

REPORT TO: FINANCE COMMITTEE - 27 JUNE 2005

**REPORT ON: DUNDEE CITY COUNCIL - UNAUDITED STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2005**

REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)

REPORT NO: 431-2005

1 PURPOSE OF REPORT

To provide some additional background and commentary on the City Council's unaudited Statement of Accounts that is being submitted to the Finance Committee along with this report.

2 RECOMMENDATIONS

The Committee is asked to:

- 2.1 Note the contents of this covering report.
- 2.2 Note the unaudited Statement of Accounts that has been submitted along with this report.
- 2.3 Instruct the Depute Chief Executive (Finance) to submit the Statement of Accounts to the Controller of Audit, Accounts Commission for Scotland.

3 FINANCIAL IMPLICATIONS

- 3.1 The City Council's 2004/2005 revenue account shows an actual deficit of £0.388m, against a budgeted deficit of £4.065m. The closing General Fund balance is £8.884m, including the amount of £0.754m which is reserved for schools participating in the Devolved School Management Scheme and the amount of £1.125m which is reserved for Car Parking purposes. The uncommitted element of the closing General Fund balance is £3.159m.
- 3.2 The Statutory Trading Account for Dundee Contract Services shows a surplus of £0.134m for the financial year 2004/2005.

4 LOCAL AGENDA 21 IMPLICATIONS

None

5 EQUAL OPPORTUNITIES IMPLICATIONS

None

6 REPORT

- 6.1 The relevant statutory provisions regarding the preparation of Local Authority Accounts are contained in the Local Authority Accounts (Scotland) Regulations 1985, as amended by the Local Authority Accounts (Scotland) Amendment Regulations 1997. Section 4 of these regulations requires that "... all the accounts of the local authority are made up and balanced as soon as practicable after the end of each financial year and that sufficient copies of an abstract of the said accounts for each financial year are prepared ... and submitted to the authority and to the Controller of Audit not later than 30 June in the next financial year....".
- 6.2 The City Council is required to prepare consolidated accounts covering all departments of the Council. The accounts for the financial year 2004/2005 are enclosed with this report.
- 6.3 The Statement of Accounts already includes a detailed 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.

- 6.4 The City Council's 2004/2005 Revenue Account shows an actual deficit of £0.388m against a budgeted deficit of £4.065m (ie an underspend of £3.677m). The main areas of under and overspend are highlighted on page 3 of the Statement of Accounts.
- 6.5 The General Fund balance at 31 March 2005 is £8.884m, including the amount of £0.754m which is held on behalf of schools participating in the Devolved School Management scheme and the amount of £1.125m which is reserved for Car Parking purposes. Elected Members will recall that an amount of £1.600m was taken from the General Fund balance and used in setting the Council Tax level for 2005/2006. Also, there were underspends in 2004/2005 amounting to £2.246m that relate to committed projects and therefore require to be carried forward to 2005/2006 and met from the General Fund balance. After adjusting for all of these items, the effective level of uncommitted General Fund balance as at 31 March 2005 is £3.159m.
- 6.6 The new accounting standard for pension costs has been fully effective since 2003/2004 and the Council has included the appropriate entries in its 2004/2005 Statement of Accounts. The Council's net pension liability (as calculated by independent actuaries) was estimated at £191.023m as at 31 March 2005. This represents a significant increase from the figure of £75.303m as at 31 March 2004 and is due mainly to a change in the discount rate for defined benefit pension scheme liabilities. The revised pension costs and balances are purely notional and the funding requirements continue to be governed by the Local Government Pension Scheme regulations. Accordingly, the new accounting standard has no impact on the Council's General Fund balances, or on its budgetary requirements.
- 6.7 Elected Members will recall that the Local Government in Scotland Act 2003 repealed CCT legislation and, as a consequence, it is no longer necessary to maintain and publish separate accounts for DLOs and DSOs. The Act introduced a new requirement to maintain and publish Trading Accounts for significant trading operations. On 12 January 2004, the Finance Committee agreed that the Council should operate a Trading Account for the services provided by Dundee Contract Services. The DCS Trading Account for 2004/2005 is shown on page 15 of the Statement of Accounts. A surplus of £0.134m was generated in 2004/2005.
- 6.8 The Council has fully complied with all aspects of the new Prudential Code for capital investment in 2004/2005.
- 6.9 In conclusion, it can be said that the City Council's procedures for monitoring and managing its financial affairs have operated successfully during 2004/2005.
- 6.10 Copies of the enclosed Accounts will now be sent to the Controller of Audit at the Accounts Commission for Scotland. She will then instruct the Council's appointed external auditor (Ms Fiona Kordiak CPFA, Assistant Director, Audit Scotland) to commence her audit of the Accounts. The 2004/2005 audit process is due to be completed by 30 November 2005 and the outcome of the audit is scheduled to be reported back to the Finance Committee 12 December 2005.
- 6.11 Elected Members are respectfully requested to retain their copies of the enclosed accounts for future reference.

7 BACKGROUND PAPERS

None

DAVID K DORWARD
DEPUTE CHIEF EXECUTIVE (FINANCE)

23 JUNE 2005



DUNDEE CITY COUNCIL

**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2005**

UNAUDITED

June 2005

DUNDEE CITY COUNCIL

STATEMENT OF ACCOUNTS 2004/2005

CONTENTS

	PAGE NO
Foreword by the Depute Chief Executive (Finance)	2
Statement of Accounting Policies	5
Consolidated Revenue Account	9
Notes to the Consolidated Revenue Account	10
Council Tax Income Account	17
Notes to the Council Tax Income Account	17
Non-Domestic Rate Income Account	19
Notes to the Non-Domestic Rate Income Account	19
Housing Revenue Account	20
Notes to the Housing Revenue Account	20
Consolidated Balance Sheet	21
Notes to the Consolidated Balance Sheet	22
Statement of Total Movements in Reserves	34
Cash Flow Statement	36
Notes to the Cash Flow Statement	37
Group Accounts	39
Tayside Superannuation Fund Accounts	42
Tayside Transport Superannuation Fund Accounts	43
Superannuation Funds Accounts – Statement of Principal Accounting Policies	44
Notes to the Superannuation Funds Accounts	45
Common Good Fund Account	49
Charitable Trust Funds Account	50
Statement on the System of Internal Financial Control	51
Statement of Responsibilities for the Statement of Accounts	52
Independent Auditor's Report	53

FOREWORD BY DEPUTE CHIEF EXECUTIVE (FINANCE)

Introduction

This foreword is intended as a commentary on the City Council's financial position, as presented within the Statement of Accounts for the financial year 2004/2005.

Accounting Policies (see pages 5 to 7)

The Statement of Accounting Policies sets out the basis upon which the Financial Statements have been prepared, and explains the accounting treatment of both general and specific items.

The Accounting Statements (see pages 9 to 50)

Consolidated Revenue Account:

sets out the budgeted and actual expenditure and income for all of the Council's services. This statement also shows how the expenditure has been financed and identifies the General Fund surplus for the year and the balances carried forward to the next financial year.

Council Tax Income Account:

details the gross and net income from Council Tax.

Non-Domestic Rate Income Account:

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

Housing Revenue Account:

reflects the statutory requirement to separately account for local authority housing provision, as defined in the Housing (Scotland) Act 1987. It shows the major elements of housing revenue expenditure and capital financing costs, and how these are met by rents, housing support grant and other income. In 2004/2005 the Housing Revenue Account had an excess of expenditure over income of £0.208m and this deficit was transferred to the Consolidated Revenue Account and then appropriated from the Renewal and Repair Fund. The approved capital budget earmarked up to £1.387m to be funded from the Renewal and Repairs Fund. The actual transfer was considerably lower due to savings on demanded repairs and relets with the introduction of the new partnership between Dundee Contract Services and Housing. In addition, there were underspends on Planned Maintenance and CFR due to slippage on contracts and transfers to the capital programme while additional funding was received towards the implementation of the new Housing Act.

Consolidated Balance Sheet:

is a combination of the General Fund, Housing Revenue Account, Consolidated Loans Fund, Insurance Funds and Statutory Trading Account Balance Sheets and represents the overall financial position of the Council at 31 March 2005. All inter-departmental balances have been eliminated upon consolidation.

Statement of Total Movements in Reserves:

brings together all the recognised gains and losses of the authority during the period. The statement separates the movements between revenue and capital reserves.

Cash Flow Statement:

details the inflows and outflows of cash arising from revenue and capital transactions.

Group Accounts:

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

Superannuation Funds Accounts:

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

Common Good Fund and Charitable Trust Funds Accounts:

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

Notes to the Various Accounts, Balance Sheet and Statements:

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

Statement on the System of Internal Financial Control (see page 51)

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

Statement of Responsibilities for the Statement of Accounts (see page 52)

This statement sets out the main financial responsibilities of the Council and the Depute Chief Executive (Finance).

Major Changes in Accounting Policy

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

There have been no major changes in accounting policy since the 2003/2004 Statement of Accounts was prepared.

Virement from Contingency/Fund Balances

The 2004/2005 Revenue Budget included a general contingency provision of £200,000 to allow for unforeseen items of expenditure arising during the course of the financial year. This was vired to offset additional expenditure incurred by departments. In addition, virements totalling £2.1m were made from General Fund balances, mainly to fund departmental expenditure commitments that had been carried forward from 2003/2004. During the course of the financial year, the Council received additional new monies totalling some £1.4m from the Scottish Executive to fund new initiatives and transfers of responsibility in Social Work services eg Residential Allowances, Choose Life Strategy, Supporting Young People Leaving Care etc.

FOREWORD BY DEPUTE CHIEF EXECUTIVE (FINANCE)

The "Budgeted Net Expenditure/(Income)" column in the Consolidated Revenue Account (see page 9) reflects the impact of the transfers from the general contingency and from General Fund balances together with the additional funding received from the Scottish Executive during the financial year. The budgeted net expenditure figures have also been adjusted to reflect amounts transferred from the Renewal & Repair Fund in order to fund expenditure within departments.

Revenue Expenditure

The Consolidated Revenue Account (see page 9) shows an actual deficit for the year of £0.388m, against a budgeted deficit of £4.065m, ie this represents an overall net underspend of £3.677m against the 2004/2005 Revenue Budget. The main components of the net underspend are as follows:

	£m
Net underspend on General Fund Services	(5.074)
Reduced DCS Surpluses*	0.521
Savings on Loan Charges and Additional Interest Received	(0.509)
Contribution to Renewal & Repair Fund	1.197
Reduced CFCR Expenditure	(0.620)
Reduced Local Taxation Income	<u>0.808</u>
TOTAL NET UNDERSPEND	<u>(3.677)</u>

*Note: the reduction in DCS surpluses is £0.370m when restated to a historical cost basis.

The net underspend of £5.074m on General Fund services was due to a number of under and overspends within departmental budgets, particularly underspends in Education and Social Work. Given the size and diversity of the Council's Revenue Budget and the services that it provides, there will inevitably be a significant number of variances from budget in any given financial year. It should also be noted that, within the above underspends, expenditure commitments totalling £3.0m (including Devolved School Management balances) will be carried forward to 2005/2006.

General Fund Balances

The excess of expenditure over income for the financial year 2004/2005 was £0.388m. When subtracted from the opening General Fund balance of £9.272m, this gives a General Fund balances figure of £8.884m at 31 March 2005. It is, however, estimated that there are expenditure commitments amounting to £2.246m outstanding at 31 March 2005. These have arisen due to underspends in 2004/2005 and these underspends will be carried forward to 2005/2006 and fully utilised in the new financial year. It was agreed that the sum of £1.600m be taken from balances in setting the 2005/2006 Council Tax. In addition, there are ear-marked balances within the General Fund of £0.754m and £1.125m in respect of the Devolved School Management Scheme and Car Parking respectively. When all of these items are taken into account, it is estimated that the Council has uncommitted General Fund balances of £3.159m as at 31 March 2005. This sum is not considered unreasonable for a local authority with an annual net cost of services of almost £300m.

Principal Sources of Finance for Revenue Expenditure

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

	£m
Revenue Support Grant	163.8
Contributions from National Non-Domestic Pool	<u>54.0</u>
	<u>217.8</u>

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

Prudential Code

The previous controls on local authority borrowing were abolished by the Local Government in Scotland Act 2003 and replaced (with effect from 1 April 2004) by a prudential regime, based mainly on self-regulation. A Prudential Code has been developed by CIPFA as a professional code of practice to support local authorities in taking decisions on capital investment. The Code seeks to ensure that capital investment programmes are affordable, that borrowing is within prudent and sustainable levels and that treasury management decisions are taken in accordance with professional good practice. The Code also sets out a range of prudential indicators that will demonstrate whether these objectives have been met. Compliance with the Code is required under the 2003 Act. The Council has complied with all aspects of the Prudential Code in 2004/2005.

Capital Expenditure & Borrowing Facilities

Gross capital expenditure in 2004/2005 was £61.6m, of which £17.8m was spent within the Housing Department Programmes. The remaining £43.8m was spent on the Council's other services including Education, Social Work, Planning & Transportation, Leisure & Arts and Economic Development.

The £61.6m of capital expenditure was funded through borrowing (£24.4m), various types of capital receipts (£31.9m) directly from the 2004/2005 Revenue Account (£3.5m) and by a net change in capital accruals (£1.8m).

Borrowing has the effect of increasing the Council's overall indebtedness and the level of principal repayments and loan interest charges each year. Capital expenditure met directly from the revenue account increases total net expenditure in that particular year but does not result in an increase in overall indebtedness. The Council uses these methods of funding capital expenditure as part of its long and short term capital financing strategy.

The Council has several sources available to it in terms of borrowing to fund capital expenditure. The most significant of these are the Public Works Loans Board and the European Investment Bank, although the Council can, in addition, borrow from the money markets.

FOREWORD BY DEPUTE CHIEF EXECUTIVE (FINANCE)

Control of Capital and Revenue Expenditure

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

Public Private Partnership (PPP)

In December 2003, the Scottish Executive confirmed their initial offer of revenue (level playing field) support of £5.73m per annum for a revised PPP project with a notional capital value of £80m for the replacement, extension and refurbishment of schools within the city. The Council is currently evaluating two bids for the project with a view to appointing a preferred bidder in the summer of 2005.

Pension Liability (FRS 17)

Under Financial Reporting Standard 17 (Retirement Benefits) the Council is required to include figures in its Statement of Accounts relating to the assets, liabilities, income and expenditure of the pension scheme for its employees. It has been estimated that the Council had a net pension liability of £191.0m as at 31 March 2005. The estimated net pension liability at 31 March 2004 was £75.3m. This significant increase is due mainly to a change in the discount rate for defined benefit pension scheme liabilities.

Statutory Trading Accounts

The Local Government in Scotland Act 2003 repealed CCT legislation and introduced a new requirement to maintain Trading Accounts for significant trading operations. In 2003/2004, the Council established a Statutory Trading Account for the services provided by Dundee Contract Services. The Statutory Trading Account shows that a surplus of £0.134m was generated in 2004/2005 and this has been transferred to the Consolidated Revenue Account.

Scottish Housing Quality Standard

Following consultation, and recognising the desire of a majority of tenants to remain with the Council, a Scottish Housing Quality Standard delivery plan was submitted to the Scottish Executive. The Scottish Executive had previously announced that they require all Scottish Council Housing to be brought up to the new Scottish Housing Quality Standard by 2015 and maintained at that standard thereafter. The standard states that Scottish Council Housing should be free from major repair, energy efficient and safe and secure. The Council's delivery plan was forwarded in April 2005 and sets out the achievement of the standard by 2015 and the phasing of the £140.8m investment in Council Housing core stock. The Council also intends to spend an additional £45m to supplement the SHQS by investing in a maintenance investment programme during the same period.

Acknowledgements

I would like to thank George Regan, the Finance Convener, all other Elected Members and officers of the Council for their active support and co-operation in the effective management of the Council's finances during another challenging year. Finally, I would conclude this report by thanking all the Finance Department staff who contributed to the management and control of the Council's finances and to the finalisation of the City Council's 2004/2005 Statement of Accounts.

David K Dorward CPFA
Depute Chief Executive (Finance)
Dundee City Council
23 June 2005

STATEMENT OF ACCOUNTING POLICIES

General

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

- the "Code of Practice on Local Authority Accounting in the United Kingdom 2004 - A Statement of Recommended Practice" (the SORP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LA(S)AAC)
- the Best Value Accounting Code of Practice 2004

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

Intangible Assets

Intangible assets are capitalised and included in the Consolidated Balance Sheet at cost. Thereafter, they are amortised to the revenue account on a systematic basis over their economic lives.

Tangible Fixed Assets - Basis of Valuation

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

Other operational properties owned by the Council have been included in the Consolidated Balance Sheet at market value in existing use or, in the case of specialised assets for which there is no market value, at depreciated replacement cost. Non operational properties are included at open market value. All property related assets were revalued between the period 1 April 1999 and 31 March 2004. The revaluation exercise was undertaken by means of a rolling programme, covering all properties over a five-year cycle. The current cycle began on 1 April 2004.

Non-operational investment properties within all Council Departments are revalued annually. In 2004/05 the date of the revaluation was 31 March 2005.

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

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

Tangible Fixed Assets - Capital Charges to Revenue Accounts

The capital charges made to Service Revenue Accounts, Central Support Services and Statutory Trading Accounts, equate to the sum of depreciation (where applicable) and impairment plus a notional interest charge based on the revised net amount at which the fixed asset is included in the Consolidated Balance Sheet at 1 April 2004. The notional rate of interest used is 3.5% for those fixed assets included in the Consolidated Balance Sheet at current value (2003/2004 3.5%) and 4.8% for infrastructure assets and community assets which are included in the Consolidated Balance Sheet at historical cost (2003/2004 4.625%). The Council's housing stock is depreciated using the Major Repairs Allowance as a measure for depreciation. The straight-line method of depreciation is used for all other assets that are subject to depreciation. Assets have been assigned various useful lives and residual values have been assumed where appropriate. No depreciation is charged in the year of acquisition but a full year's charge is made in the year of disposal.

Leases

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

Finance Leases:

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

Operating Leases:

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

STATEMENT OF ACCOUNTING POLICIES

Deferred Charges

Deferred charges represent capitalised expenditure which does not result in, or remain matched with, tangible fixed assets. Deferred charges are amortised to the revenue account over an appropriate period consistent with the consumption of the economic benefits controlled by the Council.

Investments

Investments in companies are shown at cost, less any provision required for loss in value. Superannuation Fund investments are shown at market value (mid market price). Common Good, Charitable Trust and Insurance Funds investments are shown in the accounts at cost less any provision required for overall loss in value.

Stocks and Work in Progress

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

Covenant Schemes

Assets which have been financed through Covenant schemes are included in the Consolidated Balance Sheet at a value arrived at in accordance with the accounting treatment for fixed assets. An amount is included in the Long Term Liabilities section as a Deferred Liability. The Deferred Liability represents the total indebtedness to the Development Company under Covenant schemes at 31 March 2005.

Provisions

Provisions are made for the following:-

- bad debts on Non-Domestic Rates, Community Charge, Council Tax, Statutory Additions and on other items of income, where appropriate. In all cases the level of provision is based on experience and an assessment of the prospects of recovering the related debts.
- potential abatements of Non-Domestic Rate income due to vacant properties and valuation appeals and potential reductions in Council Tax income due to exemptions and discounts.
- self-insured/uninsured losses chargeable against the Insurance Funds operated by the Council.

Significant Estimation Techniques

The Council's Consolidated Balance Sheet at 31 March 2005 includes various provisions totalling £30.295m. These provisions have been calculated using the undernoted estimation techniques.

Bad Debt Provisions

Non Domestic Rates - the provision of £0.915m has been calculated by applying a fixed percentage to each year's outstanding debt.

Community Charge - the provision of £4.432m has been calculated by projecting future collection levels based on the actual collection achieved in 2004/2005.

Council Tax - the provision of £12.663m has been calculated using the non-collection rate anticipated when each financial year's Council Tax was set, or a lower figure where the anticipated collection rate has been exceeded.

Statutory Additions - the provision of £2.104m has been calculated by applying the overall percentage relating to the various charge elements (ie Non Domestic Rates, Community Charge and Council Tax) to which the Statutory Addition was applied.

Miscellaneous Invoiced Debt - the provision of £1.540m has been calculated by applying non-collection rates to an aged debt analysis. The percentage increases according to the age of the debt. Higher percentages are also applied to types of debt which have proven difficult to collect.

Housing Rents - the provision of £0.889m has been calculated by applying various percentages to a value-banded debt analysis. The percentage increases according to the value of the debt.

Housing Benefit Overpayments - the provision of £1.157m has been calculated by applying an anticipated non-collection rate to the total debt.

Other Provisions

Council Tax - a provision is required for potential loss of income arising from reductions in the net charge levied by the Council, due to exemptions and discounts. The provision of £0.900m is based on the movements for charge years prior to 2004/2005.

Non Domestic Rates - a provision is required for potential loss of income arising from the settlement of valuation appeals. The provision of £0.383m is based on the value of appeals outstanding and an estimate of the percentage that will be successful.

Insurance - a provision is required to meet self-insured losses. The provision of £5.312m is based on the outstanding value of unsettled claims, considered in conjunction with aggregate stop-loss arrangements within the Council's insurance cover.

Government and EC Grants

Grants are accounted for on an accruals basis and income has been credited to either the appropriate revenue account or to the Government Grants/Capital Contributions Deferred Account. Capital grants and contributions are written off to the Asset Management Revenue Account over the useful life of the related asset to match the depreciation of the asset.

Capital Receipts

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

STATEMENT OF ACCOUNTING POLICIES

be made to the Capital Fund to fund capital expenditure in future financial years.

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

Reserves

The Council maintains a number of reserve funds for purposes outwith those classified as provisions. Full details are given in the Statement of Total Movements in Reserves on pages 34 and 35.

Basis of Funding and Charging for Capital

The Council's borrowing is managed through its Consolidated Loans Fund (CLF) which makes advances to individual service capital accounts to finance capital expenditure. Repayments to the Consolidated Loans Fund are made on an annuity basis. The total interest paid by the CLF, including Interest on Revenue Balances (IORB) is charged to the corporate Asset Management Revenue Account.

Repurchase of Borrowing

Losses or gains arising on the repurchase or early settlement of borrowing, where coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect, are recognised in the Consolidated Revenue Account over the life of the replacement borrowing. The balance of the premium or discount is shown in the Consolidated Balance Sheet as a Long Term Debtor or Deferred Liability.

Revenue and Capital Transactions

Revenue and Capital transactions are recorded in the accounts on an income and expenditure basis, i.e. recognised as they are earned or incurred, not as money is received or paid. All specific and material sums payable to and due by the Council as at 31 March 2005 have been brought into account.

Statutory Additions

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

Pensions

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

Teachers:

This is an unfunded scheme administered by the Scottish Public Pensions Agency. The pension costs included in the accounts reflect the contribution rate set by the Scottish Executive on the basis of a notional fund.

Other Employees:

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

Central Support Services

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

Insurance

Expenditure included in the Statement of Accounts relates mainly to premiums paid, policy excesses and settlement of claims where the Authority has self insured its liability. Provision has also been made for potential future liabilities arising from unsettled claims. The Insurance Funds have been operated in accordance with the "Best Practice Guidance for Local Authority Insurance Funds" issued by LA(S)ACC.

Public Private Partnership (PPP)

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

Exceptional Items

Exceptional items are ones that are material in terms of the Council's overall expenditure and are not expected to recur frequently or regularly. Exceptional items are included in the net cost of the service to which they relate and further details are provided in the notes to the Consolidated Revenue Account.

Prior Period Adjustments

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

Financial Relationships with Companies

The Accounting Code of Practice requires local authorities to prepare supplementary Group Accounts to incorporate the results of subsidiaries, associates and joint ventures. A joint venture has been consolidated using the "equity" method in the supplementary Group Accounts on pages 39 to 41.

CONSOLIDATED REVENUE ACCOUNT

2003/2004 Actual Net Expenditure/ (Income) £000		2004/2005			
		Actual Gross Expenditure £000	Actual Income £000	Actual Net Expenditure/ (Income) £000	Budgeted Net Expenditure/ (Income) £000
	Council Services				
99,063	Education	122,514	(11,139)	111,375	113,915
56,522	Social Work	83,328	(20,260)	63,068	64,799
15,753	Planning & Transportation (incl Car Parks)	24,967	(7,084)	17,883	18,093
5,205	Economic Development	12,721	(6,519)	6,202	6,159
14,100	Leisure & Arts	19,549	(4,583)	14,966	15,075
12,865	Waste Management	15,598	(2,044)	13,554	13,690
2,412	Environmental Health & Trading Standards	3,872	(1,339)	2,533	2,581
11,014	Communities	16,947	(5,074)	11,873	11,909
94	Central Support Services	2,118	(1,849)	269	488
5,062	Miscellaneous Services	13,303	(7,507)	5,796	5,933
3,157	Other Housing	5,208	(1,443)	3,765	3,914
-	Supporting People	12,136	(12,149)	(13)	-
2,204	DCS Land Services Client	2,448	(48)	2,400	2,363
16,089	Contribution to Tayside Joint Police Board	16,493	-	16,493	16,493
11,631	Contribution to Tayside Fire Joint Board	12,629	-	12,629	12,629
918	Contribution to Tayside Valuation Joint Board	904	-	904	940
2,876	Housing/Council Tax Benefits	60,128	(60,366)	(238)	(298)
3,180	Corporate and Democratic Core	3,364	(100)	3,264	3,114
<u>955</u>	Non Distributed Costs	<u>379</u>	<u>-</u>	<u>379</u>	<u>379</u>
263,100	Net Cost of General Fund Services	428,606	(141,504)	287,102	292,176
<u>152</u>	Housing Revenue Account	<u>40,353</u>	<u>(40,101)</u>	<u>252</u>	<u>3</u>
<u>263,252</u>	Net Cost of Services	<u>468,959</u>	<u>(181,605)</u>	<u>287,354</u>	<u>292,179</u>
			Ref Note No		
(1,223)	Net Surplus on Statutory Trading Account		18	(134)	(655)
(288)	Share of Tayside Contracts Surplus			(241)	(241)
(520)	Net Income on Asset Management Revenue Account		5	(1,051)	(751)
(532)	Interest and Investment Income			(699)	(390)
	Pensions Interest Cost and Expected Return on				
	Pensions Assets		16	<u>3,912</u>	<u>3,912</u>
<u>4,039</u>	Net Operating Expenditure			<u>289,141</u>	<u>294,054</u>
<u>264,728</u>					
	Appropriations				
(1,587)	Contribution to/(from) Capital Financing Account			(14,718)	(14,199)
123	Contribution to/(from) Renewal & Repair Fund			(614)	(1,603)
(237)	Contribution to/(from) DCS Reserve			-	-
<u>(2,868)</u>	Contribution to/(from) Pensions Reserve		16	<u>(4,218)</u>	<u>(4,130)</u>
<u>260,159</u>	Amount to be met from Government Grants and Local Taxpayers			<u>269,591</u>	<u>274,122</u>
	Principal Sources of Finance				
(49,107)	Income from Council Tax			(51,294)	(52,245)
(71)	Income from Community Charge		11	(143)	-
(161,378)	Revenue Support Grant			(163,770)	(163,813)
<u>(51,723)</u>	Contribution from National Non-Domestic Rate Pool			<u>(53,996)</u>	<u>(53,999)</u>
<u>(262,279)</u>				<u>(269,203)</u>	<u>(270,057)</u>
<u>(2,120)</u>	(Surplus)/Deficit for the Financial Year			<u>388</u>	<u>4,065</u>
	Balances				
(7,152)	Balances at 1 April (including DSM and Car Park Balances)			(9,272)	(9,272)
<u>(2,120)</u>	Add (Surplus)/Deficit for the financial year			<u>388</u>	<u>4,065</u>
<u>(9,272)</u>	General Fund Balance at 31 March			<u>(8,884)</u>	<u>(5,207)</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1 ACQUIRED AND DISCONTINUED OPERATIONS

In 2004/2005 there were no acquired or discontinued operations (2003/2004 None).

2 EXCEPTIONAL ITEMS

In 2004/2005 there were no exceptional items (2003/2004 None).

3 EXTRAORDINARY ITEMS

In 2004/2005 there were no extraordinary items (2003/2004 None).

4 PRIOR PERIOD ADJUSTMENTS

In 2004/2005 there were no prior period adjustments (in 2003/2004 a prior period adjustment was made in respect of pension costs following the full implementation of Financial Reporting Standard 17 - Retirement Benefits, which represented a major change in accounting policy).

5 TRANSACTIONS ON THE ASSET MANAGEMENT REVENUE ACCOUNT

2003/2004		2004/2005	
£000	Income	£000	£000
	Capital Charges		
(24,315)	- General Fund Services (including Statutory Trading Account)		(34,122)
(11,975)	- Housing Revenue Account		(12,136)
	Transfer from Government Grants/Capital Contributions		
<u>(676)</u>	Deferred Account		<u>(1,111)</u>
(36,966)			(47,369)
	Expenditure		
17,972	Provision for Depreciation/Impairment	27,273	
18,276	External Interest Charges (including Interest on Revenue Balances)	18,804	
<u>198</u>	Consolidated Loans Fund Expenses	<u>241</u>	
<u>36,446</u>			<u>46,318</u>
<u>(520)</u>	Balance to Consolidated Revenue Account		<u>(1,051)</u>

The capital charges shown above have been calculated in accordance with the "minimum charge" as defined in the Accounting Code of Practice ie depreciation (where applicable) and impairment plus a notional capital financing charge.

6 FINANCE AND OPERATING LEASES

Council as Lessee

The Council has acquired plant and equipment that is accounted for as a finance lease. The rentals payable under this agreement during 2004/2005 were £4,000 (2003/2004 £4,000). This amount comprises £1,000 of financing costs and £3,000 relating to the write-down of obligations to the lessor.

Operating lease rental payments of £2,560,000 were made during 2004/2005 (2003/2004 £1,682,000). In addition, the Council operates a contract car hire scheme for its employees. In financial year 2004/2005, total payments of £814,000 (2003/2004 £788,000) were made by the Council to the lessor, offset by contributions of £362,000 (2003/2004 £323,000) from employees.

Council as Lessor

Dundee City Council has entered into a number of property agreements that are managed corporately by the Economic Development Department. These agreements are accounted for as operating leases. The aggregate rentals receivable from these agreements in 2004/2005 was £3,826,000,

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

7 PUBLICITY ACCOUNT

Section 5 of the Local Government Act 1986 requires local authorities to keep a separate account of expenditure on publicity. During 2004/2005 the Council incurred the expenditure shown below on publicity.

2003/2004			2004/2005	
£000			£000	
383		Employment Advertising	262	
96		General Advertising	120	
<u>25</u>		Others	<u>141</u>	
<u>504</u>			<u>523</u>	

8 AGENCY ARRANGEMENTS

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

2003/2004			2004/2005	
Income	Expenditure		Income	Expenditure
£000	£000		£000	£000
		Education		
525	525	Special Education services to Angus Council	628	628
		Social Work:		
3,116	3,116	Provision of Social Work services to NHS Tayside	3,428	3,428
128	128	Provision of Day Care services to Angus Council	131	131
<u>102</u>	<u>102</u>	Provision of Day Care Services to Perth & Kinross Council	<u>104</u>	<u>104</u>
<u>3,346</u>	<u>3,346</u>		<u>3,663</u>	<u>3,663</u>
		Economic Development		
32	18	Scottish Enterprise Tayside in respect of Skillseekers Initiative	6	16
		Support Services		
<u>374</u>	<u>374</u>	Crown and Procurator Fiscal Offices	<u>279</u>	<u>279</u>
<u>4,277</u>	<u>4,263</u>	TOTAL	<u>4,576</u>	<u>4,586</u>

9 LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. Detailed below is the income and related expenditure arising from work that has been carried out under the Local Authority (Goods and Services) Act 1970 (as amended by subsequent legislation) during the financial year 2004/2005.

2003/2004			2004/2005	
Income	Expenditure		Income	Expenditure
£000	£000		£000	£000
		Education		
13	13	Purchasing services to Perth & Kinross Council	14	14
		Purchasing services and instrument repair services to Angus Council	17	17
15	15		<u>10</u>	<u>10</u>
<u>13</u>	<u>13</u>	Payroll services to Dundee College	<u>41</u>	<u>41</u>
<u>41</u>	<u>41</u>			
		Dundee Contract Services		
410	371	Repairs and maintenance services to Housing Associations	279	279
<u>47</u>	<u>46</u>	Ground maintenance services to Housing Associations	<u>-</u>	<u>-</u>
<u>457</u>	<u>417</u>		<u>279</u>	<u>279</u>
<u>498</u>	<u>458</u>	Total	<u>320</u>	<u>320</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

10 PENSION COSTS

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

Teachers

This is an unfunded scheme administered by the Scottish Public Pensions Agency. The employer's contribution rate for 2004/2005 in respect of teachers' pensions was 12.5% (2003/2004 10.0%). In 2004/2005 the Council paid £9.5m (2003/2004 £7.9m) to the Scottish Public Pensions Agency in respect of teachers' pension costs which represents 18.5% of teachers' pensionable pay including 6% employee contribution (2003/2004 16.0%). In addition the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2004/2005 these amounted to £0.05m representing 0.10% of pensionable pay (2003/2004 £0.05m, 0.09%).

Other Employees

The Council administers the Tayside Superannuation Fund on behalf of various scheduled and admitted bodies. The Council itself is recognised as a scheduled body within Superannuation Regulations and therefore its employees can be admitted to the Fund. In 2004/2005 the Council paid an employer's contribution of £16.1m (2003/2004 £4.1m) into the Tayside Superannuation Fund, representing 15.8% of pensionable pay (2003/2004 14.6%). The employer's contribution rate in 2004/2005 was 265% of the employee's contribution rate, which is 6% for APTC and 5% for Manual Workers. The employer's contribution rate was determined by the Fund's Actuary based on the triennial actuarial valuation at 31 March 2002 with the resultant revised contribution rates effective from 1 April 2003. This incorporated stepped increases over the three years to 2005/2006. Under Superannuation Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund.

In addition the Council is responsible for all pension payments relating to added years' benefits it has awarded, together with the related increases. In 2004/2005 these amounted to £1.4m representing 1.4 % of pensionable pay (2003/2004 £1.4m, 1.5%).

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

- a awarded in 2004/2005 £0.379m (2003/2004 £0.955m)
- b awarded prior to 2004/2005 for which payments are still being made £21.725m (2003/2004 £18.353m)

11 COMMUNITY CHARGE INCOME

2003/2004 Actual £000		2004/2005 Actual £000
(8)	Adjustments for Previous Year: Gross Charge	(4)
(8)	Net Charge	(4)
<u>79</u>	Released from Provision for Bad Debts	<u>147</u>
<u>71</u>		<u>143</u>

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

12 OFFICERS EMOLUMENTS

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

Number of Employees 2003/2004	Salary Banding	Number of Employees 2004/2005
57	£40,000 - £49,999	120
32	£50,000 - £59,999	31
5	£60,000 - £69,999	13
6	£70,000 - £79,999	3
1	£80,000 - £89,999	4
-	£90,000 - £99,999	-
1	£100,000 - £109,999	-
-	£110,000 - £119,999	1

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

13 MEMBERS ALLOWANCES

The total amount of members' allowances paid, under the Local Authorities Etc (Allowances) (Scotland) Regulations 1995, for the year to 31 March 2005, was £433,476 (2003/2004 £429,443)

14 RELATED PARTIES

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

2003/2004			2004/2005	
Charges To £000	Charges From £000	Revenue	Charges To £000	Charges From £000
459	2,691	Dundee Energy Recycling Limited	1,117	3,172
226	139	Dundee City Developments Limited	185	136
60	141	Dundee Ice Arena Limited	63	141
15	331	Dundee Contemporary Arts Limited	31	407
37	793	Dovetail Enterprises (1993) Limited	28	648
56	-	Tayside Cable Technologies Limited	77	-
57	15	Tayside Fire Joint Board	105	38
5	225	Tayside Joint Police Board	1	619
263	13,955	Tayside Contracts Joint Committee	369	14,664
146	1	Tayside Valuation Joint Board	166	8

In 2004/2005, there were no other material transactions with any other related parties that are not already disclosed elsewhere in the Statement of Accounts.

15 REVISED SERVICE EXPENDITURE ANALYSIS

The CIPFA Best Value Accounting Code of Practice 2004 (BVACoP) sets out a revised service expenditure analysis that should be followed in the preparation of the Consolidated Revenue Account. Where, however, a Council's internal management structure differs from the revised service expenditure analysis, it is permissible to disclose this information by way of a note to the accounts. Accordingly, the Consolidated Revenue Account reflects the City Council's management/department structure and the actual "Net Operating Expenditure" of £289.169m has been re-classified in line with the BVACoP as follows:

2003/2004 Actual Net Expenditure £000		2004/2005 Actual Net Expenditure £000
39,711	Central Services	38,704
21,076	Cultural & Related Services	23,059
104,489	Education Services	116,997
15,468	Environmental Services	15,955
6,084	Housing Services	6,855
5,147	Planning & Development Services	6,652
14,217	Roads & Transport Services	15,438
56,672	Social Work Services	63,228
<u>1,864</u>	Trading Services	<u>2,253</u>
<u>264,728</u>	Total Net Operating Expenditure	<u>289,141</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

16 PENSION ASSETS AND LIABILITIES

In accordance with Financial Reporting Standard 17 (Retirement Benefits) the Council is required to include figures in the Statement of Accounts relating to assets, liabilities, income and expenditure of the pension schemes for its employees. As explained in the Accounting Policies the Council participates in two formal schemes; the Local Government Superannuation Scheme (Tayside Superannuation Fund), a Defined Benefits Scheme which is administered by the City Council, and the Teachers' Scheme. The Council is not required to record information related to the Teachers' Scheme as the liability for payment of pensions rests ultimately with the Scottish Executive. In addition the Council has liabilities for discretionary pension payments outside the main schemes.

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

2003/2004			2004/2005	
£000	£000		£000	£000
	(117,360)	Deficit at 1 April		(75,303)
(13,462)		Current Service Cost	(17,515)	
14,135		Employer Contributions	16,164	
1,453		Contribution in respect of Unfunded Benefits	1,424	
(955)		Past Service Costs	(207)	
-		Settlements/Curtailments	(172)	
<u>(4,039)</u>		Net Return on Assets	<u>(3,912)</u>	
	(2,868)			(4,218)
	44,975	Actuarial Gain/(Losses)		(5,750)
	-	Effect of Change in Accounting Methodology		(105,532)
	(50)	Difference between Actuarial Contribution Figure and Actual Contribution Figure		<u>(220)</u>
	<u>(75,303)</u>	Deficit at 31 March		<u>(191,023)</u>

The net revenue account charge is calculated as follows:

2003/2004			2004/2005	
£000	£000		£000	£000
		Operating Costs		
13,462		Current Service Cost	17,515	
955		Past Service Cost	207	
-		(Gains)/Losses on settlements and curtailments	172	
<u>-</u>		Decrease in Irrecoverable Surplus	<u>-</u>	
<u>14,417</u>		Total Operating Charge (A)	<u>17,894</u>	
		Expected Returns		
23,093		Expected Return on Employer Assets	28,294	
<u>(27,132)</u>		Interest on Pension Scheme Liabilities	<u>(32,206)</u>	
<u>(4,039)</u>		Net Return (B)	<u>(3,912)</u>	
<u>18,456</u>		Net Revenue Account Cost (A) - (B)	<u>21,806</u>	

The history of experienced gains and losses is as follows:

	2002/2003	2003/2004	2004/2005
	£000	£000	£000
Difference between the expected and actual return on assets	(94,226)	47,388	22,587
Value of assets	326,010	400,489	459,834
Percentage of assets	<u>(28.9%)</u>	<u>11.8%</u>	<u>5.0%</u>
Experience gains/(losses) on liabilities	(37,008)	(2,413)	-
Present value of liabilities	426,790	475,792	650,857
Percentage of the present value of liabilities	<u>(8.7%)</u>	<u>(0.5%)</u>	<u>(0.0%)</u>
Actuarial gains/(losses)	(111,339)	44,975	(5,750)
Present value of liabilities	426,790	475,792	650,857
Percentage of the present value of liabilities	<u>(26.1%)</u>	<u>9.5%</u>	<u>(0.9%)</u>
Effect of change in accounting methodology	N/A	N/A	(105,532)
Present value of liabilities	N/A	N/A	650,857
Percentage of the present value of liabilities	N/A	N/A	<u>16.2%</u>

Further disclosures relating to Pension Assets and Liabilities are included in Note 18 to the Consolidated Balance Sheet (see page 30).

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

17 CENTRAL SUPPORT SERVICES MEMORANDUM ACCOUNT

The table below shows the outturn position for the Council's various Central Support Services. The gross expenditure is shown for each service, together with the various internal and external sources of income and the resultant net expenditure for the financial year. The overall net expenditure for 2004/2005 of £269,000 is included in the Consolidated Revenue Account.

2003/2004 Net Expenditure/ (Surplus) £000	Central Support Service	Gross Expenditure £000	Recharges to Council Departments £000	Recharge to Corporate & Democratic Core £000	Other Internal Income £000	External Income £000	Total Income £000	2004/2005 Net Expenditure/ (Surplus) £000
(12)	Chief Executive (incl Corporate Planning) Press Office (incl	902	(3)	(877)	-	(30)	(910)	(8)
(15)	Dundee.Com)	281	(267)	(17)	-	-	(284)	(3)
-	Helpline	25	(25)	-	-	-	(25)	-
3	Personnel Information	1,974	(1,659)	(189)	(78)	(70)	(1,996)	(22)
(4)	Technology Administration &	5,813	(5,286)	(33)	(381)	(185)	(5,885)	(72)
(82)	Legal Services	4,485	(2,397)	(1,192)	(505)	(158)	(4,252)	233
130	Architectural Services	5,236	(5,028)	-	-	(2)	(5,030)	206
74	Finance General	<u>5,779</u>	<u>(2,627)</u>	<u>(1,407)</u>	<u>(406)</u>	<u>(1,404)</u>	<u>(5,844)</u>	<u>(65)</u>
94		<u>24,495</u>	<u>(17,292)</u>	<u>(3,715)</u>	<u>(1,370)</u>	<u>(1,849)</u>	<u>(24,226)</u>	<u>269</u>

18 DUNDEE CONTRACT SERVICES STATUTORY TRADING ACCOUNT

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

Target 2003/2004 £000	Actual 2003/2004 £000		Actual 2004/2005 £000	Target 2004/2005 £000	2-Year Actual 2003/2005 £000	3-Year Target 2003-2006 £000
24,426	26,067	Income	26,223	25,428	52,290	74,625
<u>23,516</u>	<u>24,844</u>	Expenditure	<u>26,089</u>	<u>24,773</u>	<u>50,933</u>	<u>72,444</u>
<u>(910)</u>	<u>(1,223)</u>	(Surplus)/Deficit	<u>(134)</u>	<u>(655)</u>	<u>(1,357)</u>	<u>(2,181)</u>

Services Provided

Dundee Contract Services is a quality assured organisation geared to maintain, repair and modernise houses and other public buildings. It has the technical expertise and capability to undertake most types of building construction work and provides services of a specialist nature such as lift and gas central heating maintenance. The department also provides a comprehensive grounds maintenance service including new landscape works, forestry, fencing and arboriculture works for publicly owned sites, forests, open spaces and landscaped areas. It has its own joiners' workshop, mechanical workshops, sawmill, nursery and glasshouses. In addition, it operates its own plant and fleet of vehicles although transport and equipment is hired when considered necessary. A 24-hour emergency service is available which is required for securing and making safe dangerous buildings, dealing with burst pipes, dangerous trees and extensive flooding caused by severe weather conditions. This service is an integral part of the day to day repair and maintenance provided to council house tenants. The department's main customer is the housing department with income also being generated from other Council departments and other public bodies.

Financial Targets

The Council is required to achieve a statutory financial target of break even over a three year rolling period for significant trading organisations. In addition the Council has set a financial target of £2.181m in excess of the statutory requirement for the three financial years ending 31 March 2006.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

18 DUNDEE CONTRACT SERVICES STATUTORY TRADING ACCOUNT (Contd)

Financial Performance

The surplus for the current financial year of £0.134m exceeds the break-even requirements of the Local Government in Scotland Act 2003. However, it falls short of the Council's own financial target of £0.655 by £0.521m. The current year's results reflects the fact that the department has had to meet increases above average inflation on pension costs, interest charges, supplies and services without a corresponding rise in turnover. The total income generated of £26,223m was £0.156m (0.6%) over the previous year's actual figure of £26,067m. As a consequence the department's profitability has fallen sharply in comparison to the previous year.

The income figure also reflects the department's construction section experiencing a downturn in the value of contract work undertaken towards the end of the financial year. Management have acknowledged this situation and are continuing to exercise tight control over costs with a view to ensuring that the organisation meets all its financial objectives for the three financial years ending 31 March 2006.

Treatment of Surplus

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

19 EXTERNAL AUDIT FEES

The External Auditors of Dundee City Council are appointed by the Accounts Commission for Scotland, for a period of 5 years. The total fee payable to Audit Scotland in respect of the 2004/2005 financial year, for external audit services undertaken in accordance with the Code of Audit Practice, is £377,100 (2003/2004 £320,300). The increase in fee between the two financial years relates mainly to the introduction of the new Best Value Audit Regime. During 2004/2005, the External Auditor did not provide any other services to Dundee City Council other than the duties undertaken in accordance with the Code of Audit Practice (2003/2004 None).

COUNCIL TAX INCOME ACCOUNT

2003/2004 £000		2004/2005 £000	£000
64,948	Gross Charge		67,762
(5,246)	Deduct - Exemptions	(5,820)	
(52)	- Disabled Relief	(54)	
<u>(7,604)</u>	- Discounts	<u>(7,888)</u>	
<u>(12,902)</u>			<u>(13,762)</u>
52,046	Net Council Tax		54,000
(12,303)	Deduct - Rebates	(12,852)	
	- Less: Transferred to Consolidated Revenue Account		
<u>12,303</u>		<u>12,852</u>	
-			-
(11)	- MOD Properties		(14)
11	- Contribution Received		14
<u>(2,521)</u>	Provision for Bad Debts/Exemptions/Discounts		<u>(2,789)</u>
<u>49,525</u>	Total Council Tax Income for Current Financial Year		<u>51,211</u>
(902)	Adjustment to Previous Years' Council Tax		(1,019)
<u>484</u>	Adjustment to Previous Years' Provision for Bad Debts		<u>1,102</u>
<u>(418)</u>	Total Adjustments for Previous Years		<u>83</u>
<u>49,107</u>	Total Council Tax Income		<u>51,294</u>

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

1 COUNCIL TAX INCOME

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

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

The valuation bands and the fractions used in calculating the Council Tax payable for each valuation band are set out below, together with details of the 2004/2005 charges levied. Details of the calculation of the Council Tax base are shown at Note 2.

<u>Council Tax Charge</u> 2003/2004 £	<u>Valuation Band</u>	<u>Property Valuation Range</u>	<u>Fraction of Band D</u>	<u>Council Tax Charge</u> 2004/2005 £
726.00	A	Up to £27,000	6/9	756.67
847.00	B	£ 27,001 - £ 35,000	7/9	882.78
968.00	C	£ 35,001 - £ 45,000	8/9	1,008.89
1,089.00	D	£ 45,001 - £ 58,000	9/9	1,135.00
1,331.00	E	£ 58,001 - £ 80,000	11/9	1,387.22
1,573.00	F	£ 80,001 - £106,000	13/9	1,639.44
1,815.00	G	£106,001 - £212,000	15/9	1,891.67
2,178.00	H	Over £212,000	18/9	2,270.00

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

2 CALCULATION OF THE COUNCIL TAX BASE

2003/2004		2004/2005								TOTAL
<u>Council Tax Base</u>		A	B	C	D	E	F	G	H	
72,135	Total Number of Properties	32,485	16,506	7,480	7,739	5,574	1,836	792	44	72,456
6,152	<u>Less</u> Exemptions/Deductions	4,889	956	498	230	210	51	13	15	6,862
<u>9,225</u>	<u>Less</u> Adjustment for Single Chargepayers	<u>5,186</u>	<u>2,033</u>	<u>784</u>	<u>608</u>	<u>346</u>	<u>90</u>	<u>35</u>	<u>3</u>	<u>9,085</u>
59,758	Effective Number of Properties	22,485	13,484	6,207	6,909	4,966	1,686	738	25	56,500
	Band D Equivalent Factor (Ratio)	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
47,588	Band D Equivalent Number of Properties	<u>14,990</u>	<u>10,488</u>	<u>5,517</u>	<u>6,909</u>	<u>6,069</u>	<u>2,435</u>	<u>1,230</u>	<u>50</u>	47,688
<u>12</u>	<u>Add</u> Contribution in lieu in respect of Class 18 dwellings (Band D equivalent)									<u>12</u>
47,600	NOMINAL TAX YIELD									47,700
<u>(1,666)</u>	<u>Less</u> Provision for Non-Collection 3.5%									<u>(1,669)</u>
<u>45,934</u>										<u>46,031</u>
	COUNCIL TAX BASE 2004/2005 (equivalent to a Band D Council Tax of £1,135)									<u>46,031</u>

NON-DOMESTIC RATE INCOME ACCOUNT

2003/2004		2004/2005
£000		£000
71,617	Gross Rate Levied	72,149
397	Transitional Surcharge	-
<u>(1,052)</u>	Transitional Relief	<u>-</u>
70,962		72,149
	Deduct:	
(4,735)	Exemptions, Voids and Partially Occupied Properties	(4,932)
(948)	Disabled Relief	(1,032)
(5,089)	Other Reliefs, Charities, etc	(5,335)
(2,446)	Relieved on Appeal	(1,433)
<u>(597)</u>	Provision for Bad Debts/Abatements	<u>(608)</u>
<u>57,147</u>		<u>58,809</u>
	Adjustments to Previous Years:	
(122)	Interest on Overpaid Rates	2
<u>(445)</u>	Bad Debts/Abatements	<u>(900)</u>
<u>56,580</u>		<u>57,911</u>
	Allocated as follows:	
56,686	Contribution to National Non-Domestic Rate Pool	57,994
<u>(106)</u>	City Council Non-Domestic Rates	<u>(83)</u>
<u>56,580</u>		<u>57,911</u>
	National Non-Domestic Rate Pool:	
56,686	Contribution to National Non-Domestic Rate Pool	57,994
<u>51,829</u>	Contribution from National Non-Domestic Rate Pool	<u>54,079</u>
<u>4,857</u>	Net Contribution to National Non-Domestic Rate Pool	<u>3,915</u>

NOTES TO THE NON-DOMESTIC RATE INCOME ACCOUNT

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

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

A common non-domestic rate poundage (The Uniform Business Rate) is set by the Minister for Finance and Public Services for Scotland for each financial year. The rate poundage for 2004/2005 was 48.8p for properties with a rateable value of £10,000 and over, with a 0.3p supplement for properties with a rateable value of £25,000 or over. The purpose of this supplement is to finance the revised reduction for properties with a rateable value of £10,000 and under which is now based on a sliding scale.

2 RATEABLE SUBJECTS AND VALUES

2003	<u>Non-Domestic Rateable Subjects at 1 April</u>	2004
2,892	Commercial	2,883
694	Industrial	692
7	Public Utilities	7
<u>2,031</u>	Miscellaneous	<u>2,029</u>
<u>5,624</u>		<u>5,611</u>
2003	<u>Non-Domestic Rateable Values at 1 April</u>	2004
£000		£000
63,397	Commercial	64,407
22,874	Industrial	22,611
4,284	Public Utilities	4,257
<u>54,716</u>	Miscellaneous	<u>54,117</u>
<u>145,271</u>		<u>145,392</u>

HOUSING REVENUE ACCOUNT

This statement details the transactions arising from the Council's statutory requirements in relation to the provision, improvement and management of housing stock.

2003/2004 Actual £000		2004/2005 Actual £000	Budget £000
	<u>INCOME</u>		
38,685	Gross Rent Income - Dwellings	38,669	39,114
888	- Non-Dwellings	866	834
138	Interest on Revenue Balances	208	150
94	Housing Support Grant	119	128
535	Other Income	489	489
<u>155</u>	Contribution from Pensions Reserve	<u>262</u>	<u>221</u>
<u>40,495</u>		<u>40,613</u>	<u>40,936</u>
	<u>EXPENDITURE</u>		
19,010	Repairs and Maintenance	18,873	18,073
7,712	Supervision and Management	7,813	8,255
11,692	Capital Financing Costs	12,304	12,336
2,078	Bad Debts and Voids	1,613	2,054
<u>230</u>	Pensions Interest Cost and Expected Return on Pensions Assets	<u>218</u>	<u>218</u>
<u>40,722</u>		<u>40,821</u>	<u>40,936</u>
<u>227</u>	NET (INCOME)/EXPENDITURE	<u>208</u>	<u>-</u>
	Add Back:		
(230)	Pensions Interest Cost and Expected Return on Pensions Assets	(218)	(218)
<u>155</u>	Contribution from Pensions Reserve	<u>262</u>	<u>221</u>
<u>152</u>	Transfer of Deficit to Consolidated Revenue Account	<u>252</u>	<u>3</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1 **GROSS RENT INCOME**
This is the total rent income for the year. Average annual rents charged were £45.19 per week in 2004/2005 (2003/2004 £43.30).

2 **HOUSING STOCK**
The Council was responsible for managing 16,396 dwellings as at 31 March 2005 (31 March 2004 16,673). The stock was made up as follows:

2004			2005	
<u>Number</u>	<u>%</u>		<u>Number</u>	<u>%</u>
3,893	23	Houses	3,762	23
11,362	68	Flats	11,475	70
<u>1,418</u>	<u>9</u>	Maisonettes	<u>1,159</u>	<u>7</u>
<u>16,673</u>	<u>100</u>		<u>16,396</u>	<u>100</u>
		The change in housing stock during the year can be summarised as follows:		
17,035		Stock at 1 April	16,673	
(226)		Less: Sales	(277)	
(136)		Less: Demolitions etc	-	
<u>16,673</u>		Stock at 31 March	<u>16,396</u>	

Within the Housing Stock of 16,396 a total of 622 properties have been earmarked for demolition and are not generating rental income.

3 **RENT ARREARS AND BAD DEBTS**
The amount of rent arrears written off at 31 March 2005 was £529,028 (31 March 2004 £468,824) which is equivalent to 1.35% (2003/2004 1.20%) of rent collectable from tenants. The provision for doubtful debts was increased to £888,519 (2003/2004 £844,472).

Rent arrears at 31 March 2005 were £1,503,444 or 3.85% (31 March 2004 £1,528,947 or 3.91%) of rent collectable and this equated to an average rent arrears per house of £95.31 (2003/2004 £91.70). These figures are net of prepaid rents as at 31 March 2005.

4 **EXCEPTIONAL OR PRIOR YEAR ITEMS**
There are no exceptional or prior year items in 2004/2005 (in 2003/2004 a prior period adjustment was made in respect of pension costs following the full implementation of Financial Reporting Standard 17 - Retirement Benefits, which represented a major change in accounting policy).

CONSOLIDATED BALANCE SHEET

As at 31 March 2004 £000		Ref Note No	As at 31 March 2005 £000	£000
-	INTANGIBLE ASSETS			-
	TANGIBLE FIXED ASSETS			
	Operational Assets:			
223,079	Council Dwellings	1,2,7,9	210,938	
305,701	Other Land and Buildings	1,2,7,9	308,024	
14,621	Vehicles, Plant and Equipment	1,2,7,8,9	17,977	
53,936	Infrastructure Assets	1,2,7,9	60,652	
<u>1,606</u>	Community Assets	1,2,7,9	<u>1,606</u>	
598,943	Non-Operational Assets:			599,197
68,911	Investment Properties	1,2,7,8,9	59,723	
13,211	Assets Under Construction	1,2,7,9	15,557	
<u>7,004</u>	Surplus Assets Held for Disposal	1,2,7,9	<u>13,286</u>	
<u>89,126</u>				<u>88,566</u>
688,069				687,763
	DEFERRED CHARGES	3		
2,692	Improvement Grants		-	
<u>5,337</u>	Others		<u>-</u>	
8,029				-
6,024	LONG TERM INVESTMENTS	4,11		650
<u>10,079</u>	LONG TERM DEBTORS	5		<u>15,622</u>
712,201				704,035
	CURRENT ASSETS			
584	Stores and Work in Progress		574	
47,924	Sundry Debtors (Net of Bad Debt Provisions)	19	53,614	
398	Short Term Investments		398	
3,650	Short Term Lending		2,350	
33	Girobank Account		35	
<u>83</u>	Advances for Petty Outlays		<u>84</u>	
<u>52,672</u>			<u>57,055</u>	
	LESS CURRENT LIABILITIES			
(40,336)	Sundry Creditors	19	(51,348)	
(39,954)	Borrowing Repayable on Demand or Within 12 Months	12	(24,612)	
<u>(16,303)</u>	Bank Overdraft		<u>(10,137)</u>	
<u>(96,593)</u>			<u>(86,097)</u>	
668,280	Total Assets Less Net Current Liabilities			<u>(29,042)</u>
(241,279)	Borrowing Repayable within a Period in Excess of 12 Months	12	(268,102)	674,993
(1,328)	Deferred Liabilities	6,8	(655)	
(6,315)	Provisions	13	(6,595)	
(40,365)	Government Grants/Capital Contributions Deferred		(52,693)	
<u>(75,303)</u>	Net Pension Liabilities	18	<u>(191,023)</u>	
<u>(364,590)</u>				<u>(519,068)</u>
<u>303,690</u>	Net Assets	10		<u>155,925</u>
	Financed By Fund Balances and Reserves:			
208,505	Fixed Asset Restatement Account		175,166	
153,461	Capital Financing Account		154,391	
2,840	Capital Fund		4,278	
4,627	Renewal and Repair Fund		4,218	
288	Insurance Fund		11	
(75,303)	Pensions Reserve	18	(191,023)	
<u>9,272</u>	General Fund	15	<u>8,884</u>	
<u>303,690</u>				<u>155,925</u>

David K Dorward, CPFA
Depute Chief Executive (Finance)
Dundee City Council
23 June 2005

NOTES TO THE CONSOLIDATED BALANCE SHEET

1 SUMMARY OF CAPITAL EXPENDITURE AND DISPOSALS

	Council Dwellings £000	Other Land & Buildings £000	Operational Equipment £000	Infrastr. Assets £000	Community Assets £000	Invest. Properties £000	Assets Under Construct. £000	Surplus Assets Held for Disposal £000	Total £000
Gross Book Value at 31 March 2004	232,024	307,485	26,792	73,418	1,606	68,911	13,211	7,400	730,847
<u>Less</u> Accumulated Depreciation & Impairment	<u>(8,945)</u>	<u>(1,784)</u>	<u>(12,171)</u>	<u>(19,482)</u>	-	-	-	<u>(396)</u>	<u>(42,778)</u>
Net Book Value at 31 March 2004	223,079	305,701	14,621	53,936	1,606	68,911	13,211	7,004	688,069
Movements in 2004/2005:									
Expenditure	15,079	15,396	5,438	10,134	1,607	-	7,464	497	55,615
Disposals	(4,977)	(568)	(52)	-	-	(1,517)	-	(989)	(8,103)
Depreciation	(8,944)	(12,072)	(2,704)	(3,331)	-	(50)	-	(172)	(27,273)
Revaluations/Other Adjustments	(13,299)	(433)	674	(87)	(1,607)	(7,621)	(5,118)	6,946	(20,545)
Net Book Value at 31 March 2005	210,938	308,024	17,977	60,652	1,606	59,723	15,557	13,286	687,763
Analysis of Net Book Value at 31 March 2005:									
Gross Book Value	228,827	321,880	32,852	83,465	1,606	59,773	15,557	13,854	757,814
<u>Less</u> Accumulated Depreciation & Impairment	<u>(17,889)</u>	<u>(13,856)</u>	<u>(14,875)</u>	<u>(22,813)</u>	-	<u>(50)</u>	-	<u>(568)</u>	<u>(70,051)</u>
Net Book Value	210,938	308,024	17,977	60,652	1,606	59,723	15,557	13,286	687,763

2 SOURCES OF FINANCE FOR CAPITAL EXPENDITURE

2003/2004 £000		2004/2005 £000	
44,402	Capital Expenditure on Fixed Assets	55,615	
2,612	Deferred Charges	3,538	
299	Long-Term Investments	-	
<u>339</u>	Long-Term Debtors	<u>2,494</u>	
<u>47,652</u>	Capital to be Financed for the year		<u>61,647</u>
Financed by:			
17,990	Loan	24,409	
11,589	Capital Receipts (incl Insurance Receipts)	14,834	
10,117	Government Grants/Capital Contributions	13,578	
2,392	Receipts in Respect of Deferred Charges	3,253	
-	Receipts in Respect of Long-Term Investments	11	
365	Receipts from Long-Term Debtors	289	
4,901	Revenue	3,494	
<u>298</u>	Net Change in Capital Accruals	<u>1,779</u>	
<u>47,652</u>	Total Capital Financing for the year		<u>61,647</u>

3 MOVEMENT IN DEFERRED CHARGES

2003/2004 £000		2004/2005 £000	
9,469	Value as at 1 April		8,029
33	Opening Entry Adjustment		-
<u>-</u>	Transfer to Long-Term Debtors		<u>(3,938)</u>
9,502	Restated Value as at 1 April		4,091
<u>2,978</u>	Add: Additions		<u>3,538</u>
12,480			7,629
(2,392)	Less: Receipts	(3,253)	
<u>(2,059)</u>	Write-Downs	<u>(4,376)</u>	
<u>(4,451)</u>			<u>(7,629)</u>
<u>8,029</u>	Value as at 31 March		<u>-</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

4 LONG TERM INVESTMENTS

As at 31 March 2004 £000		As at 31 March 2005 £000
5,362	Dundee Energy Recycling Limited (DERL)*	-
500	Dundee City Developments Limited	500
12	Dundee Incubator Limited	-
<u>150</u>	Tayside Cable Technologies Limited	<u>150</u>
<u>6,024</u>		<u>650</u>

*As part of the financial restructuring of DERL, the Council's investment was converted to 5,362,181 Deferred Shares of £1 par value.

5 LONG TERM DEBTORS

As at 31 March 2004 £000		As at 31 March 2005 £000
1,397	Mortgages/Repairs Notices	1,252
7,818	Loans to Joint Boards to fund Capital Expenditure	7,376
-	Debt Rescheduling Premium (Transfer from Deferred Charges)	3,624
<u>864</u>	Other Loans	<u>3,370</u>
<u>10,079</u>		<u>15,622</u>

6 COMMITMENTS UNDER CAPITAL CONTRACTS

The Council has authorised for inclusion in its Capital Estimates some £334.7m of Capital Expenditure to be incurred in 2005/2006 and beyond. Of this expenditure £45.6m is legally committed under contract and a further £289.1m relates to schemes with committee approval to commence in 2005/2006 and beyond but for which contracts have not yet been entered into.

The Council previously had two "Covenant" arrangements with a consortium of banks. These Covenants were entered into prior to 1 April 2004 to allow capital expenditure to be carried out on Council projects with funding provided by the banks so that the expenditure did not require to count against the Council's Section 94 Capital Consent at the time of being incurred. During the financial year 2004/2005 the first of these covenant arrangements was repaid in full. For the remaining arrangement an undischarged liability of £0.849m existed as at 31 March 2005 (being £0.649m deferred liability and £0.200m loans outstanding).

7 INFORMATION ON ASSETS HELD

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

Number as at 31 March 2004		Number as at 31 March 2005
16,673	Council Dwellings	16,396
	Operational Land and Buildings	
46	Office Buildings	46
67	Schools	67
11	Sports Centres and Swimming Pools	11
30	Residential Homes and Care Centres	30
11	Neighbourhood Centres	11
57	Sports Pavilions	57
7	Airport Buildings	7
33	Off Street Car Parks	33
15	Public Conveniences	15
13	Libraries	13
7	Museums and Galleries	7
19	Cemetery Buildings	19
1	District Court	1
<u>156</u>	Miscellaneous Buildings	<u>156</u>
<u>473</u>		<u>473</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

7 INFORMATION ON ASSETS HELD (Contd)

Number as at 31 March 2004		Number as at 31 March 2005
	Community Assets	
88	Parks and Community Land	88
11	Cemeteries (Land only)	11
14	Museum/Library Collections	14
<u>1</u>	Monuments	<u>1</u>
<u>114</u>		<u>114</u>
	Non-Operational Assets	
470	Shops, Offices, Industrial Units and Commercial Property	470
225	Non-Operational Land	225
6	Assets Under Construction	6
<u>85</u>	Other Non-Operational Assets	<u>85</u>
<u>786</u>		<u>786</u>
581	Infrastructure Assets	581
778	Vehicles, Plant and Equipment	778

8 FINANCE AND OPERATING LEASES

Council as Lessee

The following values of assets are held under a finance lease by the Council and included within Tangible Fixed Assets in the Consolidated Balance Sheet:

	Vehicles, Plant and Equipment £000
Gross Book Value as at 31 March 2004	17
<u>Less</u> Accumulated Depreciation	<u>(7)</u>
Net Book Value at 31 March 2004	10
Movements in 2004/2005:	
Additions	-
Depreciation	(3)
Disposals	<u>-</u>
Net Book Value as at 31 March 2005	<u>7</u>
Analysis of Net Book Value as at 31 March 2005:	
Gross Book Value	17
<u>Less</u> Accumulated Depreciation	<u>(10)</u>
Net Book Value	<u>7</u>

The outstanding obligations to make payments under this finance lease (excluding financing costs) as at 31 March 2005 are included as a Deferred Liability in the Consolidated Balance Sheet and are as follows:

	Vehicles, Plant and Equipment £000
Payable in 2005/2006	3
Payable between 2006/2007 and 2009/2010	3
Payable after 2009/2010	<u>-</u>
Total	<u>6</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

8 FINANCE AND OPERATING LEASES (Contd)

In respect of operating leases, the Council is committed to making payments to lessors of £2,779,000 in 2005/2006. This comprises the following elements:

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Total £000
Leases expiring in 2005/2006	92	46	138
Leases expiring between 2006/2007 and 2009/2010	41	2,066	2,107
Leases expiring after 2009/2010	<u>295</u>	<u>239</u>	<u>534</u>
Total	<u>428</u>	<u>2,351</u>	<u>2,779</u>

Council as Lessor

The Council had no assets leased to third parties or finance lease as at 31 March 2005 (31 March 2004 None).

The gross value of assets held for use in operating leases as at 31 March 2005 was £52,237,000. These assets are classed as Investment Properties and, in accordance with the relevant accounting policy, the accumulated depreciation as at 31 March 2005 relating to these assets was £nil.

9 VALUATION OF THE COUNCIL'S ASSETS

Council houses are revalued on a quinquennial basis, but updated for disposals/acquisitions each year. Council houses are valued on the basis of Existing Use Value for Social Housing, using the beacon approach to valuation.

The Council has a five year rolling programme of revaluation with 2004/2005 being the first year of this rolling programme. All property related assets held on the Planning and Transportation and Other Housing accounts were revalued as at 31 March 2005. The rolling programme of revaluation was carried out by a team of staff from the Council's Economic Development Department led by Mr John Dobbie FRICS and conducted in accordance with The Royal Institution of Chartered Surveyors Appraisal and Valuation Manual (the "Red Book"). Each valuer was either a Fellow or Professional Associate of the Royal Institution of Chartered Surveyors (RICS).

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

	Council Dwellings £000	Other Land & Buildings £000	Operational Equipment £000	Investment Properties £000	Surplus Assets Held for Disposal £000	Grand Total £000
Valued at Historical Cost	-	-	-	-	-	-
Valued at Current Value in: 2004/2005	<u>210,938</u>	<u>12,437</u>	<u>2,515</u>	<u>53,102</u>	<u>1,211</u>	<u>280,203</u>

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

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

9 VALUATION OF THE COUNCIL'S ASSETS (Contd)

Since 1 April 2000, Dundee City Council has been required to comply with the requirements of Financial Reporting Standard 15 (Tangible Fixed Assets). One of the main requirements of FRS15 is that depreciation should be provided for all assets, which are considered to have a finite useful life, where this can be estimated with reasonable certainty at the time of acquisition/revaluation. Depreciation does not have to be provided for land, non-operational investment properties and assets under construction. The only legitimate grounds for not charging depreciation is that the depreciation charge would be immaterial. In 2004/2005 a number of buildings and all schools, not previously depreciated on the grounds of having long useful economic lives, were depreciated. Also, all schools which are included as part of the PPP programme were depreciated on the basis of having revised useful economic lives of 5 years. The Council's housing stock is depreciated using the Major Repairs Allowance as a measure for depreciation. The depreciation charge for 2004/2005 is £8,944,078. The straight-line method of depreciation is used by Dundee City Council for all other assets and the total depreciation charge for 2004/2005 is £18,329,171. No depreciation is charged in the year of acquisition but a full year's charge is made in the year of disposal.

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

Investment properties are not subject to depreciation but are required to be re-valued annually. The increase in balance sheet values in 2004/2005 due to the revaluation of investment properties is £2,079,267.

Dundee City Council is also required to comply with Financial Reporting Standards 11 (Impairment of Fixed Assets and Goodwill). One of the main requirements of FRS11 is that an impairment review of fixed assets should be carried out if events or changes in circumstances indicate that the carrying amount of the fixed assets may not be recoverable. During 2004/2005, there were no assets which were subject to impairment.

10 ANALYSIS OF NET ASSETS EMPLOYED

As at 31 March 2004 £000			As at 31 March 2005 £000	
174,991	General Fund		43,277	
126,047	Housing Revenue Account		110,052	
<u>2,652</u>	Dundee Contract Services (Statutory Trading Account)		<u>2,596</u>	
<u>303,690</u>	Total		<u>155,925</u>	

11 INVESTMENTS IN RELATED COMPANIES

Dundee Energy Recycling Limited (DERL)

Dundee Energy Recycling Limited is a special purpose company, established in order to construct and operate a new Waste-to-Energy Plant at Baldovie, Dundee. The plant was taken over from the construction contractor on 31 March 2000. On the same date, a 20 year contract commenced between the Council and DERL for the disposal of domestic refuse. The company undertook a financial restructuring in March 2004, following which Dundee City Council's investment of £5.362m was converted to 5,362,181 Deferred Shares of £1 par value. During the financial year 2004/2005, the Council carried out an impairment review of its investment, as is required under proper accounting practice. Following this review, the investment was reduced in value from £5.362m to nil in the Council's Consolidated Balance Sheet. This revaluation had no impact on the Council's Revenue Account or General Fund as the investment had already been fully funded. The carrying value of the investment will be reviewed on an annual basis. As part of the restructuring the Council purchased the plant from DERL and leased it back at a commercial rate. A loan facility of £2.3m was also agreed in the restructuring and was drawn down by DERL during the financial year 2004/2005. The Council owned 40% of the £100 Ordinary Share Capital of DERL at 31 March 2005 (40% at 31 March 2004). Dundee City Council has two officers as Directors on the Board of DERL (maximum number of Directors is six). The Council's interest in DERL is considered to constitute a "joint venture" in terms of the Accounting Code of Practice. The DERL project was developed under the Private Finance Initiative (PFI).

NOTES TO THE CONSOLIDATED BALANCE SHEET

11 INVESTMENTS IN RELATED COMPANIES (Contd)

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

<u>31.12.2003</u>		<u>31.12.2004</u>
<u>(Audited)</u>		<u>(Unaudited)</u>
<u>£000</u>		<u>£000</u>
(13,343)	Profit/(Loss) Before Taxation	(6,128)
(13,343)	Profit/(Loss) After Taxation	(6,128)
-	Dividends Paid	-
(33,635)	Net (Liabilities)/Assets (Represented by Share Capital and Reserves)	4,645

Copies of DERL's statutory audited accounts can be obtained from the Depute Chief Executive (Finance), Dundee City Council, Floor 4, 28 Crichton Street, Dundee, DD1 3RF.

Tayside Cable Technologies Limited (TCTL)

Tayside Cable Technologies was established in 2001 as a private limited company with share capital in order to continue operation in Dundee developing and manufacturing data cabling for industrial and commercial use. The Council owned 19.9% of its £104,666 Ordinary Share Capital as at 31 March 2005 (19.9% at 31 March 2004). Dundee City Council has also invested £129,200 in unsecured loan notes of the company. Dundee City Council does not currently have any member or officer appointed to the board.

The following information has been extracted from Tayside Cable Technologies Limited statutory accounts:

<u>30.09.2003</u>		<u>30.09.2004</u>
<u>(Audited)</u>		<u>(Audited)</u>
<u>£000</u>		<u>£000</u>
(277)	Profit/(Loss) Before Taxation	(16)
(277)	Profit/(Loss) After Taxation	(16)
-	Dividends Paid	-
(418)	Net Liabilities (Represented by Share Capital and Reserves)	(434)

Copies of Tayside Cable Technologies Limited statutory audited accounts can be obtained from the Depute Chief Executive (Finance), Dundee City Council, Floor 4, 28 Crichton Street, Dundee DD1 3RF.

Dundee City Developments Limited

Dundee City Developments Limited was established in 1999 as a company limited by guarantee to continue the process of economic regeneration and to maintain momentum across a range of economic development initiatives in the city. Dundee City Council has provided this company with an interest free loan of £500,000 primarily to provide the company with initial working capital. The interest free loan is currently shown as a long-term investment in the Council's Consolidated Balance Sheet. Dundee City Council has two officers on the Board of Dundee City Developments Limited (there can be up to ten other Board members). The company is limited by guarantee and the members liability is limited to a maximum amount of £1.

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

<u>30.04.2003</u>		<u>30.04.2004</u>
<u>(Audited)</u>		<u>(Audited)</u>
<u>£000</u>		<u>£000</u>
6	Profit/(Loss) Before Taxation	59
9	Profit/(Loss) After Taxation	61
-	Dividends Paid	-
217	Net Assets (Represented by Share Capital and Reserves)	1,039

Copies of Dundee City Developments Limited's statutory audited accounts can be obtained from the Depute Chief Executive (Finance), Dundee City Council, Floor 4, 28 Crichton Street, Dundee, DD1 3RF.

Dundee Incubator Limited (DIL)

Dundee Incubator Limited was established in 1997, as a private limited company with share capital, to provide accommodation and support to client companies. The Council owned 20.5% of its £300,000 Ordinary Share Capital at 31 March 2004. The investment of £61,500 was written down to £11,800 in 2003/2004 on the basis that this is the expected cash return following negotiations to transfer the Council's Shares. The Council's shares were transferred during 2004/2005 and the final settlement value was £11,170.

NOTES TO THE CONSOLIDATED BALANCE SHEET

11 INVESTMENTS IN RELATED COMPANIES (Contd)

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

Dundee Ice Arena Limited

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

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 six elected members and two officers appointed as Directors to the board (total number of Directors is 20).

Dundee Cultural Developments Limited

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

Dovetail Enterprises Limited

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

12 ANALYSIS OF BORROWING

Long Term Borrowing

Debt Outstanding at 31 March 2004 £000	Analysis of Loans by Source	Debt Outstanding at 31 March 2005 £000	Range of Interest Rates %
	Long Term Loans:		
226,576	Public Works Loan Board	246,255	2.5 to 14.0
4,503	European Investment Bank	1,647	4.81 to 8.55
10,000	Market - Long Term	20,000	3.4 to 5.0
200	Covenant - Parallel Loan	200	5.49795
<u>241,279</u>		<u>268,102</u>	
	Analysis of Loans by Maturity:		
3,177	Between 1 - 2 years	5,764	
2,700	Between 2 - 5 years	12,940	
14,382	Between 5 - 10 years	16,150	
<u>221,020</u>	More than 10 years	<u>233,248</u>	
<u>241,279</u>		<u>268,102</u>	

Short Term Borrowing

Debt Outstanding at 31 March 2004 £000	Analysis of Loans by Source	Debt Outstanding at 31 March 2005 £000
	Long Term Loans Repayable Within One Year:	
22,799	Public Works Loan Board	5,321
358	European Investment Bank	2,856
500	Covenant - Parallel Loan	—
<u>23,657</u>		8,177
	Short Term Loans:	
5,543	Temporary Market Loans	592
	Temporary Advances from Other Accounts:	
3,735	Common Good Fund & Charitable Trust Funds	3,875
<u>7,019</u>	Superannuation Funds	<u>11,968</u>
<u>10,754</u>		<u>15,843</u>
<u>39,954</u>		<u>24,612</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

13 PROVISIONS OTHER THAN BAD DEBTS

Council Tax

A provision has been made in respect of potential reductions to the amount of net Council Tax levied by the Council. Such reductions can arise for a variety of reasons, the most common being delays by Council Tax payers in submitting requests for exemptions from, or discounts on, the charge levied.

Non-Domestic Rate Income

This provision has been made in respect of potential abatements to the gross rates levied by the Council. An abatement is a credit against the original charge levied and can arise for a variety of reasons the most common of which are non-domestic properties falling vacant during the year and reductions in valuations due to the settlement of appeals.

Self-Insured/Uninsured Losses

As part of the Council's Risk Management policy, certain categories of risk are not covered through a conventional insurance policy with an insurance company. In these circumstances the Council has a self-insurance arrangement which makes provision against potentially material risks. The Council has decided not to insure itself either through self-insurance or an insurance company against the theft of contents from Council premises. The provision disclosed below has been made taking into account all known liabilities likely to be incurred by the Council in respect of self-insured and uninsured losses. As well as operating its own Insurance Fund, the Council is also responsible for running off the ex-Tayside Regional Council Fund and the balance of the ex-Dundee District Council Fund.

<u>Provision Movements 2004/2005</u>	Balance as at 31 March 2004 £000	Movements in Provisions 2004/2005 £000	Balance as at 31 March 2005 £000
Council Tax Income - Exemptions/Discounts	700	200	900
Non-Domestic Rate Income - Abatements	248	135	383
Self-Insured/Uninsured Losses - Tayside Regional Council	781	(66)	715
- Dundee District Council	1,945	77	2,022
- Dundee City Council	<u>2,641</u>	<u>(66)</u>	<u>2,575</u>
	<u>6,315</u>	<u>280</u>	<u>6,595</u>

14 CONTINGENT ASSETS & LIABILITIES

No contingent assets or liabilities existed at 31 March 2005 (31 March 2004 Nil).

15 GENERAL FUND BALANCES

The Consolidated Balance Sheet shows that the Council has a General Fund balance of £8.884m as at 31 March 2005 (31 March 2004 £9.272m). It is estimated that there are expenditure commitments amounting to £2.246m outstanding at 31 March 2005. These have arisen due to underspends in 2004/2005 and these underspends will be carried forward to 2005/2006 and fully utilised in the new financial year. It was agreed that the sum of £1.600m be taken from balances in setting the 2005/2006 Council Tax. In addition, there are earmarked balances within the General Fund of £0.754m and £1.125m in respect of the Devolved School Management Scheme and Car Parking respectively. When all of these items are taken into account, it is estimated that the Council has uncommitted General Fund balances of £3.159m as at 31 March 2005.

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

16 RELATED PARTIES

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

As at 31 March 2004			As at 31 March 2005		
Charges To	Charges From		Charges To	Charges From	
£000	£000		£000	£000	
231	-	Dundee Energy Recycling Limited	215	66	
164	1	Dundee City Developments Limited	10	2	
77	20	Dundee Ice Arena Limited	34	5	
99	19	Dundee Contemporary Arts Limited	64	5	
1	41	Dovetail Enterprises (1993) Limited	15	36	
117	-	Tayside Cable Technologies Limited	109	-	
14	-	Tayside Fire Joint Board	717	1	
-	10	Tayside Joint Police Board	2,685	165	
204	700	Tayside Contracts Joint Committee	882	2,006	
113	-	Tayside Valuation Joint Board	90	-	

17 EURO COSTS

European Economic and Monetary Union came into effect on 1 January 1999 when the currencies of the eleven participating countries were irrevocably fixed, leading to the creation of a single currency (the "Euro"). Euro notes and coins came into circulation from 1 January 2002 and previous currency notes and coins were phased out by 28 January 2002. The United Kingdom has yet to make a decision whether to join. Although the Government has stated its agreement in principle to membership of a successful European Monetary Union, the final decision on entry is dependent on the UK meeting five economic tests set by the Government, followed by a referendum.

An estimate of the potential cost to the City Council of conversion to the Euro has yet to be determined.

18 PENSION ASSETS AND LIABILITIES

In accordance with Financial Reporting Standard 17 (Retirement Benefits) the Council is required to include figures in its Statement of Accounts relating to assets, liabilities, income and expenditure of the pension schemes for its employees. As explained in the Accounting Policies the Council participates in two formal schemes; the Local Government Superannuation Scheme (Tayside Superannuation Fund), a Defined Benefit Scheme, which is administered by the City Council and the Teachers' Scheme. The Council is not required to record information related to the Teachers' Scheme as the liability for payment of pensions rests ultimately with the Scottish Executive. In addition, the Council has liabilities for discretionary pension payments outside the main schemes.

The Council's assets and liabilities amounted to:

31 March 2004		31 March 2005	
£000		£000	
400,489	Share of assets in Tayside Superannuation Fund	459,834	
<u>456,484</u>	Estimated liabilities in Tayside Superannuation Fund	<u>628,753</u>	
(55,995)	Net assets/(liabilities) in Tayside Superannuation Fund	(168,919)	
<u>(19,308)</u>	Estimated liabilities for discretionary pensions	<u>(22,104)</u>	
<u>(75,303)</u>	Net Pension Liabilities	<u>(191,023)</u>	

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

31 March 2004		31 March 2005	
£000		£000	
281,646	Equity investments	317,655	
-	Gilts	54,789	
73,416	Bonds	28,434	
35,079	Property	41,811	
<u>10,348</u>	Cash	<u>17,145</u>	
<u>400,489</u>		<u>459,834</u>	

NOTES TO THE CONSOLIDATED BALANCE SHEET

18 PENSION ASSETS AND LIABILITIES (Contd)

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

2003/2004		2004/2005
7.7%	Equities	7.5%
5.1%	Gilts	4.5%
5.1%	Bonds	5.3%
6.5%	Property	7.0%
4.0%	Cash	4.3%

Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The valuations are based on a valuation as at 31 March 2002 and updated for the following year, by Punter Southall & Co the independent actuaries to the Fund. The main assumptions used in the calculations are:

2003/2004		2004/2005
2.9%	rate of inflation	2.9%
4.4 %	rate of increase in salaries	4.4 %
2.9%	rate of increase in pensions	2.9%
6.5 %	rate of discounting scheme liabilities	5.4%

The 2004/2005 accounts of the Joint Boards for Police, Fire and Valuation and the Tayside Contracts Joint Committee all show net pension liabilities as at 31 March 2005, as measured under FRS17. Further information regarding these liabilities can be found in the 2004/2005 accounts of these bodies. As a constituent member, Dundee City Council funds a proportion of the annual pension costs of the three Joint Boards, which are determined in accordance with the relevant regulations.

19 ANALYSIS OF SUNDRY DEBTORS AND SUNDRY CREDITORS

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

As at 31 March 2004 £000		As at 31 March 2005 £000
	Sundry Debtors	
5,773	Government and EC Grants	12,917
4,102	Rates due and unpaid	3,505
<u>(1,359)</u>	<u>Less</u> provision for Bad Debts	<u>(915)</u>
2,743		2,590
5,175	Community Charge due and unpaid	4,687
<u>(4,821)</u>	<u>Less</u> provision for Bad Debts	<u>(4,432)</u>
354		255
19,973	Council Tax due and unpaid	21,097
<u>(12,029)</u>	<u>Less</u> provision for Bad Debts	<u>(12,663)</u>
7,944		8,434
3,320	Statutory Additions due and unpaid	3,282
<u>(1,995)</u>	<u>Less</u> provision for Bad Debts	<u>(2,104)</u>
1,325		1,178
33,273	General Debtors	31,826
<u>(3,488)</u>	<u>Less</u> provision for Bad Debts	<u>(3,586)</u>
<u>29,785</u>		<u>28,240</u>
<u>47,924</u>		<u>53,614</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

19 ANALYSIS OF SUNDRY DEBTORS AND SUNDRY CREDITORS (Contd)

As at 31 March 2004 £000		As at 31 March 2005 £000
	Sundry Creditors	
(5,128)	Government Grants	(6,266)
(4,185)	Loans Fund Interest etc	(4,555)
<u>(31,023)</u>	General Creditors	<u>(40,527)</u>
	<u>(40,336)</u>	<u>(51,348)</u>

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	Fixed Asset Restatement Account			Capital Financing Account		
	General Fund £000	HRA £000	Total £000	General Fund £000	HRA £000	Total £000
	CAPITAL RESERVES					
Balance as at 1 April 2004	189,912	18,593	208,505	47,484	105,977	153,461
Unrealised Gains on Revaluation of Fixed Assets	(12,352)	(12,884)	(25,236)	-	-	-
Disposal of Fixed Assets (Net Book Value)	(3,053)	(5,050)	(8,103)	-	-	-
Capital Receipts (Disposal Proceeds)	-	-	-	-	-	-
Transfer Capital Receipts	-	-	-	2,278	5,694	7,972
Other Capital Receipts	-	-	-	6,862	139	7,001
Interest Receivable	-	-	-	-	-	-
Financing of Fixed Assets (CFCR)	-	-	-	2,819	675	3,494
Excess of Principal Repayments over Depreciation etc	-	-	-	(13,376)	(4,161)	(17,537)
Balance as at 31 March 2005	<u>174,507</u>	<u>659</u>	<u>175,166</u>	<u>46,067</u>	<u>108,324</u>	<u>154,391</u>

	Usable Capital Receipts Reserve			Capital Fund			Total Capital Reserves £000
	General Fund £000	HRA £000	Total £000	General Fund £000	HRA £000	Total £000	
	CAPITAL RESERVES Contd						
Balance as at 1 April 2004	-	-	-	2,840	-	2,840	364,806
Unrealised Gains on Revaluation of Fixed Assets	-	-	-	-	-	-	(25,236)
Disposal of Fixed Assets (Net Book Value)	-	-	-	-	-	-	(8,103)
Capital Receipts (Disposal Proceeds)	3,591	5,694	9,285	-	-	-	9,285
Transfer Capital Receipts	(3,591)	(5,694)	(9,285)	1,313	-	1,313	-
Other Capital Receipts	-	-	-	-	-	-	7,001
Interest Receivable	-	-	-	125	-	125	125
Financing of Fixed Assets (CFCR)	-	-	-	-	-	-	3,494
Excess of Principal Repayments over Depreciation etc	-	-	-	-	-	-	(17,537)
Balance as at 31 March 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,278</u>	<u>-</u>	<u>4,278</u>	<u>333,835</u>

	Insurance			General Fund £000	Total Revenue Reserves £000
	Renewal & Repair Fund £000	Fund Reserve £000	Pensions Reserve £000		
	REVENUE RESERVES				
Balance as at 1 April 2004	4,627	288	(75,303)	9,272	(61,116)
Net Surplus/(Deficit) for Year	-	(392)	(5,970)	(388)	(6,750)
Interest on Revenue Balances	205	115	-	-	320
Effect of Change in Accounting Methodology	-	-	(105,532)	-	(105,532)
Transfer (to)/from Consolidated Revenue Account	<u>(614)</u>	<u>-</u>	<u>(4,218)</u>	<u>-</u>	<u>(4,832)</u>
Balance as at 31 March 2005	<u>4,218</u>	<u>11</u>	<u>(191,023)</u>	<u>8,884</u>	<u>(177,910)</u>

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

EXPLANATION OF RESERVES

Fixed Asset Restatement Account

This account reflects the difference between the book value of assets prior to the implementation of the new system for capital accounting (introduced 1 April 1994) and the revalued amount. Subsequent adjustments to valuations (including the quinquennial revaluation effective 1 April 1999) and expenditure not increasing the value of an asset are recorded here. The balance on this account is not available to fund future expenditure.

Capital Financing Account

Appropriations between this account and the General Fund are required for CFCR and for the difference between loan repayments and the amount of depreciation etc provided in the accounts. Capital receipts from asset sales that are applied to fund new capital expenditure in the year are transferred to this account from the Usable Capital Receipts Reserve. Insurance receipts are also credited to this account. The balance on this account is not available to fund future expenditure.

Usable Capital Receipts Reserve

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

Capital Fund

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

Renewal and Repair Fund

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

Insurance Fund Reserve

This represents the disaggregated share of the ex-Dundee District Council Insurance Fund not specifically earmarked as provisions for self-insured and uninsured losses.

Pensions Reserve

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

General Fund

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

CASH FLOW STATEMENT

2003/2004 £000		2004/2005 £000	£000
	REVENUE ACTIVITIES		
	<i>Cash Outflows:</i>		
195,641	Cash Paid To and On Behalf of Employees	210,227	
144,615	Other Operating Cash Payments	142,283	
22,012	Housing Benefits Paid Out	21,950	
<u>55,495</u>	Non-Domestic Rate Payments to National Pool	<u>58,189</u>	
417,763			432,649
	<i>Cash Inflows:</i>		
(19,371)	Rents (After Rebates)	(18,755)	
(37,178)	Council Tax Income	(38,274)	
(266)	Community Charge Income	(242)	
(51,829)	Non-Domestic Rate Receipts from National Pool	(54,079)	
(54,306)	Non-Domestic Rate Receipts	(58,199)	
(161,378)	Revenue Support Grant	(163,770)	
(54,196)	DWP Grant (Benefits Subsidy)	(60,973)	
(38,374)	Other Government Grants	(40,873)	
(25,230)	Cash Received for Goods & Services	(28,276)	
<u>(12,752)</u>	Other Operating Cash Receipts	<u>(12,905)</u>	
<u>(454,880)</u>			<u>(476,346)</u>
(37,117)	<i>Net Cash (Inflow) From Revenue Activities</i>		(43,697)
	DIVIDENDS FROM JOINT VENTURES & ASSOCIATES		
	<i>Cash Inflows:</i>		
-	Dividends Received		-
	RETURNS ON INVESTMENTS & SERVICING OF FINANCE		
	<i>Cash Outflows:</i>		
18,795	Interest Paid	18,119	
	<i>Cash Inflow:</i>		
<u>(1,091)</u>	Interest Received	<u>(1,067)</u>	
17,704			17,052
	CAPITAL ACTIVITIES		
	<i>Cash Outflows:</i>		
38,607	Purchase of Fixed Assets (Non Revenue)	50,230	
5,650	Purchase of Fixed Assets (From Revenue)	4,935	
4,030	Creation of new Deferred Charges and Long-Term Debtors (Non Revenue)	5,945	
<u>48</u>	Creation of new Deferred Charges and Long-Term Debtors (From Revenue)	<u>87</u>	
<u>48,335</u>		<u>61,197</u>	
	<i>Cash Inflows:</i>		
(14,562)	Sale of Fixed Assets and Insurance Receipts	(16,729)	
(9,905)	Capital Grants/Contributions etc Received	(7,241)	
<u>(3,317)</u>	Receipts in respect of Deferred Charges and Long-Term Debtors	<u>(3,959)</u>	
<u>(27,784)</u>		<u>(27,929)</u>	
20,551			33,268
	ACQUISITIONS & DISPOSALS		
	<i>Cash Outflows:</i>		
299	Investments in Associates or Joint Ventures	-	
	<i>Cash Inflows:</i>		
<u>-</u>	Sale of Investments in Associates or Joint Ventures	<u>(11)</u>	
299			(11)
	MANAGEMENT OF LIQUID RESOURCES		
-	Net Increase/(Decrease) in Short-Term Deposits	-	
<u>(9,450)</u>	Net Increase/(Decrease) in Other Liquid Resources	<u>(1,300)</u>	
<u>(9,450)</u>			<u>(1,300)</u>
(8,013)	<i>Net Cash (Inflow)/Outflow Before Financing</i>		5,312
	FINANCING		
	<i>Cash Outflows:</i>		
65,218	Repayments of Amounts Borrowed	43,687	
	<i>Cash Inflows:</i>		
-	New Long-Term Loans Raised	(35,000)	
<u>(62,226)</u>	New Short Term Loans Raised	<u>(20,168)</u>	
<u>(62,226)</u>		<u>(55,168)</u>	
<u>2,992</u>			<u>(11,481)</u>
<u>(5,021)</u>	<i>Net (Increase) in Cash</i>		<u>(6,169)</u>

NOTES TO THE CASH FLOW STATEMENT

1 RECONCILIATION OF CONSOLIDATED REVENUE ACCOUNT SURPLUS TO NET CASHFLOW FROM REVENUE ACTIVITIES

2003/2004		2004/2005	
£000		£000	£000
2,120	Surplus/(Deficit) for the year		(388)
	<u>Non-cash Transactions</u>		
(1,214)	Other adjustments	122	
(72)	Contributions (from)/to reserves	(686)	
(1,286)			(564)
	<u>Items on an Accruals Basis</u>		
61	(Increase)/decrease in stores and work in progress	10	
(3,628)	(Increase)/decrease in debtors	182	
4,222	Increase/(decrease) in creditors	10,191	
655			10,383
	<u>Items Classified Elsewhere in the Cash Flow Statement</u>		
18,474	Add loans fund interest charges	19,046	
4,901	Add fixed asset purchases from revenue	3,494	
13,234	Add loans fund principal repayments	13,001	
(981)	Less interest on revenue balances	(1,275)	
<u>35,628</u>			<u>34,266</u>
<u>37,117</u>	Net Cash Inflow from Revenue Activities		<u>43,697</u>

2 RECONCILIATION OF THE MOVEMENT IN CASH TO THE MOVEMENT IN NET DEBT

2003/2004		2004/2005	
£000		£000	£000
5,021	Increase in Cash in the Period	6,169	
(9,450)	Movement in Liquid Resources	(1,300)	
2,992	Decrease/(Increase) in Borrowing	(11,481)	
200	Reduction in Long-Term Liability	670	
(1,237)	Change in Net Debt		(5,942)
<u>(293,852)</u>	Opening Net Debt at 1 April		<u>(295,089)</u>
<u>(295,089)</u>	Closing Net Debt at 31 March		<u>(301,031)</u>

Analysis of Movement in Net Debt

	1 April 2004	Cash Flows	Non Cash	31 March 2005
	£000	£000	Changes	£000
			£000	
<i>Cash</i>				
Girobank Account	33	2	-	35
Advances for Petty Outlays	83	1	-	84
Bank Overdraft	<u>(16,303)</u>	<u>6,166</u>	-	<u>(10,137)</u>
	<u>(16,187)</u>	<u>6,169</u>	-	<u>(10,018)</u>
Liquid Resources *	<u>3,650</u>	<u>(1,300)</u>	-	<u>2,350</u>
<i>Borrowing</i>				
Short-Term Advances from Other Accounts	(10,754)	(5,089)	-	(15,843)
Short-Term Loans	(5,543)	4,951	-	(592)
Long-Term Loans Repayable within One Year	(23,657)	23,657	(8,177)	(8,177)
Long-Term Loans	<u>(241,279)</u>	<u>(35,000)</u>	<u>8,177</u>	<u>(268,102)</u>
	<u>(281,233)</u>	<u>(11,481)</u>	-	<u>(292,714)</u>
Covenant Deferred Liability	<u>(1,319)</u>	<u>670</u>	-	<u>(649)</u>
TOTAL NET DEBT	<u>(295,089)</u>	<u>(5,942)</u>	-	<u>(301,031)</u>

*Liquid Resources are defined as funds invested externally by the Council which are repayable on demand or have a fixed maturity period of less than 3 months.

NOTES TO THE CASH FLOW STATEMENT

3 ANALYSIS OF GOVERNMENT GRANTS

2003/2004		2004/2005
Actual		Actual
£000		£000
161,378	Revenue Support Grant	163,770
54,196	DWP Grant (Benefits Subsidy)	60,973
11,389	Supporting People	11,528
3,447	National Priorities Action Fund	4,129
3,707	Criminal Justice Services	4,013
3,299	Social Inclusion Partnership Fund	3,210
4,000	Better Neighbourhood Services Fund	3,000
1,728	Changing Children's Services Fund	2,040
1,963	Benefits Administration Grant	2,002
-	Community Wardens/Anti Social Behaviour	1,685
1,147	Concessionary Travel	1,050
-	Working with Families Fund	1,000
904	Ardler Debt Servicing	904
285	Modernising Government Fund	603
388	Housing Act Implementation	472
<u>6,117</u>	Other Various	<u>5,237</u>
<u>253,948</u>		<u>265,616</u>

GROUP ACCOUNTS

INTRODUCTION

The Accounting Code of Practice (ACOP) requires local authorities to consider all their interests (including statutory bodies) and to prepare a full set of group financial statements where they have material interests in subsidiary and associated companies and joint ventures. The 2004 ACOP provides transitional arrangements for local authorities to fully comply with the ACOP in 2005/2006 and produce 2004/2005 group statements on the basis of the 2003 ACOP. The following Group Accounts are prepared on the basis of the 2003 ACOP. The local authority group is defined as the local authority and its interests in entities which would be regarded as its subsidiaries or associates or joint ventures if the local authority was subject to the Companies Act. The local authority group does not, therefore, include other local authorities or similar bodies (as defined in Section 106 of the Local Government Scotland Act 1973). The group financial statements comprise a Group Revenue Account and Group Balance Sheet, together with relevant supporting information.

Dundee City Council's interest in Dundee Energy Recycling Limited is considered to constitute a "joint venture" in terms of the ACOP. A joint venture is defined as "an interest on a long term basis in an entity and that entity is jointly controlled by the local authority and one or more other public or private sector entities under a contractual arrangement".

DUNDEE ENERGY RECYCLING LIMITED

Dundee City Council had previously invested a sum of £5.362m in Dundee Energy Recycling Limited (DERL), a special purpose company established in order to construct and operate a new Waste-to-Energy Plant at Baldovie, Dundee. In March 2004, DERL concluded negotiations on its financial restructuring, following which the investment by the Council was converted to Deferred Shares. The principal result of the DERL financial restructure was the repayment and elimination of the company's outstanding debt and the creation of new deferred shares of £45m. The resultant adjustment required to the group accounts will reduce liabilities and balances by £17.763m. As part of the restructuring Dundee City Council also entered into a purchase and leaseback arrangement with DERL, which involved the Council acquiring the Plant and leasing it back to DERL at a commercial rate. At 31 March 2005 the Council did not have any loans from the Company but, as agreed in the restructuring, provided a loan totalling £2.3m during 2004/2005. This loan funding is interest bearing and is repayable over the period 2006-2009. The Council owned 40% of the £100 Ordinary Share Capital of DERL at 31 March 2005 (40% at 31 March 2004). Dundee City Council currently has two officers as Directors on the Board of DERL (the maximum number of Directors is six). DERL took over operations when the construction contractor completed the plant 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 DERL project was developed under the Private Finance Initiative (PFI).

DERL's accounting period is to 31 December. For the purpose of disclosure, figures from DERL's unaudited management accounts to 2 January 2005 have been used. As a result of the impairment review of the asset by DERL and subsequent audited accounts for 2003 (which became available after the Council's 2003/2004 financial reporting deadlines) the comparative figures for 2003/2004 have been restated.

The plant's performance and operational availability has had continued technical problems. Independent experts completed a comprehensive technical performance review, and the implementation of the recommended technical improvements has been completed and is undergoing compliance testing. Following a review of DERL's fixed assets valuations, the Directors of the Company had decided to recognise a further impairment of £8m in DERL's December 2003 accounts. The impairment has increased the reported losses brought forward in the 2004 accounts. The Council's share of the loss reported by DERL for the period to 2 January 2005 is £2,451,000 and this is included in the 2004/2005 Group Revenue Account.

BASIS OF CONSOLIDATION

The Group Accounts have been prepared using the "equity" method of consolidation, with appropriate summarisation of the Revenue Account and Balance Sheet. This method of consolidation involves the following:

- The bringing into the Group Revenue Account of the Council's share of the Joint Venture profits and losses.
- The bringing into the Group Balance Sheet of the Council's share of the gross assets and gross liabilities of the Joint Venture.

The revenue account shows a group deficit of £2,839,000, an increase of £2,451,000 from the Council deficit of £388,000 shown in the Council's Consolidated Revenue Account. The position for DERL is shown as a balance on the adjusted Joint Venture Profit and Loss Account with the General Fund balance for the Council being maintained at £8.884m.

The impact of consolidation on the Balance Sheet is to increase the Group's net assets and reserves by £1,858,000 when compared to the Council's Balance Sheet. This reflects the Council's share of the balances carried forward by DERL.

There are no material differences in the accounting policies employed by the Council and by DERL which would necessitate an adjustment upon consolidation.

GROUP REVENUE ACCOUNT

(Restated) 2003/2004 Actual Net Expenditure/ (Income) £000		2004/2005 Actual Net Expenditure/ (Income) £000
263,252	Net Cost of Council Services	287,354
(1,223)	Net (Surplus) on Statutory Trading Account	(134)
(288)	Share of Tayside Contracts Surplus	(241)
(520)	Net Income on Asset Management Revenue Account	(1,051)
(532)	Interest and Investment Income	(699)
4,039	Pensions Interest Cost and Expected Return on Pensions Assets	3,912
<u>5,337</u>	Share of Deficit in Joint Venture providing a Refuse Disposal Services	<u>2,451</u>
270,065	Net Operating Expenditure	291,592
<u>(4,569)</u>	Net Contribution to/(from) Council Funds & Reserves	<u>(19,550)</u>
265,496	Amount to be met from Government Grants and Local Taxpayers	272,042
<u>(262,279)</u>	Income from Government Grants and Local Taxpayers	<u>(269,203)</u>
<u>3,217</u>	Group Deficit for the Financial Year	<u>2,839</u>
	Per:	
(2,120)	DCC General Fund (Surplus)/Deficit for the Year	388
<u>5,337</u>	Joint Venture Deficit for the Year	<u>2,451</u>
<u>3,217</u>		<u>2,839</u>
	Balances	
(7,152)	DCC General Fund balance at 1 April (including DSM and Car Park Balances)	(9,272)
<u>(2,120)</u>	<u>(Add)/Less</u> DCC General Fund (Surplus)/Deficit for the Year	<u>388</u>
(9,272)	DCC General Fund Balance at 31 March	(8,884)
	<u>Add Joint Venture Profit & Loss Account</u>	
8,117	Opening Balance	13,454
-	Restructuring Adjustment	(17,763)
<u>5,337</u>	Joint Venture Deficit for the Year	<u>2,451</u>
<u>13,454</u>		<u>(1,858)</u>
<u>4,182</u>	Group Fund Balance at 31 March	<u>(10,742)</u>

GROUP BALANCE SHEET

(Restated) At 31 March 2004 £000		£000	At 31 March 2005 £000
688,069	Tangible Fixed Assets		687,763
8,029	Deferred Charges		-
6,024	Long Term Investments		650
	Investment in Joint Venture:		
4,571	Share of Gross Assets	3,852	
<u>(18,025)</u>	Share of Gross Liabilities	<u>(1,994)</u>	
(13,454)			1,858
10,079	Long Term Debtors		15,622
52,672	Current Assets		57,055
<u>(96,593)</u>	Current Liabilities		<u>(86,097)</u>
654,826	Total Assets Less Net Current Liabilities		676,851
	<u>Long Term Liabilities/Provisions</u>		
(241,279)	Borrowing Repayable within a Period in Excess of 12 Months		(268,102)
(1,328)	Deferred Liabilities		(655)
(6,315)	Provisions		(6,595)
(40,365)	Government Grants/Capital Contributions Deferred		(52,693)
<u>(75,303)</u>	Net Pension Liabilities		<u>(191,023)</u>
<u>(364,590)</u>			<u>(519,068)</u>
<u>290,236</u>	Net Assets		<u>157,783</u>
	Financed By Fund Balances and Reserves:		
	Capital Reserves:		
208,505	Fixed Asset Restatement Account	175,166	
153,461	Capital Financing Account	154,391	
<u>2,840</u>	Capital Fund	<u>4,278</u>	
364,806			333,835
	Revenue Reserves:		
4,627	Renewal and Repair Fund	4,218	
288	Insurance Fund	11	
<u>(75,303)</u>	Pensions Reserve	<u>(191,023)</u>	
(70,388)			(186,794)
9,272	DCC General Fund	8,884	
<u>(13,454)</u>	Adjusted Joint Venture Profit & Loss Account	<u>1,858</u>	
<u>(4,182)</u>			<u>10,742</u>
<u>290,236</u>			<u>157,783</u>

David K Dorward
Depute Chief Executive (Finance)
Dundee City Council
23 June 2005

NOTES TO THE GROUP ACCOUNT BALANCE SHEET

1. The following represents material indebtedness to/from the Council with the Group company:

As at 31 March 2004			As at 31 March 2005	
Charges To £000	Charges From £000		Charges To £000	Charges From £000
231	-	Dundee Energy Recycling Limited	215	66

2. The Council is required to indicate any policy decision taken concerning the degree of commitment to meet accumulated losses of group companies. The Council has not made a policy decision to meet any of accumulated losses of the Joint Venture.

TAYSIDE SUPERANNUATION FUND ACCOUNTS

2003/2004 £000	<u>FUND ACCOUNT</u>	2004/2005 £000	£000
	CONTRIBUTIONS AND BENEFITS		
	Contributions receivable:		
(40,292)	From employers	(45,602)	
<u>(15,865)</u>	From employees	<u>(17,215)</u>	
(56,157)			(62,817)
(12,664)	Transfers in		(27,693)
	Benefits payable:		
32,251	Pensions	33,774	
<u>5,976</u>	Lump Sums	<u>5,483</u>	
38,227			39,257
	Payments to and on account of Leavers:		
278	Refunds of Contributions	290	
<u>4,934</u>	Transfers Out	<u>8,201</u>	
5,212			8,491
<u>1,039</u>	Administration Expenses		<u>1,098</u>
(24,343)	Net Deposits from dealings with Members		(41,664)
	RETURNS ON INVESTMENTS		
(28,454)	Investment Income	(34,072)	
(143,742)	Change in Market Value of Investments	(99,303)	
<u>3,388</u>	Investment Management Expenses	<u>3,202</u>	
<u>(168,808)</u>	Net Returns on Investments		(130,173)
(193,151)	NET (INCREASE) IN FUND DURING THE YEAR		(171,837)
<u>758,059</u>	OPENING NET ASSETS OF THE SCHEME		<u>951,210</u>
<u>951,210</u>	CLOSING NET ASSETS OF THE SCHEME		<u>1,123,047</u>

2004 £000	<u>NET ASSETS STATEMENT (AS AT 31 MARCH)</u>	£000	2005 £000
	INVESTMENT ASSETS AT MARKET VALUE		
	Listed Investments		
367,145	- UK Equities	431,119	
28,565	- UK Fixed Interest - Public Sector	24,306	
22,967	- UK Fixed Interest - Other	12,588	
28,689	- UK Index Linked	31,542	
179,734	- Overseas Equities	219,206	
17,755	- Overseas Fixed Interest - Other	14,096	
-	- Overseas Fixed Interest - Public Sector	36,950	
	Unlisted Investments		
-	- UK Unit Trusts	9,582	
71,400	- UK Open Ended Investment Companies	69,278	
115,971	- Overseas Open Ended Investment Companies	124,238	
85,448	- Property Unit Trusts	101,795	
<u>24,487</u>	Cash Balances held by Fund Managers	<u>26,927</u>	
942,161			1,101,627
	CURRENT ASSETS		
9,145	Sundry Debtors	13,416	
<u>6,974</u>	Revenue Deposits with Dundee City Council Loans Fund	<u>11,614</u>	
16,119		25,030	
	LESS CURRENT LIABILITIES		
(7,070)	Sundry Creditors	(3,610)	
9,049	NET CURRENT ASSETS		21,420
<u>951,210</u>	NET ASSETS		<u>1,123,047</u>

David K Dorward CPFA
Depute Chief Executive (Finance)
Dundee City Council
23 June 2005

TAYSIDE TRANSPORT SUPERANNUATION FUND ACCOUNTS

2003/2004 £000	<u>FUND ACCOUNT</u>	2004/2005 £000	£000
	CONTRIBUTIONS AND BENEFITS		
	Contributions receivable:		
(195)	From employers	(238)	
<u>(129)</u>	From employees	<u>(123)</u>	
(324)			(361)
-	Transfers In		(7)
	Benefits payable:		
1,501	Pensions	1,558	
<u>75</u>	Lump Sums	<u>206</u>	
1,576			1,764
	Payments to and on account of Leavers:		
28	Transfers Out		25
<u>52</u>	Administration Expenses		<u>38</u>
1,332	Net Withdrawals from dealings with Members		1,459
	RETURNS ON INVESTMENTS		
(1,342)	Investment Income	(1,166)	
(3,877)	Change in Market Value of Investments	(1,986)	
<u>112</u>	Investment Management Expenses	<u>78</u>	
(5,107)	Net Returns on Investments		(3,074)
(3,775)	NET (INCREASE) IN FUND DURING THE YEAR		(1,615)
<u>29,508</u>	OPENING NET ASSETS OF THE SCHEME		<u>33,283</u>
<u>33,283</u>	CLOSING NET ASSETS OF THE SCHEME		<u>34,898</u>

2004 £000	<u>NET ASSETS STATEMENT (AS AT 31 MARCH)</u>	2005 £000	£000
	INVESTMENT ASSETS AT MARKET VALUE		
	Listed Investments		
9,378	- UK Equities	9,920	
3,588	- UK Fixed Interest - Public Sector	2,650	
2,910	- UK Fixed Interest - Other	1,385	
3,603	- UK Index Linked	3,439	
5,411	- Overseas Equities	5,961	
2,230	- Overseas Fixed Interest - Other	1,549	
-	- Overseas Fixed Interest - Public Sector	4,028	
	Unlisted Investments		
-	- UK Unit Trusts	520	
468	- UK Open Ended Investment Companies	-	
912	- Overseas Open Ended Investment Companies	795	
3,468	- Property Unit Trusts	3,051	
<u>962</u>	Cash Balances held by Fund Managers	<u>1,218</u>	
32,930			34,516
	CURRENT ASSETS		
331	Sundry Debtors	44	
<u>49</u>	Revenue Deposits with Dundee City Council Loans Fund	<u>369</u>	
380		413	
	LESS CURRENT LIABILITIES		
<u>(27)</u>	Sundry Creditors	<u>(31)</u>	
<u>353</u>	NET CURRENT ASSETS		<u>382</u>
<u>33,283</u>	NET ASSETS		<u>34,898</u>

David K Dorward CPFA
Depute Chief Executive (Finance)
Dundee City Council
23 June 2005

SUPERANNUATION FUNDS ACCOUNTS

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1 Basis of Preparation

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

The accounts summarise the transactions and net assets of the Funds' for the financial year to 31 March 2005. They do not take account of liabilities to pay pensions and other benefits in the future.

2 Investments

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

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

3 Debtors and Creditors

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

4 Investment Income

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

5 Foreign Currency Translation

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

6 Investment Management Expenses

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

7 Acquisition Costs

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

NOTES TO THE SUPERANNUATION FUNDS ACCOUNTS

TAYSIDE SUPERANNUATION FUND

Operations and Membership

Dundee City Council is the administering authority for the Tayside Superannuation Fund (previously Tayside Regional Council). The Tayside Superannuation Fund is a pension fund for employees of various public bodies and non-profit making organisations. As at 31 March 2005, 43 bodies were participants in the scheme being 11 "scheduled bodies" and 32 other organisations admitted at the discretion of the scheme administrators and known as "admitted bodies". The scheduled bodies were as follows:

Dundee City Council; Perth & Kinross Council; Angus Council; Tay Road Bridge Joint Board; Tayside Joint Police Board; Tayside Fire Joint Board; Tayside Valuation Joint Board; Tayside Contracts Joint Committee; Angus College; Dundee College; Perth College.

Membership of the fund increased to 18,550 employees at 31 March 2005 from 17,408 employees at 31 March 2004. The number of pensioners on the roll at 31 March 2005 was 9,777 compared with 9,629 at 31 March 2004.

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

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

Contributions Receivable and Benefits Payable

The contributions receivable from and benefits payable on behalf of Contributing bodies in 2003/2004 and 2004/2005 were as follows:-

	Contributions Receivable		Benefits Payable	
	2003/2004	2004/2005	2003/2004	2004/2005
	£000	£000	£000	£000
Dundee City Council	20,147	22,258	14,746	15,695
Other Scheduled Bodies	29,219	32,631	21,512	20,805
Admitted Bodies	<u>6,791</u>	<u>7,928</u>	<u>1,969</u>	<u>2,757</u>
TOTAL	<u>56,157</u>	<u>62,817</u>	<u>38,227</u>	<u>39,257</u>

Investment Administration

During the year, Dundee City Council charged the Tayside Superannuation Fund £1,058,957 for administering the Fund (2003/2004 £1,011,134). These are actual costs incurred for Salaries and Wages, Information Technology, Legal Services etc.

Market Value of Investments Managed Externally

The Fund's investment assets are under the management of five external fund managers. At 31 March 2005 the market value of these investment assets was £1,101.6m (31 March 2004 £942.2m), managed as follows:

	2004		2005	
	£m	%	£m	%
Baillie Gifford & Co	236.7	25.1	272.3	24.7
Fidelity Pensions Management	280.8	29.8	311.3	28.3
Schroder Properties Limited	88.3	9.4	107.9	9.8
Goldman Sachs	101.3	10.7	125.9	11.4
Alliance Bernstein	<u>235.1</u>	<u>25.0</u>	<u>284.2</u>	<u>25.8</u>
	<u>942.2</u>	<u>100.0</u>	<u>1,101.6</u>	<u>100.0</u>

Purchases & Sales

Purchases and Sales in 2003/2004 and 2004/2005 amounted to:-

	2003/2004	2004/2005
	£m	£m
Purchases	691.3	340.8
Sales	616.7	277.3

NOTES TO THE SUPERANNUATION FUNDS ACCOUNTS

Securities Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2005 was £172.4 (31 March 2004 £79.0m). This was covered by related collateral, at a level of 104.7%, consisting of UK and Overseas gilts, UK equities, certificates of deposit and letters of credit.

TAYSIDE TRANSPORT SUPERANNUATION FUND

Operations and Membership

As a result of the 1985 Transport Act, the employees of the former Dundee City Bus Unit, which formed part of Tayside Regional Council's Roads and Transport Department, were transferred to a new company, Tayside Public Transport Company Ltd. A separate Superannuation Fund for those transferred employees was set up on 26 October 1986.

During 1991/92 Tayside Public Transport Company Ltd was subject to an employee buy-out. Any employees in post at the time of the buy-out may remain in the Fund, however any new employees are not eligible for entry into the Fund.

Tayside Public Transport Company Ltd was bought out by West Midlands Travel on 22 February 1997 and renamed as Travel Dundee.

At 31 March 2005 the number of contributing employees was 136 (152 at 31 March 2004) and the number of pensioners was 399 (392 at 31 March 2004). As with the Tayside Superannuation Fund an actuarial valuation is carried out every three years to ensure that the Fund can meet its future pension liabilities.

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

Investment Administration

During the year, Dundee City Council charged the Tayside Transport Fund £36,637 for administering the fund (2003/2004 £37,333). These are actual costs incurred for Salaries and Wages, Information Technology, Legal Services etc.

Market Value of Investments Managed Externally

The market value of the Fund's investment assets at 31 March 2005 was £34.5m (31 March 2004 £32.9m) and these investment assets were managed as follows:

	2004		2005	
	£m	%	£m	%
Baillie Gifford & Co	16.6	50.4	17.5	50.7
Schroder Properties Limited	3.6	10.9	3.2	9.3
Goldman Sachs	<u>12.7</u>	<u>38.7</u>	<u>13.8</u>	<u>40.0</u>
	<u>32.9</u>	<u>100.0</u>	<u>34.5</u>	<u>100.0</u>

Purchases & Sales

Purchases and Sales in 2003/2004 and 2004/05 amounted to:-

	2003/2004	2004/05
	£m	£m
Purchases	32.5	18.0
Sales	32.2	15.2

Securities Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2005 was £10.3m (31 March 2004 £3.8m). This was covered by related collateral, at a level of 104.7%, consisting of UK and Overseas gilts, UK equities, certificates of deposit and letters of credit.

NOTES TO THE SUPERANNUATION FUNDS ACCOUNTS

ACTUARIAL VALUATION

Both the Tayside Superannuation Fund, and the Tayside Transport Superannuation Fund are subject to an actuarial valuation every three years. The actuarial valuations are carried out to determine the level of contributions required to be made by employing bodies in order to ensure that the Funds are able to meet all future benefit payments. The valuations carried out as at 31 March 2002 determined the employer contribution rates for the years 2003/2004, 2004/2005 and 2005/2006. The results of the valuations, the assumptions made and the bases of the valuations were as follows:-

TAYSIDE SUPERANNUATION FUND

The valuation carried out as at 31 March 2002 showed that the actuarial value and market value of the Fund's assets stood at £926.3 million representing 96.9% of the Fund's then accrued liabilities. The conclusion reached by the valuation was that the required levels of contribution to be paid to the Fund by the City Council and the other participating bodies with effect from 1 April 2003 were:-

250% of employees' contributions for 2003/2004

265% of employees' contributions for 2004/2005

275% of employees' contributions for 2005/2006

The common rate of contribution is the rate which, in addition to the accumulated assets and contributions paid by members, is sufficient to meet 100% of the liabilities of the Fund. This rate takes into account the deficit at 31 March 2002. The deficit is spread over the average remaining working lifetime of the existing members (approximately 12 years).

The contribution rates following the 31 March 2002 valuation were calculated using the projected unit actuarial method and the main actuarial assumptions were as follows:-

Rate of return on investments - equities	6.5% per annum
- bonds	5.2% per annum
Rate of general pay increases	4.1% per annum
Rate of increases to pensions in payment	2.6% per annum
Valuation of assets	market related

STATEMENT OF INVESTMENT PRINCIPLES

The Fund has an approved Statement of Investment Principles which can be found in the Superannuation Funds' Annual Report and Accounts which will be available upon request from the Depute Chief Executive (Finance), Dundee City Council, Floor 4, 28 Crichton Street, Dundee DD1 3RF. This will also be made available on the Council's website (www.dundee.gov.uk).

NOTES TO THE SUPERANNUATION FUNDS ACCOUNTS

ACTUARIAL VALUATION

TAYSIDE TRANSPORT SUPERANNUATION FUND

The valuation carried out as at 31 March 2002 showed that the actuarial value and market value of the Fund's assets stood at £36.2 million, representing 107% of the Fund's then accrued liabilities. The required level of employer's contribution to be paid to the Fund by Travel Dundee Ltd with effect from 1 April 2002 were:-

150% of employees' contributions for 2003/2004
195% of employees' contributions for 2004/2005
240% of employees' contributions for 2005/2006

The contribution rates following the 31 March 2002 valuation were calculated using the attained age actuarial method and the main actuarial assumptions were as follows:-

Rate of return on investments	- equities	6.5% per annum
	- bonds	5.2% per annum
Rate of general pay increases		4.1% per annum
Rate of increases to pensions in payment		2.6% per annum
Valuation of assets		market related

STATEMENT OF INVESTMENT PRINCIPLES

The Fund has an approved Statement of Investment Principles which can be found in the Superannuation Funds' Annual Report and Accounts which will be available upon request from the Depute Chief Executive (Finance), Dundee City Council, Floor 4, 28 Crichton Street, Dundee DD1 3RF.

COMMON GOOD FUND ACCOUNT

The Council administers the Common Good Fund for the former Burgh of Dundee. The figures below summarise the aggregate income and expenditure for the year and the assets and liabilities at the year end.

2003/2004		2004/2005
£000		£000
	<u>Income & Expenditure Account</u>	
	<u>Income</u>	
(2)	Rents and Feuduties	(3)
(94)	Interest on Loans	(119)
<u>(14)</u>	Dividends and Commission	<u>(18)</u>
<u>(110)</u>		<u>(140)</u>
	<u>Expenditure</u>	
33	Property Costs	34
73	Donations and Contributions	20
8	Other Expenditure	5
<u>1</u>	Loss on Sale of Shares	<u>-</u>
<u>115</u>		<u>59</u>
<u>5</u>	<u>Deficit/(Surplus) for Year</u>	<u>(81)</u>
	<u>Balance Sheet as at 31 March</u>	
2004		2005
£000		£000
<u>-</u>	<u>Tangible Fixed Assets</u>	<u>-</u>
	<u>Current Assets</u>	
1	Debtors	1
369	Investments	368
<u>2,667</u>	Loans Fund Investment	<u>2,749</u>
<u>3,037</u>	Total Current Assets	<u>3,118</u>
	<u>Current Liabilities</u>	
<u>1</u>	Creditors and Accruals	<u>1</u>
<u>1</u>	Total Current Liabilities	<u>1</u>
<u>3,036</u>	Net Current Assets	<u>3,117</u>
<u>3,036</u>	Total Net Assets	<u>3,117</u>
	<u>Reserves</u>	
<u>3,036</u>	Capital	<u>3,117</u>
<u>3,036</u>		<u>3,117</u>

Notes

- 1 Included within the Investments figure of £368,000 shown above, £324,000 relates to marketable securities. These securities are valued at cost and their market value was £452,000 as at 31 March 2005.
- 2 Expenditure commitments totalling £70,000 have been carried forward from 2004/2005 into 2005/2006.

David K Dorward, CPFA
Depute Chief Executive (Finance)
Dundee City Council
23 June 2005

CHARITABLE TRUST FUNDS ACCOUNT

The Council acts as Trustees for 35 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.

Income & Expenditure Account		2004/2005				
2003/2004 Actual £000		Interest on Investments £000	Other Income £000	Total Income £000	Expenditure £000	(Surplus)/ Deficit £000
(133)	Fleming Trust	(7)	(212)	(219)	68	(151)
5	Hospital Fund	(15)	(35)	(50)	52	2
3	Dundee Festival Trust	(2)	-	(2)	6	4
(82)	Burial Grounds Perpetuity Fund	(59)	(79)	(138)	59	(79)
-	A T Cathro Bequest	-	(1)	(1)	1	-
-	Other Various Smaller Trusts (30 no)	<u>(29)</u>	<u>(8)</u>	<u>(37)</u>	<u>54</u>	<u>17</u>
<u>(207)</u>	Total	<u>(112)</u>	<u>(335)</u>	<u>(447)</u>	<u>240</u>	<u>(207)</u>

2004 £000	Balance Sheet as at 31 March	2005 £000
4,806	Property	5,118
1,445	Revenue Deposits with Loans Fund	1,356
1,130	External Revenue Deposits	1,130
21	Sundry Debtors less Sundry Creditors	6
<u>7,402</u>	Total Assets	<u>7,610</u>
	Represented by:	
24	Long-Term Loans	14
<u>7,378</u>	Trust Fund Balances	<u>7,596</u>
<u>7,402</u>		<u>7,610</u>

David K Dorward, CPFA
Depute Chief Executive (Finance)
Dundee City Council
23 June 2005

Notes

- In addition to the expenditure shown above, the Fleming Trust incurred capital expenditure of £311,000 in 2004/2005 (2003/2004 £201,000). No capital receipts were received in 2004/2005 (2003/2004 £Nil).
- The nature and purpose of the Funds' detailed above is as follows:

Fleming Trust

This Trust was established with sums gifted in 1929 by Robert Fleming for the purchase of land and buildings and the provision of suitable accommodation for re-housing the displaced occupants of slum property in Dundee. The balance on the trust at 31 March 2005 was £4.739m (31 March 2004 £4.588m).

Hospital Fund

This Fund was established under the Dundee Churches and Hospital Act 1964, for behoof of the poor of the town. An annual payment of £50 is made from the Fund to local pensioners who require financial assistance. The balance on the Fund at 31 March 2005 was £368,000 (31 March 2004 £372,000).

Dundee Festival Trust

This Trust was created from the income that was received from events to mark the 800th anniversary of the foundation of Dundee as a Royal Burgh. The Trust is used to promote summer festival events. The balance on the Trust at 31 March 2005 was £47,000 (31 March 2004 £51,000).

Burial Grounds Perpetuity Fund

The income accruing on this Fund is used for the upkeep of Burial Grounds. The balance on the Fund at 31 March 2005 was £1.303m (31 March 2004 £1.224m).

A T Cathro Bequest

This Bequest was established from the residue of the estate received in 1948. It is used to give as many children as might have need an opportunity of enjoying an outing in the country or at the seaside. The balance on the Bequest at 31 March 2005 was £24,000 (31 March 2004 £23,000).

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the 2004/2005 Statement of Accounts for Dundee City Council. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

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

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

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

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

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

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

In conclusion, it is my opinion that reasonable assurance can be placed upon the Council's internal control system.

David K Dorward CPFA
Depute Chief Executive (Finance)
Dundee City Council
23 June 2005

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required to:

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

The Responsibilities of the Depute Chief Executive (Finance)

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

In preparing this statement of accounts, the Depute Chief Executive (Finance) has:

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

The Depute Chief Executive (Finance) has also:

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

The Statement of Accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2005.

David K Dorward, CPFA
Depute Chief Executive (Finance)
Dundee City Council
23 June 2005

INDEPENDENT AUDITOR'S REPORT

The Statement of Accounts set out on pages 5 to 50 is subject to audit in accordance with the requirements of Part VII of the Local Government (Scotland) Act 1973.

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

Ms Fiona Kordiak CPFA
Assistant Director
Audit Scotland
Osborne House
1/5 Osborne Terrace
EDINBURGH
EH12 5HG