139
-	Cash and Cash Equivalents	9,957
3,649	Assets Held for Sale	4,403
67,172	Current Assets	84,712
(104,992)	Short Term Borrowing	(140,239)
(70,595)	Short Term Creditors	(71,976)
(2,516)	Cash and Cash Equivalents	-
(178,103)	Current Liabilities	(212,215)
(3,675)	Provisions	(3,340)
(440,578)	Long Term Borrowing	(466,983)
(5,396)	Liabilities in Associates	(7,349)
(235,941)	Other Long Term Liabilities	(269,228)
(1,263)	Capital Grants Receipts in Advance	(1,459)
(686,853)	Long Term Liabilities	(748,359)
724,992	Net Assets	781,453
32,689	Usable reserves	32,354
692,303	Unusable Reserves	749,099
724,992	Total Reserves	781,453



Gregory Colgan, BAcc (Hons) ACMA, CGMA
Executive Director of Corporate Services
Dundee City Council
26 June 2019

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

2017/2018		2018/2019
£000		£000
51,495	Net (Surplus) or Deficit on the provision of services	63,426
(136,111)	Adjust net (Surplus) or Deficit on the provision of services for non cash movements	(136,002)
6,584	Adjust for items included in the net (Surplus) or Deficit on the provision of services that are investing and financing activities	4,211
(78,032)	Net cash flows from Operating Activities	(68,365)
115,455	Investing Activities	112,361
(36,526)	Financing Activities	(56,469)
897	Net (Increase) or Decrease in cash and cash equivalents	(12,473)
(1,619)	Cash and cash equivalents at the beginning of the reporting period	(2,516)
(2,516)	Cash and cash equivalents at the end of the reporting period	9,957

1 Impact of Consolidation on Reserves

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

Group Entity	As at 31 March 2019		
	Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000
Dundee City Council (Single Entity)	26,824	753,503	780,327
Tayside Contracts Joint Committee	211	(6,706)	(6,495)
Common Good Fund	3,284	206	3,490
Charitable Trust Fund	340	6,463	6,803
Tayside Valuation Joint Board	79	(859)	(780)
Leisure & Culture Dundee	1,347	(3,508)	(2,161)
Design Dundee Limited	269	-	269
Total per Group Balance Sheet	32,354	749,099	781,453

Group Entity	As at 31 March 2018		
	Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000
Dundee City Council (Single Entity)	26,762	693,699	720,461
Tayside Contracts Joint Committee	187	(5,381)	(5,194)
Common Good Fund	3,293	258	3,551
Charitable Trust Fund	552	7,360	7,912
Tayside Valuation Joint Board	56	(797)	(741)
Dundee City Developments Limited	467	-	467
Leisure & Culture Dundee	1,165	(2,836)	(1,671)
Design Dundee Limited	207	-	207
Total per Group Balance Sheet	32,689	692,303	724,992

2 Impact of Consolidation on Cash and Cash Equivalents

The impact on total cash and cash equivalents of consolidating group entities is shown below:

Group Entity	At 31 March 2018	At 31 March 2019
	£000	£000
	Dundee City Council (Single Entity)	(3,085)
Common Good Fund	17	2
Charitable Trust Fund	552	340
Total per Group Balance Sheet	(2,516)	9,957

3 Group Accounting Policies

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

4 Group Entities – Basis of Consolidation

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

	Consolidation Basis	Group Share %	2017/2018		2018/2019		
			Net Expenditure / (Income) £000	Net Assets / (Liabilities) £000	Net Expenditure / (Income) £000	Net Assets / (Liabilities) £000	
Subsidiaries:							
Common Good Fund	Sole Trustee	100.00	(21)	3,551	100.00	9	3,490
Fleming Trust	Sole Trustee	100.00	(234)	7,912	100.00	(270)	6,803
Dundee Energy Recycling Limited	Share Capital Owned	100.00	(261)	-	n/a	-	-
Associates:							
Tayside Valuation Joint Board	Requisition Share	32.67	(1,724)	(741)	32.68	60	(780)
Dundee City Developments Limited	Voting Rights	28.57	93	467	n/a	-	-
Leisure & Culture Dundee	Voting Rights	46.15	(5,315)	(1,671)	46.15	630	(2,161)
Tayside Contracts Joint Committee	Share of Business	32.30	-	(5,194)	31.10	-	(6,495)
Design Dundee Limited	Voting Rights	20.00	(20)	207	20.00	(90)	269
Joint Ventures:							
Dundee Health and Social Care Partnership	Equal Partnership	50.00	200	-	50.00	897	-
Total Group Entities			(7,282)	4,531		1,236	1,126
Dundee City Council (Single Entity)			(279,942)	720,461		(59,866)	780,327
Dundee City Council (Group)			(287,224)	724,992		(58,630)	781,453

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

The Council administers the Common Good Fund for the former Burgh of Dundee. Whilst the Council does not have legal title over the assets of the Fund, they are legally vested in the Council and have therefore been included in the Group Accounts on the basis of applying the principle of faithful representation. Similarly, a charitable trust administered by the Council (the Fleming Trust) has also been included in the Group Accounts. The income, expenditure, assets and liabilities of the Common Good Fund and Fleming Trust have been consolidated as subsidiaries on a "line-by-line" basis in the Group Accounts. Separate details of the Common Good Fund are included on page 137. Separate details of the Fleming Trust are included on pages 114-115.

Dundee Energy Recycling Limited

Dundee Energy Recycling Limited (DERL) was a special purpose company, established in order to construct and operate a Waste-to-Energy Plant at Baldovie, Dundee. The project was originally developed under the Private Finance Initiative (PFI). 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 then 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 became DERL's sole shareholder on 21 October 2013 when it acquired all remaining ordinary share capital from the other shareholders. Dundee City Council had two officers as Directors on the Board of DERL (maximum number of Directors is six).

The Council sold its shareholding in DERL to MVV Environment Limited on 28 November 2017, following a Balance Sheet restructuring of the DERL group companies. On the same day, the Council entered into a new 28 year contract with MVV Environment Baldovie Limited (MEB) for the disposal of residual waste. The Council has no interest in the new company.

Associates:**Tayside Valuation Joint Board**

Tayside Valuation Joint Board was created in 1996 to take over from the local authorities in its area certain duties in relation to valuation for Rating and Council Tax. The Valuation Joint Boards (Scotland) Order 1995 provides the regulatory framework for the administration of the Board. Dundee City Council has accounted for it on a "net equity" basis. For the purpose of consolidation and disclosure, unaudited statutory accounts to the year ended 31 March 2019 were used.

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. The company was consolidated on a "net equity" basis. The company was dissolved on 8 March 2019. During 2018/2019 there were no transactions and no accounts were required to be prepared.

Leisure and Culture Dundee

Leisure and Culture Dundee (LACD) is a Scottish Charitable Incorporated Organisation (SCIO) that was established to manage the leisure and cultural facilities owned by the Council and has been in operation since 1 July 2011. The operational responsibility for Dundee Ice Arena was also transferred to LACD from 1 April 2014. The organisation has been consolidated on a "net equity" basis. For the purpose of consolidation and disclosure, unaudited accounts to the year ended 31 March 2019 were used.

Tayside Contracts Joint Committee

Tayside Contracts is a commercially based local authority contracting organisation providing catering, cleaning, roads maintenance, vehicle maintenance and winter maintenance throughout the Tayside area of Scotland. Tayside Contracts operates under a Joint Committee comprising of elected members from Dundee, Angus and Perth & Kinross Council. Tayside Contracts is accounted for as a "associate" and has been consolidated on a "net equity" basis. For the purpose of consolidation and disclosure, unaudited accounts to the year ended 31 March 2019 were used.

Design Dundee Limited

Design Dundee Limited (DDL) was established to organise the development and delivery of the V&A Museum of Design Dundee (V&A Dundee). The Council are one of the founder members of the company together with Universities of Dundee and Abertay, Scottish Enterprise and Victoria & Albert Museum. The company is limited by guarantee and is a registered charity. The Council has one officer appointed as a Director to the Board (total number Directors is currently 9). The company has a wholly owned subsidiary, Dundee Design Enterprises Limited (DDE) which was established to organise the commercial activities of the V&A Museum. DDE's accounts have been consolidated with DDL's accounts on a "line-by-line" basis. Both companies have then been consolidated with the Council's accounts on a "net equity" basis. For the purpose of consolidation and disclosure, unaudited accounts to 31 March 2019 were used.

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

The Dundee Health and Social Care Partnership was established 3 October 2015 by a formal legal partnership agreement between the two parent organisations, Dundee City Council and NHS Tayside. It is responsible for the operational management and oversight of delegated health and social care functions with effect from 1 April 2016. The Public Bodies (Joint Working) (Integration Joint Board) (Scotland) Amendment (No 3) Order 2015 provides the regulatory framework for the administration of the Board. It has been accounted for it on a "net equity" basis. For the purpose of consolidation and disclosure, unaudited statutory accounts to the year ended 31 March 2019 were used.

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

5. Non-Material Interests in Other Entities

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

Discovery Education Companies (3 no)

Discovery Education PLC, Discovery Education (Holdings) Limited and Discovery Education (Nominee) Limited were established during financial year 2006/2007 to operate the Dundee Schools PPP Project. The Council has a contract with Discovery Education PLC to carry out the projects works and services. Dundee City Council has a 1.5% shareholding in Discovery Education (Holdings) Limited. The Council owns £7,500 Ordinary B shares of £1 each. These 'B' shares have no rights to participate in the profits of the Company and no distributions of any kind, nor do they carry any voting rights at any general meeting of the company. The Council has an officer appointed as a Director on the Board of the company (total number of directors is 3). The Council also has an officer appointed as a Director on the Board of both the other companies although the Council has no shareholding (total number of directors on both other companies is 3). The Council's interest in these companies is accounted for as an investment in the single entity and group

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

Replacement of Baldragon Academy – Project Delivery Company

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

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

Dundee Contemporary Arts Limited

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

Dovetail Enterprises (1993) Limited

Dovetail Enterprises Limited was established to provide training and employment for persons with disabilities. The Council provides annual grant funding to this organisation. The Council has also previously provided an interest free loan of £400,000 and as a result has increased its share of the Standard Security to 33% of the company's liquidated assets. As at 31 March 2019, £300,000 of this loan has been repaid to the Council. During 2017/2018 the Council provided a loan of £100,000 at commercial rates and during 2018/2019 the Council provided a further loan of £150,000 at commercial rates. As at 31 March 2019, £168,000 of these two loans has been repaid to the Council and as a result the company has outstanding loans totalling £182,000 from the Council. The company is limited by guarantee and the members' liability is limited to £1. The Council has four elected members appointed as Directors to the Board (total number of Directors is 14).

6. Related Entities Not Consolidated**Tay Road Bridge Joint Board**

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

National Housing Trust Initiatives

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

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

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

Tay Cities Region Joint Committee

Tay Cities Region Joint Committee was established in September 2017 to provide appropriate governance arrangements for the Tay Cities Deal. The financial results of the Joint Committee have not been consolidated in the Council's Group Accounts on the basis that the transactions and balances are currently below the amount required for the Council to consider consolidation in the Group accounts. This treatment will be reviewed in future years to ensure that the Joint Committee is consolidated and disclosed within the Council's accounts when the relevant amounts are material.

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".

2017/2018 £000	Income & Expenditure Account	2018/2019 £000
	<u>Income</u>	
(151)	Dividends on Bonds / Shares	(148)
(151)		(148)
	<u>Expenditure</u>	
134	Other Expenditure	158
134		158
(17)	(Surplus)/Deficit for Year	10

2017 £000	Balance Sheet as at 31 March	2018 £000
	<u>Current Assets</u>	
3,551	Short Term Investments	3,490
3,551		3,490
	<u>Current Liabilities</u>	
-	Sundry Creditors	-
-		-
3,551	Net Assets	3,490

Financed By Fund Balances and Reserves		
Not Available for Use:		
258	- Financial Instruments Restatement Reserve	206
258		206
Available for Use:		
3,293	- Common Good Balance	3,284
3,551		3,490



Gregory Colgan BAcc (Hons), ACMA, CGMA
Executive Director of Corporate Services
Dundee City Council
26 June 2019

1. SHORT TERM INVESTMENTS

Included within the Short Term Investments figure of £3,489,966 are investments in Bonds to the value of £3,406,126

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

The Annual Accounts set out on pages 49 to 137 are subject to audit in accordance with the requirements of Part VII of the Local Government (Scotland) Act 1973.

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

Fiona Mitchell-Knight, Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

While much of the terminology used in this document is intended to be self explanatory, the following additional definitions and interpretation of terms may be of assistance.

Accounting Period

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

Actuarial Gains and Losses (Pensions)

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

Asset

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

Associate

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

Balance Sheet

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Financing

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

Capital Grants and Receipts Unapplied Account

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

Capital Receipt

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

Capital Receipts Reserve

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

Cash Flow Statement

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

Common Good Fund

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

Community Assets

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

Comprehensive Income & Expenditure Statement

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

Corporate and Democratic Core

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

Council Tax Income Account

Details the gross and net income from Council Tax.

Creditor

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

Current Service Cost (Pensions)

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

Debtor

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

Defined Benefit Pension Scheme

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

Depreciation

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

Discretionary Benefits (Pensions)

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

Employee Statutory Adjustment Account

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

Entity

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

Events after the Balance Sheet Date

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

Expenditure and Funding Analysis

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

Fair Value

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

Financial Instruments Adjustment Account

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

Finance Lease

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

General Fund

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

Government Grants

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

Gross Expenditure

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

Gross Income

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

Group Accounts

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

Heritage Asset

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

Housing Revenue Account

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

Impairment

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

Infrastructure Assets

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

Insurance Fund

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

Intangible Assets

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

Interest Cost (Pensions)

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

Inventories

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

Liability

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

Movement in Reserves Statement

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

National Non-Domestic Rates Pool

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

Net Book Value

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

Non Current Assets

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

Non Distributed Costs

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

Non-Domestic Rate Income Account

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

Notes to the Core Financial Statements and Other Various Accounts

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

Operating Lease

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

Past Service Cost (Pensions)

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

Pension Reserve

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

Pension Scheme Liabilities

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

Post Employment Benefits

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

Prior Year Adjustment

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

Provision

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

Public Works Loan Board (PWLB)

A Central Government Agency, which provides loans for one year and above to Councils at interest rates only based on those at which the Government can borrow itself

Rateable Value

The annual assumed rental of a non housing property, which is for national Non Domestic Rates purposes.

Related Parties

Entities or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

Repairs and Renewal Fund

The Repairs and Renewal Fund provides resources for expenditure on the Council's assets.

Reserves

The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

Residual Value

The net realisable value of an asset at the end of its useful life.

Revaluation Reserve

The Revaluation Reserve represents the store of gains on revaluation of fixed assets not yet realised through sales.

Revenue Expenditure

The day-to-day running costs associated with the provision of services.

Service Concession Arrangement

A contractual arrangement (or other arrangement that confers similar rights) between a local authority and an operator in which:

- a) the operator uses the service concession asset to provide a public service on behalf of the local authority for a specified period of time, and
- b) the operator is compensated for its services over the period of the service concession arrangement.

Significant Interest

The reporting authority is actively involved and is influential in the direction of an entity through its participation in policy and/or operational decisions.

Soft Loan

A loan made by the Council to another entity at an interest rate significantly below market interest rates.

Subsidiary

An entity over which the Council has overall control through the power to govern its financial and operating policies so as to obtain benefits from the entity's activities.