

REPORT TO: SPECIAL FINANCE COMMITTEE - 30 JUNE 2003

**REPORT ON: UNAUDITED STATEMENT OF ACCOUNTS FOR THE YEAR ENDED
31 MARCH 2003 - DUNDEE CITY COUNCIL, DIRECT LABOUR ORGANISATION,
DIRECT SERVICE ORGANISATIONS**

REPORT BY: DIRECTOR OF FINANCE

REPORT NO: 453-2003

1 PURPOSE OF REPORT

To provide some additional background and commentary on the unaudited Statements of Accounts which are 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 Statements of Accounts which have been submitted along with this report.

2.3 Instruct the Director of Finance to submit these Statements of Accounts to the Controller of Audit, Accounts Commission for Scotland.

3 FINANCIAL IMPLICATIONS

3.1 The City Council's 2002/2003 revenue account shows an actual surplus of £2.812m, against a budgeted deficit of £0.851m. The closing General Fund balance is £6.224m, excluding the amounts which are reserved for schools participating in the Devolved School Management Scheme. It is considered that the uncommitted element of the closing General Fund balance (£2.196m) represents a reasonable level of working balances for an authority of the size of Dundee City Council.

3.2 The Direct Labour Organisation and Direct Service Organisations met their prescribed financial objectives for the financial year 2002/2003.

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, together with separate accounts for its Direct Labour Organisation (Dundee Contract Services) and for its Direct Service Organisations. The three sets of accounts for the financial year 2002/2003 are enclosed with this report.

- 6.3 Each 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 2002/2003 revenue account shows an actual surplus of £2.812m against a budgeted deficit of £0.851m (ie an underspend of £3.663m). 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 2003 is £6.224m, excluding the amount of £0.208m which is held on behalf of schools participating in the Devolved School Management scheme. Elected Members will recall that an amount of £1.5m was taken from the General Fund balance and used in setting the Council Tax level for 2003/2004. Also, there were underspends in 2002/2003 amounting to £2.528m that relate to committed projects and therefore require to be carried forward to 2003/2004 and met from the General Fund balance. After adjusting for these two items, the effective level of uncommitted General Fund balance as at 31 March 2003 is £2.196m. This figure represents a reasonable level of working balances for a local authority of the size of Dundee City Council, being approximately 0.8% of the Council's total net expenditure.
- 6.6 Proper accounting practice requires the Council to disclose certain information in its accounts concerning the assets, liabilities, income and expenditure related to the pension scheme for its employees. The Statement of Accounts shows that the Council's net pension liability (as calculated by independent actuaries) was estimated to be £117.4m as at 31 March 2003. The corresponding figure at 31 March 2002 was £12.2m. The movement in the net pension liability figure is largely due to reductions in the value of the assets owned by the Tayside Superannuation Fund, as a result of depressed stock markets with March 2003 being the lowest point. It should be appreciated that the pension liability figure is based on a "snap-shot" in time and is particularly sensitive to the vagaries of the stock market. Indeed, the volatility of the figure is evidenced by the fact that the recent upturn in share prices is estimated to have reduced the Council's pension liability by some £44m, in the space of only 12 weeks. This situation will be experienced by all pension funds across the country. The Fund has, of course, been subject to triennial actuarial revaluations to determine the long-term funding position and level of contributions required to ensure that all future benefit payments can be made. This is a separate process from the annual calculation of the pension liability, which is required only to satisfy recognised accounting standards. The latest full valuation shows the Fund to be 97% funded and contribution increases have been implemented to recognise this.
- 6.7 The Direct Labour Organisation and Direct Services Organisations 2002/2003 Annual Reports and Accounts show that all of the prescribed financial objectives were met.
- 6.8 In conclusion, it can be said that the City Council's procedures for monitoring and managing its financial affairs have operated successfully during 2002/2003.
- 6.9 Copies of the enclosed Accounts will now be sent to the Controller of Audit at the Accounts Commission for Scotland. He will then instruct the Council's appointed external auditor (Mr Peter Tait CPFA, Chief Auditor) to commence his audit of the Accounts. The 2002/2003 audit process is due to be completed by 30 September 2003 and the outcome of the audit is scheduled to be reported back to the Finance Committee on 10 November 2003.
- 6.10 Elected Members are respectfully requested to retain their copies of the enclosed accounts for future reference.

DAVID K DORWARD
DIRECTOR OF FINANCE

15 August 2003

BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.