



## **DUNDEE CITY COUNCIL**

# **STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004**

**AUDITED**

**SEPTEMBER 2004**

# DUNDEE CITY COUNCIL

## STATEMENT OF ACCOUNTS 2003/2004

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# 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 2003/2004.

## Accounting Policies (see pages 6 to 8)

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 48)

### *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 2003/2004 the Housing Revenue Account had an excess of expenditure over income of £0.227m and this deficit was transferred to the Consolidated Revenue Account and then appropriated from the Renewal and Repair Fund. The main reasons for the deficit were overspends on demand-led repairs and relets budgets. The Supplies and Services budget was also overspent, due to new statutory requirements and the expansion of the Anti-Social Behaviour Team. These overspends were partly offset by underspends on Planned Maintenance and CFCR, due to slippage on contracts and transfers to the capital programme.

### *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 2004. 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 49)

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 50)

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).

In 2003/2004, the Council has fully implemented the requirements of Financial Reporting Standard 17 (Retirement Benefits). This involves reflecting the appropriate accounting entries in the Council's Consolidated Revenue Account and Consolidated Balance Sheet, whereas previously these figures were disclosed by way of notes to the accounts. The full implementation of FRS17 represents a major change in accounting policy. In accordance with the requirements of Financial Reporting Standard 3 (Reporting Financial Performance), the 2002/2003 figures in the Consolidated Revenue Account and Consolidated Balance Sheet have been restated on a comparative basis.

## Virement from Contingency/Fund Balances

The 2003/2004 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. An amount of £161,000 was vired from this contingency in 2003/2004 to offset additional expenditure incurred by departments. The budget also included a "New Monies" contingency of £6,506,000. This amount was transferred to Education (£198,000), Social Work

## FOREWORD BY DEPUTE CHIEF EXECUTIVE (FINANCE)

(£5,917,000), Planning & Transportation (£293,000), Waste Management (£97,000) and Miscellaneous Services (£1,000) during 2003/2004, to fund new initiatives. During the course of the financial year, the Council received additional new monies totalling some £4.7m from the Scottish Executive to fund new initiatives and transfers of responsibility eg McCrone Teachers pay settlement, Teachers' pensions, residential allowances, PPP development costs etc.

The "Budgeted Net Expenditure" column in the Consolidated Revenue Account (see page 9) reflects the impact of the transfers from the general and new monies contingencies and the additional funding received from the Scottish Executive during the financial year. The budgeted net expenditure figures have also been adjusted to reflect the impact of amounts transferred from accumulated balances on the General Fund and Renewal & Repair Fund in order to fund additional expenditure within departments, including commitments brought forward from the previous financial year.

### Revenue Expenditure

The Consolidated Revenue Account (see page 9) shows an actual surplus for the year of £2.214m, against a budgeted deficit of £3.872m ie this represents an overall net underspend of £6.086m against the 2003/2004 Revenue Budget. The main components of the net underspend are as follows :

|  | £m                    |
|--|-----------------------|
| Net underspend on General Fund services                    | (7.219)               |
| Additional DCS surpluses                                   | (0.313)               |
| Savings on Loan Charges due mainly to lower interest rates | (1.169)               |
| Additional grant for loan charges                          | (0.661)               |
| Contribution to Renewal & Repair Fund                      | 2.433                 |
| Reduced Council Tax Income                                 | 0.917                 |
| Other miscellaneous net underspends                        | <u>(0.074)</u>        |
| <b>TOTAL NET UNDERSPEND</b>                                | <b><u>(6.086)</u></b> |

The net underspend of £7.219m on General Fund services was due to a number of under and over spends within departmental budgets, particularly underspends in Education, Social Work, Planning & Transportation and Miscellaneous Services (Finance Revenues). 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. The following narrative highlights some of the material variances that occurred in the aforementioned departments during 2003/2004.

In Education, there was a total underspend of £2,012,000, arising from underspends in the Primary and Secondary sectors and in the EMSS budget. These underspends were partly offset by an overspend in the Special sector. In the Primary sector, the underspend of £1,335,000 was due mainly to staff slippage and lower than anticipated expenditure on property repairs and maintenance. Staffing underspends were also a contributory factor in the £573,000 underspend in the Secondary sector. The Education & Management Support Services budget was underspent by £569,000. Additional funding of £217,000 for management restructuring was received from the Scottish Executive late in

the financial year and these monies will be carried forward to 2004/2005. There were also underspends in staffing budgets, partly due to difficulties in recruiting school crossing patrol staff. Expenditure on supplies and services was lower than anticipated in Primary, Secondary & EMSS. In the Special Schools sector, there was an overspend of £320,000. Additional APTC staffing requirements partly offset the staff costs savings in other sectors and there was also increased demand for transport for pupils.

The underspend of £3,903,000 in Social Work was due mainly to underspends in Third Party Payments budgets in services to Older People and Adults, partly offset by an overspend in services to Children & Families. Within Older People Services, new monies allocated by the Scottish Executive to improve community care infrastructure were underspent due to the part year effect of developing and commissioning appropriate services. Higher than anticipated turnover in private and voluntary care home placements and the part year effect of new monies received from the Scottish Executive for a transfer of responsibilities within the care home sector were also major contributory factors in the service underspend of £2,654,000. There was an underspend of £1,744,000 within services to Adults which was partly due to the phasing in of several intensive support packages within the care home placements budget. In addition, the introduction of Supporting People Funding in April 2003 resulted in a realignment of expenditure in community care services which had a part year effect in 2003/2004. An overspend of £484,000 within Children's Services was mainly due to increases in numbers and cost per placement for fostering and adoption and secure and residential placements.

In Planning & Transportation, the underspend of £725,000 was due mainly to underspends in Building Quality, Sustainable Transport and Road Maintenance, partly offset by an overspend on Winter Maintenance. Additional income of £328,000 was generated in Building Quality due to a higher than expected number of building warrants and planning applications. Under Sustainable Transport, there was an underspend of £304,000 due to additional funding received from the Scottish Executive for concessionary travel. In Road Maintenance, slippage on the Quality of Life programme for unadopted footpaths resulted in an underspend of £240,000 that will be carried forward to 2004/2005. There were higher than anticipated payments to contractors for Winter Maintenance services, amounting to £164,000.

The Consolidated Revenue Account shows a saving of £618,000 against Miscellaneous Services. This saving occurred mainly in the Finance Revenues Division where computing costs were lower than budget as a result of developing the systems for the new recovery initiative in-house, rather than purchasing from an external provider. Also, additional income was received during the financial year, mainly in respect of commission from Scottish Water and grant funding from the Department of Works and Pensions.

# FOREWORD BY DEPUTE CHIEF EXECUTIVE (FINANCE)

## General Fund Balances

The surplus of income over expenditure for the financial year 2003/2004 was £2.214m. When added to the opening General Fund balance of £6.431m, this gives a General Fund balances figure of £8.645m at 31 March 2004. It is, however, estimated that there are expenditure commitments amounting to £2.280m outstanding at 31 March 2004. These have arisen due to underspends in 2003/2004 and these underspends will be carried forward to 2004/2005 and fully utilised in the new financial year. In addition, it was agreed that the sum of £1.646m be taken from balances in setting the 2004/2005 Council Tax and £0.462m is held as balances in respect of schools participating in the Devolved School Management Scheme. When these three items are taken into account, it is estimated that the Council has uncommitted balances of £4.257m as at 31 March 2004.

## 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                         | 161.4        |
| Contributions from National Non-Domestic Pool | <u>51.7</u>  |
|   | <u>213.1</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.

## Capital Expenditure & Borrowing Facilities

Gross capital expenditure in 2003/2004 was £47.7m, of which £15.6m was spent within the Housing Department Programmes. The remaining £32.1m was spent on the Council's other services including Education, Social Work, Planning & Transportation, Leisure & Arts and Economic Development.

The £47.7m of capital expenditure was funded through borrowing (£18.0m), various types of capital receipts (£24.5m) directly from the 2003/2004 Revenue Account (£4.9m) and by a net change in capital accruals (£0.3m).

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.

## 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 commenced the process of pre-qualifying bidders for the project in March 2004, with a view to inviting tenders in the summer of 2004.

## 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 £75.3m as at 31 March 2004. The estimated net pension liability at 31 March 2003 was £117.4m. The significant reduction in the net pension liability was due to improved stock-market performance during 2003/2004.

## Departmental Restructuring

On 1 July 2003, the Environmental & Consumer Protection Department was split into two new departments, Waste Management and Environmental Health/Trading Standards & Scientific Services. In addition, the Environmental and Consumer Protection Committee was renamed Environmental Services and Sustainability Committee.

## 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. The Council has established a Statutory Trading Account for the services provided by Dundee Contract Services. The Statutory Trading Account shows that a surplus of £1.223m was generated in 2003/2004 and this has been transferred to the Consolidated Revenue Account. The balance on the Dundee Contract Services Reserve (£0.237m) was also transferred to the Consolidated Revenue Account during 2003/2004, as it is no longer legally possible to maintain a DLO Reserve.

# **FOREWORD BY DEPUTE CHIEF EXECUTIVE (FINANCE)**

## **Capital Fund**

During 2003/2004 the Council established a Capital Fund, to facilitate the funding of future Capital projects. During the financial year, capital receipts totalling £2.840m were transferred into the Capital Fund.

## **Acknowledgements**

I would like to thank the Finance Convener, 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 2003/2004 Statement of Accounts.

**David K Dorward CPFA**  
**Depute Chief Executive (Finance)**  
**Dundee City Council**  
**24 June 2004**

# 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 2003 - 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 2003

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.

## 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.

## 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 32 and 33.

## 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. This represents a change in accounting policy. Previously, Council houses were included in the Consolidated Balance Sheet at market value, based on the value of right-to-buy sales after applying the average discount factor. In 2003/04, Council houses were revalued as at 31 March 2004. After 2003/04, the revaluation of Council houses will be carried out on a quinquennial basis.

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 next cycle will begin on 1 April 2004.

Non-operational investment properties within all Council Departments are revalued annually. In 2003/04 the date of the revaluation was 31 March 2004.

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.

## 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 2003. The notional rate of interest used is 3.5% for those fixed assets included in the Consolidated Balance Sheet at current value (2002/2003 6%) and 4.625% for infrastructure assets and community assets which are included in the Consolidated Balance Sheet at historical cost (2002/2003 6%). The Council's housing stock is depreciated using the Major Repairs Allowance as a measure for depreciation. This represents a change in accounting policy. Previously, the Council's housing stock was not depreciated but was revalued on an annual basis. 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.

## 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 a period reflecting the continuing benefit which the Council receives as a result of the expenditure. Expenditure which is considered to represent no continuing benefit to the Council is charged to the revenue account in the year it is incurred.

## 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 Reserve. Alternatively, transfers may be made to the Capital Fund to fund capital expenditure in future financial years.

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

# STATEMENT OF ACCOUNTING POLICIES

## **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.

## **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**

Gains or losses 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.

## **Leases**

Assets acquired under finance leases are capitalised and included in the Consolidated Balance Sheet, initially on the basis of the outstanding obligation to make future principal payments. Thereafter, the assets are subject to depreciation revaluation and impairment review, in accordance with the relevant accounting policies. Both operating and finance leasing costs are charged to revenue over the period of the lease.

## **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 2004.

## **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 2004 have been brought into account.

## **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.

## **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).

## **Financial Relationships with Companies**

The Accounting Code of Practice requires local authorities to prepare supplementary Group Accounts to incorporate the results of joint ventures and associates. Joint Ventures and associates have been consolidated using the "equity" method in the supplementary Group Accounts on pages 36 to 39.

## **Investments**

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. Investments in companies are shown at cost, less any provision required for loss in value.

## **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.



# STATEMENT OF ACCOUNTING POLICIES

## **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.

## **Significant Estimation Techniques**

The Council's Consolidated Balance Sheet at 31 March 2004 includes various provisions totalling £30.007m. These provisions have been calculated using the undernoted estimation techniques.

### Bad Debt Provisions

Non Domestic Rates - the provision of £1.359m has been calculated by applying a fixed percentage to each year's outstanding debt.

Community Charge - the provision of £4.821m has been calculated by projecting future collection levels based on the actual collection achieved in 2003/2004.

Council Tax - the provision of £12.029m has been calculated using the non-collection rate anticipated when the Council Tax was set, or a lower figure where the anticipated collection rate has been exceeded.

Statutory Additions - the provision of £1.995m 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 £1.445m 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 £0.844m 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 £1.199m has been calculated by applying an anticipated non-collection rate to the total debt.

### Other Provisions

Council Tax - a provision is required for potential loss of income arising from reductions in the net charge levied by the Council, due to exemptions and discounts. The provision of £0.700m is based on the movements for charge years prior to 2003/2004.

Non Domestic Rates - a provision is required for potential loss of income arising from the settlement of valuation appeals. The provision of £0.248m 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 £5.367m is based on the outstanding value of unsettled claims, considered in conjunction with aggregate stop-loss arrangements within the Council's insurance cover.

### **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.

# CONSOLIDATED REVENUE ACCOUNT

| (Restated)<br>2002/2003<br>Actual Net<br>Expenditure/<br>(Income)<br>£000 |  | 2003/2004                |                    | Actual Net<br>Expenditure/<br>(Income)<br>£000 | Budgeted Net<br>Expenditure/<br>(Income)<br>£000 |
|---|--|--------------------------|--------------------|--|--|
|   | Actual<br>Gross<br>Expenditure<br>£000                             | Actual<br>Income<br>£000 |                    |  |  |
| <b>Council Services</b>   |  |                          |                    |  |  |
| 97,898  | Education  | 108,270                  | (9,207)            | 99,063   | 101,075  |
| 54,002  | Social Work  | 74,387                   | (17,865)           | 56,522   | 60,425   |
| 15,359  | Planning & Transportation (incl Car Parks)                         | 22,001                   | (6,248)            | 15,753   | 16,478   |
| 7,236   | Economic Development   | 11,635                   | (6,430)            | 5,205  | 5,018  |
| 14,503  | Leisure & Arts   | 18,016                   | (3,916)            | 14,100   | 14,000   |
| 12,430  | Waste Management   | 14,859                   | (1,994)            | 12,865   | 12,927   |
| 1,883   | Environmental Health & Trading Standards                           | 3,707                    | (1,295)            | 2,412  | 2,441  |
| 10,403  | Communities  | 16,230                   | (5,216)            | 11,014   | 11,208   |
| (458)   | Central Support Services   | 2,302                    | (2,208)            | 94   | 343  |
| 5,051   | Miscellaneous Services   | 12,622                   | (7,560)            | 5,062  | 5,680  |
| 3,183   | Other Housing  | 4,011                    | (854)              | 3,157  | 3,130  |
| -   | Supporting People  | 12,013                   | (12,013)           | -  | -  |
| 2,000   | DCS Ground Maintenance Client                                      | 2,877                    | (673)              | 2,204  | 2,136  |
| 14,874  | Contribution to Tayside Joint Police Board                         | 16,089                   | -                  | 16,089   | 16,167   |
| 11,051  | Contribution to Tayside Fire Joint Board                           | 11,631                   | -                  | 11,631   | 11,631   |
| 882   | Contribution to Tayside Valuation Joint Board                      | 918                      | -                  | 918  | 918  |
| 3,917   | Housing/Council Tax Benefits                                       | 58,787                   | (55,911)           | 2,876  | 2,789  |
| 2,958   | Corporate and Democratic Core                                      | 3,635                    | (455)              | 3,180  | 2,959  |
| 184   | Non Distributed Costs  | 955                      | -                  | 955  | 955  |
| -   | Contingencies and Unforeseen Items                                 | -                        | -                  | -  | 39   |
| 257,356   | <b>Net Cost of General Fund Services</b>                           | 394,945                  | (131,845)          | 263,100  | 270,319  |
| (674)   | Housing Revenue Account  | 40,302                   | (40,150)           | 152  | (75)   |
| <u>256,682</u>  | <b>Net Cost of Services</b>  | <u>435,247</u>           | <u>(171,995)</u>   | <u>263,252</u>                                 | <u>270,244</u>                                   |
|   |  |                          | <b>Ref Note No</b> |  |  |
| (1,238)   | Net Surplus on Statutory Trading Account                           |                          | 18                 | (1,223)  | (910)  |
| (315)   | Share of Tayside Contracts Surplus                                 |                          |                    | (288)  | (292)  |
| (19,446)  | Net Income on Asset Management Revenue Account                     |                          | 5                  | (520)  | 1,402  |
| (303)   | Interest and Investment Income                                     |                          |                    | (517)  | (430)  |
|   | Pensions Interest Cost and Expected Return on                      |                          |                    |  |  |
|   | Pensions Assets  |                          | 16                 | <u>4,039</u>                                   | <u>4,039</u>                                     |
| <u>(3,372)</u>  |  |                          |                    |  |  |
| <u>232,008</u>  | <b>Net Operating Expenditure</b>                                   |                          |                    | <u>264,743</u>                                 | <u>274,053</u>                                   |
| <b>Appropriations</b>   |  |                          |                    |  |  |
| 4,214   | Contribution to/(from) Capital Financing Reserve                   |                          |                    | (1,587)  | (1,563)  |
| 957   | Contribution to/(from) Renewal & Repair Fund                       |                          |                    | 123  | (2,182)  |
| 175   | Contribution to/(from) Car Park Reserve                            |                          |                    | (109)  | 53   |
| 106   | Contribution to/(from) DCS Reserve                                 |                          |                    | (237)  | (237)  |
| <u>6,156</u>  | Contribution to/(from) Pensions Reserve                            |                          | 16                 | <u>(2,868)</u>                                 | <u>(3,021)</u>                                   |
| <u>243,616</u>  | <b>Amount to be met from Government Grants and Local Taxpayers</b> |                          |                    | <u>260,065</u>                                 | <u>267,103</u>                                   |
| <b>Principal Sources of Finance</b>                                       |  |                          |                    |  |  |
| (47,828)  | Income from Council Tax  |                          |                    | (49,107)                                       | (50,024)   |
| (55)  | Income from Community Charge                                       |                          | 11                 | (71)   | -  |
| (150,705)   | Revenue Support Grant  |                          |                    | (161,378)                                      | (161,378)  |
| <u>(47,861)</u>   | Contribution from National Non-Domestic Rate Pool                  |                          |                    | <u>(51,723)</u>                                | <u>(51,829)</u>                                  |
| <u>(246,449)</u>  |  |                          |                    | <u>(262,279)</u>                               | <u>(263,231)</u>                                 |
| <u>(2,833)</u>  | <b>(Surplus)/Deficit for the Financial Year</b>                    |                          |                    | <u>(2,214)</u>                                 | <u>3,872</u>                                     |
| <b>Balances</b>   |  |                          |                    |  |  |
| (3,598)   | Balances at 1 April (including DSM Balances)                       |                          |                    | (6,431)  | (6,431)  |
| <u>(2,833)</u>  | Add (Surplus)/Deficit for the financial year                       |                          |                    | <u>(2,214)</u>                                 | <u>3,872</u>                                     |
| <u>(6,431)</u>  | <b>General Fund Balance at 31 March</b>                            |                          |                    | <u>(8,645)</u>                                 | <u>(2,559)</u>                                   |

# NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

## 1 ACQUIRED AND DISCONTINUED OPERATIONS

In 2003/2004 there were no acquired or discontinued operations (2002/2003 None).

## 2 EXCEPTIONAL ITEMS

In 2003/2004 there were no exceptional items (2002/2003 None).

## 3 EXTRAORDINARY ITEMS

In 2003/2004 there were no extraordinary items (2002/2003 None).

## 4 PRIOR PERIOD ADJUSTMENTS

In 2003/2004 a prior period adjustment has been made in respect of pension costs (2002/2003 None). The full implementation of Financial Reporting Standard 17 (Retirement Benefits) in 2003/2004 represents a major change in accounting policy and, in accordance with Financial Report Standard 3 (Reporting Financial Performance), the previous year figures have been restated on a comparative basis. This restatement has no impact on the reported surplus for 2002/2003 shown in the Consolidated Revenue Account, however new entries relating to the Net Pension Liability and Pensions Reserve are reflected in the restated Consolidated Balance Sheet at 31 March 2003.

## 5 TRANSACTIONS ON THE ASSET MANAGEMENT REVENUE ACCOUNT

| 2002/2003       |  | 2003/2004  |               |
|-----------------|--|------------|---------------|
| £000            | Income   | £000       | £000          |
|                 | Capital Charges  |            |               |
| (33,723)        | - General Fund Services (including Statutory Trading Account)      |            | (24,315)      |
| (12,201)        | - Housing Revenue Account  |            | (11,975)      |
|                 | Transfer from Government Grants/Capital Contributions              |            |               |
| <u>(540)</u>    | Deferred Account   |            | <u>(676)</u>  |
| (46,464)        |  |            | (36,966)      |
|                 | <b>Expenditure</b>   |            |               |
| 8,723           | Provision for Depreciation/Impairment                              | 17,972     |               |
| 18,124          | External Interest Charges (including Interest on Revenue Balances) | 18,276     |               |
| <u>171</u>      | Consolidated Loans Fund Expenses                                   | <u>198</u> |               |
| <u>27,018</u>   |  |            | <u>36,446</u> |
| <u>(19,446)</u> | Balance to Consolidated Revenue Account                            |            | <u>(520)</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

Finance lease rental payments of £4,000 were made during 2003/2004 (2002/2003 £4,000), with an undischarged liability at 31 March 2004 of £12,000 (31 March 2003 £16,000).

Operating lease rental payments of £1,682,000 were made during 2003/2004 (2002/2003 £1,296,000), with an undischarged liability at 31 March 2004 of £7,546,000 (31 March 2003 £6,315,000). In addition, the Council operates a contract car hire scheme for its employees. In the financial year 2003/2004, total payments of £788,000 (2002/2003 £739,000) were made by the Council to the lessor, offset by contributions of £323,000 (2002/2003 £285,000), from employees. The total undischarged liability at 31 March 2004 was £815,000 (31 March 2003 £842,000).

## 7 PUBLICITY ACCOUNT

Section 5 of the Local Government Act 1986 requires local authorities to keep a separate account of expenditure on publicity. During 2003/2004 the Council incurred the expenditure shown below on publicity.

| 2002/2003  |                            | 2003/2004  |  |
|------------|----------------------------|------------|--|
| £000       |                            | £000       |  |
| 224        | Employment Advertising     | 383        |  |
| 91         | General Advertising        | 96         |  |
| -          | Special Promotional Events | -          |  |
| <u>29</u>  | Others                     | <u>25</u>  |  |
| <u>344</u> |                            | <u>504</u> |  |

# NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

## 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:

| 2002/2003      |                     |   | 2003/2004      |                     |
|----------------|---------------------|---|----------------|---------------------|
| Income<br>£000 | Expenditure<br>£000 |   | Income<br>£000 | Expenditure<br>£000 |
|                |                     | <b>Education</b>  |                |                     |
| 541            | 541                 | Special Education services to Angus Council                       | 525            | 525                 |
|                |                     | <b>Social Work:</b>   |                |                     |
| 3,483          | 3,483               | Provision of Social Work services to NHS Tayside                  | 3,116          | 3,116               |
| 125            | 125                 | Provision of Day Care services to Angus Council                   | 128            | 128                 |
| <u>-</u>       | <u>-</u>            | Provision of Day Care Services to Perth & Kinross Council         | <u>102</u>     | <u>102</u>          |
| <u>3,608</u>   | <u>3,608</u>        |   | <u>3,346</u>   | <u>3,346</u>        |
|                |                     | <b>Economic Development</b>                                       |                |                     |
| 27             | 6                   | Scottish Enterprise Tayside in respect of Skillseekers Initiative | 32             | 18                  |
|                |                     | <b>Chief Executive</b>  |                |                     |
| 181            | 181                 | New Deal projects   | -              | -                   |
|                |                     | <b>Support Services</b>   |                |                     |
| <u>396</u>     | <u>396</u>          | Crown and Procurator Fiscal Offices                               | <u>374</u>     | <u>374</u>          |
| <u>4,753</u>   | <u>4,732</u>        | TOTAL   | <u>4,277</u>   | <u>4,263</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 during the financial year 2003/2004.

| 2002/2003      |                     |  | 2003/2004      |                     |
|----------------|---------------------|--|----------------|---------------------|
| Income<br>£000 | Expenditure<br>£000 |  | Income<br>£000 | Expenditure<br>£000 |
|                |                     | <b>Education</b>   |                |                     |
| 13             | 13                  | Purchasing services to Perth & Kinross Council                       | 13             | 13                  |
| 15             | 15                  | Purchasing services and instrument repair services to Angus Council  | 15             | 15                  |
| <u>13</u>      | <u>13</u>           | Payroll services to Dundee College                                   | <u>13</u>      | <u>13</u>           |
| <u>41</u>      | <u>41</u>           |  | <u>41</u>      | <u>41</u>           |
|                |                     | <b>Communities</b>   |                |                     |
| 89             | 105                 | Administration services to Communities Scotland                      | 88             | 105                 |
|                |                     | <b>Dundee Contract Services</b>                                      |                |                     |
| 364            | 321                 | Repairs and maintenance services to Housing Associations             | 410            | 371                 |
| <u>14</u>      | <u>14</u>           | Ground maintenance services to Housing Associations                  | <u>47</u>      | <u>46</u>           |
| <u>378</u>     | <u>335</u>          |  | <u>457</u>     | <u>417</u>          |
|                |                     | <b>Finance</b>   |                |                     |
| <u>432</u>     | <u>432</u>          | Billing and Collection of Water Charges for Scottish Water Authority | <u>400</u>     | <u>400</u>          |
| <u>940</u>     | <u>913</u>          | TOTAL  | <u>986</u>     | <u>963</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 2003/2004 in respect of teachers' pensions was 10.0% (2002/2003 6.9%). In 2003/2004 the Council paid £7.9m (2002/2003 £6.3m) to the Scottish Public Pensions Agency in respect of teachers' pension costs which represents 16.0% of teachers' pensionable pay including 6% employee contribution (2002/2003 12.9%). In addition the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2003/2004 these amounted to £0.05m representing 0.09% of pensionable pay (2002/2003 £0.04m, 0.08%).

### 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 2003/2004 the Council paid an employer's contribution of £14.1m (2002/2003 £12.5m) into the Tayside Superannuation Fund, representing 14.6% of pensionable pay (2002/2003 14%). The employer's contribution rate in 2003/2004 was 250% 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 2003/2004 these amounted to £1.4m representing 1.5% of pensionable pay (2002/2003 £1.9m, 2.1%).

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 2003/2004 £0.955m (2002/2003 £0.184m)
- b awarded prior to 2003/2004 for which payments are still being made £18.353m (2002/2003 £16.396m)

## 11 COMMUNITY CHARGE INCOME

| 2002/2003<br>Actual<br>£000 |                                       | 2003/2004<br>Actual<br>£000 |
|-----------------------------|---------------------------------------|-----------------------------|
|                             | Adjustments for Previous Year:        |                             |
| (5)                         | Gross Charge                          | (8)                         |
| (5)                         | Net Charge                            | (8)                         |
| <u>60</u>                   | Released from Provision for Bad Debts | <u>79</u>                   |
| <u>55</u>                   | Total Community Charge Income         | <u>71</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<br>2002/2003 | Salary Banding      | Number of Employees<br>2003/2004 |
|----------------------------------|---------------------|----------------------------------|
| 47                               | £40,000 - £49,999   | 57                               |
| 22                               | £50,000 - £59,999   | 32                               |
| 9                                | £60,000 - £69,999   | 5                                |
| 1                                | £70,000 - £79,999   | 6                                |
| -                                | £80,000 - £89,999   | 1                                |
| -                                | £90,000 - £99,999   | -                                |
| 1                                | £100,000 - £109,999 | 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 2004, was £429,443 (2002/2003 £386,385)

## 14 RELATED PARTIES

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

| 2002/2003       |                   | Revenue                              | 2003/2004       |                   |
|-----------------|-------------------|--------------------------------------|-----------------|-------------------|
| Charges To £000 | Charges From £000 |                                      | Charges To £000 | Charges From £000 |
| 1,261           | 1,784             | Dundee Energy Recycling Limited      | 459             | 2,691             |
| -               | -                 | Dundee Incubator Limited             | -               | -                 |
| 88              | 94                | Dundee City Developments Limited     | 226             | 139               |
| 96              | 142               | Dundee Ice Arena Limited             | 60              | 141               |
| 20              | 349               | Dundee Contemporary Arts Limited     | 15              | 331               |
| -               | -                 | Dundee Cultural Developments Limited | -               | -                 |
| 27              | 699               | Dovetail Enterprises (1993) Limited  | 37              | 793               |
| 20              | -                 | Tayside Cable Technologies Limited   | 56              | -                 |

In 2003/2004, 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 2003 (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 £264.539m has been re-classified in line with the BVACoP as follows:

| (Restated)<br>2002/2003<br>Actual Net<br>Expenditure<br>£000 |  | 2003/2004<br>Actual Net<br>Expenditure<br>£000 |
|--|--|--|
| 10,276   | Central Services                       | 39,726   |
| 20,895   | Cultural & Related Services            | 21,076   |
| 103,113  | Education Services                     | 104,489  |
| 14,550   | Environmental Services                 | 15,468   |
| 6,257  | Housing Services                       | 6,084  |
| 7,488  | Planning & Development Services        | 5,147  |
| 13,515   | Roads & Transport Services             | 14,217   |
| 54,119   | Social Work Services                   | 56,672   |
| <u>1,795</u>   | Trading Services                       | <u>1,864</u>                                   |
| <u>232,008</u>   | <b>Total Net Operating Expenditure</b> | <u>264,743</u>                                 |

The year-on-year increase in Central Services net expenditure of £29.246m includes movements on the Asset Management Revenue Account of £18.926m and on Pensions Interest Cost & Expected Return on Pensions Assets of £7.411m.

# 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:

| <b>2002/2003</b> |                  |  | <b>2003/2004</b> |                 |
|------------------|------------------|--|------------------|-----------------|
| <b>£000</b>      | <b>£000</b>      |  | <b>£000</b>      | <b>£000</b>     |
|                  | (12,204)         | Deficit at 1 April                                   |                  | (117,360)       |
| (11,345)         |                  | Current Service Cost                                 | (13,462)         |                 |
| 12,401           |                  | Employer Contributions                               | 14,135           |                 |
| 1,912            |                  | Contribution in respect of Unfunded Benefits         | 1,453            |                 |
| (184)            |                  | Past Service Costs                                   | (955)            |                 |
| <u>3,372</u>     |                  | Net Return on Assets                                 | <u>(4,039)</u>   |                 |
|                  | 6,156            |  |                  | (2,868)         |
|                  | (111,339)        | Actuarial Gain/(Losses)                              |                  | 44,975          |
|                  |                  | Difference between Actuarial Contribution Figure and |                  |                 |
|                  | <u>27</u>        | Actual Contribution Figure                           |                  | <u>(50)</u>     |
|                  | <u>(117,360)</u> | Deficit at 31 March                                  |                  | <u>(75,303)</u> |

The net revenue account charge is calculated as follows:

| <b>2002/2003</b> |  |  | <b>2003/2004</b> |  |
|------------------|--|--|------------------|--|
| <b>£000</b>      |  |  | <b>£000</b>      |  |
|                  |  | <b>Operating Costs</b>                       |                  |  |
| 11,345           |  | Current Service Cost                         | 13,462           |  |
| 184              |  | Past Service Cost                            | 955              |  |
| -                |  | Gains/(Losses) on curtailment and settlement | -                |  |
| -                |  | Decrease in Irrecoverable Surplus            | -                |  |
| <u>11,529</u>    |  | Total Operating Charge (A)                   | <u>14,417</u>    |  |
|                  |  | <b>Expected Returns</b>                      |                  |  |
| 27,994           |  | Expected Return on Employer Assets           | 23,093           |  |
| <u>(24,622)</u>  |  | Interest on Pension Scheme Liabilities       | <u>(27,132)</u>  |  |
| <u>3,372</u>     |  | Net Return (B)                               | <u>(4,039)</u>   |  |
| <u>8,157</u>     |  | <b>Net Revenue Account Cost (A) - (B)</b>    | <u>18,456</u>    |  |

The history of experienced gains and losses is as follows:

| <b>2002/2003</b> |  |   | <b>2003/2004</b> |  |
|------------------|--|---|------------------|--|
| <b>£000</b>      |  |   | <b>£000</b>      |  |
| (94,226)         |  | Difference between the expected and actual return on assets | 47,388           |  |
| 326,010          |  | Value of assets   | 400,489          |  |
| <u>(28.9%)</u>   |  | Percentage of assets  | <u>11.8%</u>     |  |
| (37,008)         |  | Experience gains/(losses) on liabilities                    | (2,413)          |  |
| 426,790          |  | Present value of liabilities                                | 475,792          |  |
| <u>(8.7%)</u>    |  | Percentage of the present value of liabilities              | <u>(0.5%)</u>    |  |
| (111,339)        |  | Actuarial gains/(losses)                                    | 44,975           |  |
| 426,790          |  | Present value of liabilities                                | 475,792          |  |
| <u>(26.1%)</u>   |  | Percentage of the present value of liabilities              | <u>9.5%</u>      |  |

Further disclosures relating to Pension Assets and Liabilities are included in Note 18 to the Consolidated Balance Sheet (see page 29).

# 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 2003/2004 of £94,000 is included in the Consolidated Revenue Account.

| (Restated)<br>2002/2003<br>Net<br>Surplus<br>£000 | Central Support<br>Service   | Gross<br>Expenditure<br>£000 | Recharges<br>to Council<br>Departments<br>£000 | Recharge<br>to Corporate<br>& Democratic<br>Core<br>£000 | Other<br>Internal<br>Income<br>£000 | External<br>Income<br>£000 | Total<br>Income<br>£000 | 2003/2004<br>Net<br>Expenditure/<br>(Surplus)<br>£000 |
|---|--|------------------------------|--|--|-------------------------------------|----------------------------|-------------------------|---|
| (18)  | Chief Executive (incl<br>Corporate Planning)<br>Press Office (incl | 823                          | (6)  | (833)  | -                                   | 4                          | (835)                   | (12)  |
| (3)   | Dundee.Com)  | 309                          | (266)  | (19)   | -                                   | (39)                       | (324)                   | (15)  |
| -   | Helpline   | 24                           | (23)   | (1)  | -                                   | -                          | (24)                    | -   |
| (40)  | Personnel<br>Information   | 1,899                        | (1,572)  | (183)  | (66)                                | (75)                       | (1,896)                 | 3   |
| (91)  | Technology<br>Administration &                                     | 5,556                        | (5,054)  | (37)   | (290)                               | (179)                      | (5,560)                 | (4)   |
| (140)   | Legal Services   | 4,400                        | (2,652)  | (1,220)  | (442)                               | (168)                      | (4,482)                 | (82)  |
| (62)  | Architectural Services   | 4,555                        | (4,260)  | -  | -                                   | (165)                      | (4,425)                 | 130   |
| <u>(104)</u>                                      | Finance General  | <u>5,982</u>                 | <u>(2,596)</u>                                 | <u>(1,342)</u>   | <u>(384)</u>                        | <u>(1,586)</u>             | <u>(5,908)</u>          | <u>74</u>   |
| <u>(458)</u>                                      |  | <u>23,548</u>                | <u>(16,429)</u>                                | <u>(3,635)</u>   | <u>(1,182)</u>                      | <u>(2,208)</u>             | <u>(23,454)</u>         | <u>94</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<br>2002/2003<br>£000 | Actual<br>2002/2003<br>£000 |                   | Actual<br>2003/2004<br>£000 | Target<br>2003/2004<br>£000 | 3-Year<br>Target<br>2003-2006<br>£000 |
|-----------------------------|-----------------------------|-------------------|-----------------------------|-----------------------------|---------------------------------------|
| 22,736                      | 23,537                      | Income            | 26,067                      | 24,426                      | 75,809                                |
| <u>21,762</u>               | <u>22,299</u>               | Expenditure       | <u>24,844</u>               | <u>23,516</u>               | <u>73,560</u>                         |
| <u>(974)</u>                | <u>(1,238)</u>              | (Surplus)/Deficit | <u>(1,223)</u>              | <u>(910)</u>                | <u>(2,249)</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 £2.249m 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 £1.223m exceeds the financial target of £0.910m by £0.313m and is broadly in line with the previous year's surplus of £1.238m. The current year's results, combined with information on the trading prospects over the next two financial years, indicate that the trading operation should achieve its three year financial target of £2.249m which is well in excess of the statutory requirement of 'break even' over 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 2003/2004 financial year, for external audit services undertaken in accordance with the Code of Audit Practice, is £320,300 (2002/2003 £314,600). The 2003/2004 audit fee includes £25,000 for the audit of the Tayside Superannuation Funds (2002/2003 £25,000). During 2003/2004, 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 (2002/2003 None).

# COUNCIL TAX INCOME ACCOUNT

| 2002/2003<br>£000 |  |   | 2003/2004<br>£000 | £000            |
|-------------------|--|---|-------------------|-----------------|
| 63,914            | Gross Charge   |   |                   | 64,948          |
| (4,881)           | Deduct   | - Exemptions  | (5,246)           |                 |
| (49)              |  | - Disabled Relief                                   | (52)              |                 |
| <u>(7,532)</u>    |  | - Discounts   | <u>(7,604)</u>    |                 |
| <u>(12,462)</u>   |  |   |                   | <u>(12,902)</u> |
| 51,452            | Net Council Tax  |   |                   | 52,046          |
| (12,322)          | Deduct   | - Rebates   | (12,303)          |                 |
|                   |  | - Less: Transferred to Consolidated Revenue Account |                   |                 |
| <u>12,322</u>     |  |   | <u>12,303</u>     |                 |
| -                 |  |   |                   | -               |
| (11)              |  | - MOD Properties                                    |                   | (11)            |
| 11                |  | - Contribution Received                             |                   | 11              |
| <u>(1,823)</u>    | Provision for Bad Debts/Exemptions/Discounts               |   |                   | <u>(2,521)</u>  |
| <u>49,629</u>     | <b>Total Council Tax Income for Current Financial Year</b> |   |                   | <u>49,525</u>   |
| (1,044)           | Adjustment to Previous Years' Council Tax                  |   |                   | (902)           |
| <u>(757)</u>      | Adjustment to Previous Years' Provision for Bad Debts      |   |                   | <u>484</u>      |
| <u>(1,801)</u>    | Total Adjustments for Previous Years                       |   |                   | <u>(418)</u>    |
| <u>47,828</u>     | <b>Total Council Tax Income</b>                            |   |                   | <u>49,107</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 2003/2004 charges levied. Details of the calculation of the Council Tax base are shown at Note 2.

| <u>Council Tax Charge</u><br>2002/2003<br>£ | <u>Valuation Band</u> | <u>Property Valuation Range</u> | <u>Fraction of Band D</u> | <u>Council Tax Charge</u><br>2003/2004<br>£ |
|---|-----------------------|---------------------------------|---------------------------|---|
| 719.33                                      | A                     | Up to £27,000                   | 6/9                       | 726.00                                      |
| 832.99                                      | B                     | £ 27,001 - £ 35,000             | 7/9                       | 847.00                                      |
| 959.11                                      | C                     | £ 35,001 - £ 45,000             | 8/9                       | 968.00                                      |
| 1,079.00                                    | D                     | £ 45,001 - £ 58,000             | 9/9                       | 1,089.00                                    |
| 1,318.78                                    | E                     | £ 58,001 - £ 80,000             | 11/9                      | 1,331.00                                    |
| 1,558.56                                    | F                     | £ 80,001 - £106,000             | 13/9                      | 1,573.00                                    |
| 1,798.33                                    | G                     | £106,001 - £212,000             | 15/9                      | 1,815.00                                    |
| 2,158.00                                    | H                     | Over £212,000                   | 18/9                      | 2,178.00                                    |

# NOTES TO THE COUNCIL TAX INCOME ACCOUNT

## 2 CALCULATION OF THE COUNCIL TAX BASE

| <b>2002/2003</b>        |  | <b>2003/2004</b> |        |       |       |       |       |       |      |               |
|-------------------------|--|------------------|--------|-------|-------|-------|-------|-------|------|---------------|
| <u>Council Tax Base</u> |  | A                | B      | C     | D     | E     | F     | G     | H    | TOTAL         |
| 70,806                  | Total Number of Properties   | 32,997           | 16,438 | 7,285 | 7,503 | 5,395 | 1,701 | 767   | 49   | 72,135        |
| 4,784                   | <u>Less</u> Exemptions/Deductions  | 4,276            | 914    | 499   | 227   | 169   | 37    | 13    | 17   | 6,152         |
| 9,168                   | <u>Less</u> Adjustment for Single Chargepayers                                       | 5,337            | 2,083  | 730   | 584   | 363   | 87    | 35    | 6    | 9,225         |
| 56,854                  | Effective Number of Properties   | 23,384           | 13,441 | 6,056 | 6,692 | 4,863 | 1,577 | 719   | 26   | 59,758        |
|                         | Band D Equivalent Factor (Ratio)   | 6/9              | 7/9    | 8/9   | 9/9   | 11/9  | 13/9  | 15/9  | 18/9 |               |
| 47,488                  | Band D Equivalent Number of Properties   | 15,587           | 10,454 | 5,383 | 6,692 | 5,944 | 2,278 | 1,198 | 52   | 47,588        |
| 12                      | <u>Add</u> Contribution in lieu in respect of Class 18 dwellings (Band D equivalent) |                  |        |       |       |       |       |       |      | 12            |
| 47,500                  | NOMINAL TAX YIELD  |                  |        |       |       |       |       |       |      | 47,600        |
| (1,662)                 | <u>Less</u> Provision for Non-Collection 3.5%  |                  |        |       |       |       |       |       |      | (1,666)       |
| <u>45,838</u>           |  |                  |        |       |       |       |       |       |      | <u>45,934</u> |
|                         | COUNCIL TAX BASE 2003/2004<br>(equivalent to a Band D Council Tax of £1,089)         |                  |        |       |       |       |       |       |      |               |

# NON-DOMESTIC RATE INCOME ACCOUNT

| 2002/2003      |   | 2003/2004      |
|----------------|---|----------------|
| £000           |   | £000           |
| 71,721         | Gross Rate Levied                                   | 71,617         |
| 700            | Transitional Surcharge                              | 397            |
| <u>(2,318)</u> | Transitional Relief                                 | <u>(1,052)</u> |
| 70,103         |   | 70,962         |
|                | Deduct:   |                |
| (4,093)        | Exemptions, Voids and Partially Occupied Properties | (4,735)        |
| (1,024)        | Disabled Relief                                     | (948)          |
| (4,556)        | Other Reliefs, Charities, etc                       | (5,089)        |
| (3,387)        | Relieved on Appeal                                  | (2,446)        |
| <u>(1,257)</u> | Provision for Bad Debts/Abatements                  | <u>(597)</u>   |
| <u>55,786</u>  |   | <u>57,147</u>  |
|                | Adjustments to Previous Years:                      |                |
| (93)           | Interest on Overpaid Rates                          | (122)          |
| <u>(140)</u>   | Bad Debts/Abatements                                | <u>(445)</u>   |
| <u>55,553</u>  |   | <u>56,580</u>  |
|                | <b>Allocated as follows:</b>                        |                |
| 55,628         | Contribution to National Non-Domestic Rate Pool     | 56,686         |
| <u>(75)</u>    | City Council Non-Domestic Rates                     | <u>(106)</u>   |
| <u>55,553</u>  |   | <u>56,580</u>  |
|                | <b>National Non-Domestic Rate Pool:</b>             |                |
| 55,628         | Contribution to National Non-Domestic Rate Pool     | 56,686         |
| <u>47,936</u>  | Contribution from National Non-Domestic Rate Pool   | <u>51,829</u>  |
| <u>7,692</u>   | Net Contribution to National Non-Domestic Rate Pool | <u>4,857</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 2003/2004 was 47.8p for properties with a rateable value of £10,000 and over, with a 0.6p 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

| 2002           | <u>Non-Domestic Rateable Subjects at 1 April</u>      | 2003           |
|----------------|---|----------------|
| 2,884          | Commercial  | 2,892          |
| 708            | Industrial  | 694            |
| 7              | Public Utilities                                      | 7              |
| <u>2,068</u>   | Miscellaneous   | <u>2,031</u>   |
| <u>5,667</u>   |   | <u>5,624</u>   |
| <b>2002</b>    | <b><u>Non-Domestic Rateable Values at 1 April</u></b> | <b>2003</b>    |
| <b>£000</b>    |   | <b>£000</b>    |
| 63,132         | Commercial  | 63,397         |
| 23,066         | Industrial  | 22,874         |
| 4,342          | Public Utilities                                      | 4,284          |
| <u>58,452</u>  | Miscellaneous   | <u>54,716</u>  |
| <u>148,992</u> |   | <u>145,271</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.

| (Restated)<br>2002/2003 |   | 2003/2004      |                |
|-------------------------|---|----------------|----------------|
| Actual<br>£000          |   | Actual<br>£000 | Budget<br>£000 |
| <b>INCOME</b>           |   |                |                |
| 38,564                  | Gross Rent Income - Dwellings                                 | 38,685         | 39,081         |
| 810                     | - Non-Dwellings   | 888            | 818            |
| 145                     | Interest on Revenue Balances                                  | 138            | 200            |
| 221                     | Housing Support Grant   | 94             | 125            |
| 2,317                   | Other Income  | 535            | 411            |
| 192                     | Pensions Interest Cost and Expected Return on Pensions Assets | -              | -              |
| -                       | Contribution from Pensions Reserve                            | 155            | 155            |
| <u>42,249</u>           |   | <u>40,495</u>  | <u>40,790</u>  |
| <b>EXPENDITURE</b>      |   |                |                |
| 18,857                  | Repairs and Maintenance                                       | 19,010         | 17,960         |
| 8,756                   | Supervision and Management                                    | 7,712          | 7,875          |
| 11,875                  | Capital Financing Costs                                       | 11,692         | 12,700         |
| 1,895                   | Bad Debts and Voids   | 2,078          | 2,025          |
| -                       | Pensions Interest Cost and Expected Return on Pensions Assets | 230            | 230            |
| 225                     | Contribution to Pensions Reserve                              | -              | -              |
| <u>41,608</u>           |   | <u>40,722</u>  | <u>40,790</u>  |
| <u>(641)</u>            | <b>NET (INCOME)/EXPENDITURE</b>                               | <u>227</u>     | <u>-</u>       |
| Add Back:               |   |                |                |
| 192                     | Pensions Interest Cost and Expected Return on Pensions Assets | (230)          | (230)          |
| <u>(225)</u>            | Contribution (to)/from Pensions Reserve                       | <u>155</u>     | <u>155</u>     |
| <u>(674)</u>            | Transfer of (Surplus)/Deficit to Consolidated Revenue Account | <u>152</u>     | <u>(75)</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 £43.30 per week in 2003/2004 (2002/2003 £42.14).

2 **HOUSING STOCK**  
The Council was responsible for managing 16,673 dwellings as at 31 March 2004 (31 March 2003 17,035). The stock was made up as follows:

| 2003          |            |             | 2004          |            |
|---------------|------------|-------------|---------------|------------|
| Number        | %          |             | Number        | %          |
| 4,003         | 23         | Houses      | 3,893         | 23         |
| 11,567        | 68         | Flats       | 11,362        | 68         |
| 1,465         | 9          | Maisonettes | 1,418         | 9          |
| <u>17,035</u> | <u>100</u> |             | <u>16,673</u> | <u>100</u> |

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

|               |                       |               |
|---------------|-----------------------|---------------|
| 17,641        | Stock at 1 April      | 17,035        |
| (295)         | Less: Sales           | (226)         |
| (311)         | Less: Demolitions etc | (136)         |
| <u>17,035</u> | Stock at 31 March     | <u>16,673</u> |

3 **RENT ARREARS AND BAD DEBTS**  
The amount of rent arrears written off at 31 March 2004 was £468,824 (31 March 2003 £524,184) which is equivalent to 1.20% (2002/2003 1.36%) of rent collectable from tenants. The provision for doubtful debts was increased to £844,382 (2002/2003 £615,653).

Rent arrears at 31 March 2004 were £1,528,947 or 3.91% (31 March 2003 £1,100,573 or 2.85%) of rent collectable and this equated to an average rent arrears per house of £91.70 (2002/2003 £64.61). These figures are net of prepaid rents as at 31 March 2004.

4 **EXCEPTIONAL OR PRIOR YEAR ITEMS**  
There are no exceptional items in 2003/2004 (2002/2003 None). In 2003/2004 a prior period adjustment has been made in respect of Pension Costs (2002/2003 None). The full implementation of Financial Reporting Standard 17 (Retirement Benefits) in 2003/2004 represents a major change in accounting policy and, in accordance with Financial Reporting Standard 3 (Reporting Financial Performance), the previous year figures have been restated on a comparative basis. This restatement has no impact on the net income for 2002/2003.

# CONSOLIDATED BALANCE SHEET

(Restated)

| As at<br>31 March<br>2003<br>£000              | As at<br>31 March<br>2004<br>£000 | Ref<br>Note No | £000             |
|--|-----------------------------------|----------------|------------------|
| <b>FIXED ASSETS</b>                            |                                   |                |                  |
| Operational Assets:                            |                                   |                |                  |
| 213,344  |                                   |                |                  |
|  | 223,079                           | 1,2,7,9        |                  |
| 305,692  | 305,701                           | 1,2,7,9        |                  |
| 13,604   | 14,621                            | 1,2,7,9        |                  |
| 49,159   | 53,936                            | 1,2,7,9        |                  |
| 1,659  | 1,606                             | 1,2,7,9        |                  |
| <u>72,271</u>                                  | <u>89,126</u>                     | 1,2,7,9        |                  |
| 655,729  |                                   |                | 688,069          |
| <b>DEFERRED CHARGES</b>                        |                                   |                |                  |
|  |                                   | 3              |                  |
| 4,192  | 2,692                             |                |                  |
| <u>5,277</u>                                   | <u>5,337</u>                      |                |                  |
| 9,469  |                                   |                | 8,029            |
| 5,775  |                                   | 4,11           | 6,024            |
| <u>9,367</u>                                   |                                   | 5              | <u>10,079</u>    |
| 680,340  |                                   |                | 712,201          |
| <b>CURRENT ASSETS</b>                          |                                   |                |                  |
| 645  | 584                               |                |                  |
| 45,234   | 47,924                            | 19             |                  |
| 293  | 398                               |                |                  |
| 13,100   | 3,650                             |                |                  |
| 4  | 33                                |                |                  |
| <u>84</u>                                      | <u>83</u>                         |                |                  |
| <u>59,360</u>                                  | <u>52,672</u>                     |                |                  |
| <b>LESS CURRENT LIABILITIES</b>                |                                   |                |                  |
| (36,249)                                       | (40,336)                          | 19             |                  |
| (19,290)                                       | (39,954)                          | 12             |                  |
| <u>(21,296)</u>                                | <u>(16,303)</u>                   |                |                  |
| <u>(76,835)</u>                                | <u>(96,593)</u>                   |                |                  |
| <u>(17,475)</u>                                |                                   |                | <u>(43,921)</u>  |
| 662,865  |                                   |                | 668,280          |
| (264,935)                                      | (241,279)                         | 12             |                  |
| (1,531)  | (1,328)                           | 6,8            |                  |
| (8,129)  | (6,315)                           | 13             |                  |
| (33,046)                                       | (40,365)                          |                |                  |
| <u>(117,360)</u>                               | <u>(75,303)</u>                   | 18             |                  |
| <u>(425,001)</u>                               |                                   |                | <u>(364,590)</u> |
| <u>237,864</u>                                 |                                   | 10             | <u>303,690</u>   |
| <b>Net Assets</b>                              |                                   |                |                  |
| <b>Financed By Fund Balances and Reserves:</b> |                                   |                |                  |
| 202,305  | 208,505                           |                |                  |
| 140,779  | 153,461                           |                |                  |
| -  | 2,840                             |                |                  |
| 4,352  | 4,627                             |                |                  |
| 721  | 627                               |                |                  |
| 237  | -                                 |                |                  |
| 399  | 288                               |                |                  |
| (117,360)                                      | (75,303)                          | 18             |                  |
| <u>6,431</u>                                   | <u>8,645</u>                      | 15             |                  |
| <u>237,864</u>                                 |                                   |                | <u>303,690</u>   |

David K Dorward, CPFA  
Depute Chief Executive (Finance)  
Dundee City Council  
24 June 2004

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 1 SUMMARY OF CAPITAL EXPENDITURE AND DISPOSALS

|  | Council<br>Dwellings<br>£000 | Other<br>Land &<br>Buildings<br>£000 | Operational<br>Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Community<br>Assets<br>£000 | Sub Total<br>Operational<br>Assets<br>£000 | Non<br>Operational<br>Assets<br>£000 | Grand<br>Total<br>£000 |
|--|------------------------------|--------------------------------------|----------------------------------|----------------------------------|-----------------------------|--|--------------------------------------|------------------------|
| Gross Book Value at 31 March 2003            | 213,344                      | 309,644                              | 32,931                           | 65,685                           | 1,659                       | 623,263                                    | 72,526                               | 695,789                |
| Less Accumulated Depreciation & Impairment   | -                            | (3,952)                              | (19,327)                         | (16,526)                         | -                           | (39,805)                                   | (255)                                | (40,060)               |
| Net Book Value at 31 March 2003              | 213,344                      | 305,692                              | 13,604                           | 49,159                           | 1,659                       | 583,458                                    | 72,271                               | 655,729                |
| Movements in 2003/2004:                      |                              |                                      |                                  |                                  |                             |  |                                      |                        |
| Opening Entry Adjustment                     | -                            | (455)                                | 72                               | 193                              | (53)                        | (243)                                      | 488                                  | 245                    |
| Expenditure                                  | 13,215                       | 5,996                                | 3,636                            | 7,136                            | 1,172                       | 31,155                                     | 13,247                               | 44,402                 |
| Disposals                                    | (3,387)                      | (397)                                | (48)                             | -                                | -                           | (3,832)                                    | (596)                                | (4,428)                |
| Depreciation                                 | (8,945)                      | (3,282)                              | (2,648)                          | (2,956)                          | -                           | (17,831)                                   | (141)                                | (17,972)               |
| Revaluations/Other Adjustments               | 8,852                        | (1,853)                              | 5                                | 404                              | (1,172)                     | 6,236                                      | 3,857                                | 10,093                 |
| Net Book Value at 31 March 2004              | 223,079                      | 305,701                              | 14,621                           | 53,936                           | 1,606                       | 598,943                                    | 89,126                               | 688,069                |
| Analysis of Net Book Value at 31 March 2004: |                              |                                      |                                  |                                  |                             |  |                                      |                        |
| Gross Book Value                             | 232,024                      | 307,485                              | 26,792                           | 73,418                           | 1,606                       | 641,325                                    | 89,522                               | 730,847                |
| Less Accumulated Depreciation & Impairment   | (8,945)                      | (1,784)                              | (12,171)                         | (19,482)                         | -                           | (42,382)                                   | (396)                                | (42,778)               |
| Net Book Value                               | 223,079                      | 305,701                              | 14,621                           | 53,936                           | 1,606                       | 598,943                                    | 89,126                               | 688,069                |

## 2 SOURCES OF FINANCE FOR CAPITAL EXPENDITURE

| 2002/2003<br>£000 |  | 2003/2004<br>£000 |               |
|-------------------|--|-------------------|---------------|
| 34,430            | Capital Expenditure on Fixed Assets        | 44,402            |               |
| 2,311             | Deferred Charges                           | 2,612             |               |
| -                 | Long-Term Investments                      | 299               |               |
| <u>228</u>        | Long-Term Debtors                          | <u>339</u>        |               |
| <u>36,969</u>     | Capital to be Financed for the year        |                   | <u>47,652</u> |
| Financed by:      |  |                   |               |
| 14,844            | Loan                                       | 17,990            |               |
| 12,819            | Capital Receipts (incl Insurance Receipts) | 11,589            |               |
| 7,518             | Government Grants/Capital Contributions    | 10,117            |               |
| 1,151             | Receipts in Respect of Deferred Charges    | 2,392             |               |
| 493               | Receipts from Long-Term Debtors            | 365               |               |
| 2,290             | Revenue                                    | 4,901             |               |
| <u>(2,146)</u>    | Net Change in Capital Accruals             | <u>298</u>        |               |
| <u>36,969</u>     | Total Capital Financing for the year       |                   | <u>47,652</u> |

## 3 MOVEMENT IN DEFERRED CHARGES

| 2002/2003<br>£000 |  | 2003/2004<br>£000 |                |
|-------------------|--|-------------------|----------------|
| 11,525            | Value as at 1 April                          |                   | 9,469          |
| -                 | Opening Entry Adjustment                     |                   | <u>33</u>      |
| 11,525            | Restated Value as at 1 April                 |                   | 9,502          |
| <u>2,311</u>      | Add: Additions                               |                   | <u>2,978</u>   |
| 13,836            |  |                   | 12,480         |
| (1,151)           | Less: Receipts                               | (2,392)           |                |
| (2,135)           | Write-Downs                                  | (2,059)           |                |
| <u>(1,081)</u>    | Adjustment re Ardler New Housing Partnership | -                 |                |
| <u>(4,367)</u>    |  |                   | <u>(4,451)</u> |
| <u>9,469</u>      | Value as at 31 March                         |                   | <u>8,029</u>   |

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 4 LONG TERM INVESTMENTS

| As at<br>31 March 2003<br>£000 |  | As at<br>31 March 2004<br>£000 |
|--------------------------------|--|--------------------------------|
| 5,063                          | Dundee Energy Recycling Limited (DERL) | 5,362                          |
| 500                            | Dundee City Developments Limited       | 500                            |
| 62                             | Dundee Incubator Limited               | 12                             |
| <u>150</u>                     | Tayside Cable Technologies Limited     | <u>150</u>                     |
| <u>5,775</u>                   |  | <u>6,024</u>                   |

## 5 LONG TERM DEBTORS

| As at<br>31 March 2003<br>£000 |   | As at<br>31 March 2004<br>£000 |
|--------------------------------|---|--------------------------------|
| 1,642                          | Mortgages/Repairs Notices                         | 1,397                          |
| 7,040                          | Loans to Joint Boards to fund Capital Expenditure | 7,818                          |
| <u>685</u>                     | Other Loans                                       | <u>864</u>                     |
| <u>9,367</u>                   |   | <u>10,079</u>                  |

## 6 COMMITMENTS UNDER CAPITAL CONTRACTS

The Council has authorised for inclusion in its Capital Estimates some £146.9m of Capital Expenditure to be incurred in 2004/2005 and beyond. Of this expenditure £15.7m is legally committed under contract and a further £131.2m relates to schemes with committee approval to commence in 2004/2005 and beyond but for which contracts have not yet been entered into.

The Council has two "Covenant" arrangements with a consortium of banks. These Covenants were entered into 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. The amounts required to count against the Council's Section 94 Consent are determined as being the amounts of principal repaid to the lenders in each year and as at 31 March 2004 an undischarged liability of £2.0m existed in respect of these Covenants (being £1.3m deferred liability and £0.7m loans outstanding).

## 7 INFORMATION ON ASSETS HELD

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

| Number as at<br>31 March 2003 |                                       | Number as at<br>31 March 2004 |
|-------------------------------|---------------------------------------|-------------------------------|
| 17,035                        | <b>Council Dwellings</b>              | 16,673                        |
|                               | <b>Operational Land and Buildings</b> |                               |
| 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>155</u>                    | Miscellaneous Buildings               | <u>156</u>                    |
| <u>472</u>                    |                                       | <u>473</u>                    |



# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 7 INFORMATION ON ASSETS HELD (Contd)

| Number as at<br>31 March 2003 |  | Number as at<br>31 March 2004 |
|-------------------------------|--|-------------------------------|
|                               | <b>Community Assets</b>                                  |                               |
| 21                            | Parks and Community Land                                 | 88                            |
| 11                            | Cemeteries (Land only)                                   | 11                            |
| 14                            | Museum/Library Collections                               | 14                            |
| <u>1</u>                      | Monuments  | <u>1</u>                      |
| <b>47</b>                     |  | <b>114</b>                    |
|                               | <b>Non-Operational Assets</b>                            |                               |
| 478                           | Shops, Offices, Industrial Units and Commercial Property | 470                           |
| 224                           | Non-Operational Land                                     | 225                           |
| 9                             | Assets Under Construction                                | 6                             |
| <u>82</u>                     | Other Non-Operational Assets                             | <u>85</u>                     |
| <b>793</b>                    |  | <b>786</b>                    |
| 528                           | <b>Infrastructure Assets</b>                             | 581                           |
| 1,411                         | <b>Vehicles, Plant and Equipment</b>                     | 778                           |

## 8 ASSETS HELD UNDER FINANCE LEASES

As at 31 March 2004 the gross book value of assets held under finance lease was £17,000 (31 March 2003 £17,000). Accumulated depreciation on these assets was £7,000 (31 March 2003 £3,000). The undischarged liability relating to the principal element of the lease was £9,000 (31 March 2003 £12,000) and this is included as a deferred liability in the Consolidated Balance Sheet.

## 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 2003/2004 being the final year of this rolling programme. All property related assets held on the following accounts were revalued as at 31 March 2004: Education, Social Work, Leisure & Arts. 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<br>Dwellings<br>£000 | Other<br>Land &<br>Buildings<br>£000 | Operational<br>Equipment<br>£000 | Non<br>Operational<br>Assets<br>£000 | Grand<br>Total<br>£000 |
|-----------------------------|------------------------------|--------------------------------------|----------------------------------|--------------------------------------|------------------------|
| Valued at Historical Cost   | -                            | -                                    | -                                | -                                    | -                      |
| Valued at Current Value in: |                              |                                      |                                  |                                      |                        |
| 2003/2004                   | 223,079                      | 240,099                              | 4,640                            | 59,886                               | 527,704                |
| 2002/2003                   | -                            | 56,548                               | 3,176                            | 17,382                               | 77,106                 |
| 2001/2002                   | -                            | 11,293                               | 3,007                            | 1,724                                | 16,024                 |
| <b>Total</b>                | <b>223,079</b>               | <b>307,940</b>                       | <b>10,823</b>                    | <b>78,992</b>                        | <b>620,834</b>         |

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 (e.g. 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).

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 9 VALUATION OF THE COUNCIL'S ASSETS (Contd)

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

Since 1 April 2000, Dundee City Council has been required to comply with the requirements of Financial Reporting Standard 15 (Tangible Fixed Assets). One of the main requirements of FRS15 is that depreciation should be provided for all assets, which are considered to have a finite useful life, where this can be estimated with reasonable certainty at the time of acquisition/revaluation. Depreciation does not have to be provided for land, non-operational investment properties and assets under construction. The only legitimate grounds for not charging depreciation is that the depreciation charge would be immaterial. Depreciation may be immaterial because of very long useful economic lives (more than 50 years) or high residual values. The Council's housing stock is depreciated using the Major Repairs Allowance as a measure for depreciation. The depreciation charge for 2003/2004 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 2003/2004 is £9,027,413. 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 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 10 years with the exception of computer equipment, which has a useful life of 5 years. 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 decrease in balance sheet values in 2003/2004 due to the revaluation of investment properties is £2,967,641.

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 2003/2004, there were no assets which were subject to impairment.

## 10 ANALYSIS OF NET ASSETS EMPLOYED

(Restated)

| As at<br>31 March 2003<br>£000 |  | As at<br>31 March 2004<br>£000 |
|--------------------------------|--|--------------------------------|
| 116,846                        | General Fund   | 174,991                        |
| 118,426                        | Housing Revenue Account                              | 126,047                        |
| <u>2,592</u>                   | Dundee Contract Services (Statutory Trading Account) | <u>2,652</u>                   |
| <u>237,864</u>                 | Total  | <u>303,690</u>                 |

## 11 INVESTMENTS IN RELATED COMPANIES

### Dundee Energy Recycling Limited (DERL)

Dundee City Council has a sum of £5.362m invested 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. During 2003/2004 DERL negotiated it's own financial restructuring, following which the investment by the Council is now in the form of Deferred Shares. As part of the restructuring Dundee City Council 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. The Council owned 40% of the £100 Ordinary Share Capital of DERL at 31 March 2004 (40% at 31 March 2003). Dundee City Council currently has two officers as Directors on the Board of DERL (the maximum number of Directors is six). The completed 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 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>31.12.2002</u><br>(Audited)<br>£000 |   | <u>31.12.2003</u><br>(Unaudited)<br>£000 |
|--|---|--|
| (12,857)                               | Profit/(Loss) Before Taxation                               | (5,343)                                  |
| (12,873)                               | Profit/(Loss) After Taxation                                | (5,343)                                  |
| -                                      | Dividends Paid  | -  |
| (20,292)                               | Net Liabilities (Represented by Share Capital and Reserves) | (25,635)                                 |

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.

### **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 (20.5% at 31 March 2003). Dundee Incubator Limited is considered as an "associate company" of the Council in terms of the Accounting Code of Practice. The Board of the Company consists of six Directors and Dundee City Council currently has one officer on the Board. The investment of £61,500 was written down to £11,800 on the basis that this is the expected cash return following negotiations to transfer the Council's Shares.

The following information has been extracted from Dundee Incubator Limited's draft statutory accounts:

| <u>31.3.2003</u><br>(Audited)<br>£000 |  | <u>31.3.2004</u><br>(Unaudited)<br>£000 |
|---------------------------------------|--|---|
| (5)                                   | Profit/(Loss) Before Taxation                          | (14)                                    |
| (5)                                   | Profit/(Loss) After Taxation                           | (14)                                    |
| -                                     | Dividends Paid   | -                                       |
| 69                                    | Net Assets (Represented by Share Capital and Reserves) | 54                                      |

Copies of Dundee Incubator 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.

### **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 2004 (19.9% at 31 March 2003). Dundee City Council has also invested £129,200 in unsecured loan notes of the company and has provided an additional loan of £100,000. The Council's interest in TCTL is considered to make it an "associate company" in terms of the Accounting Code of Practice. 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>30.09.2002</u><br>(Audited)<br>£000 |   | <u>30.09.2003</u><br>(Audited)<br>£000 |
|--|---|--|
| (332)                                  | Profit/(Loss) Before Taxation                               | (277)                                  |
| (332)                                  | Profit/(Loss) After Taxation                                | (277)                                  |
| -                                      | Dividends Paid  | -                                      |
| (142)                                  | Net Liabilities (Represented by Share Capital and Reserves) | (418)                                  |

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.

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 11 INVESTMENTS IN RELATED COMPANIES (Contd)

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

| <u>30.04.2002</u><br>(Audited)<br>£000 |  | <u>30.04.2003</u><br>(Audited)<br>£000 |
|--|--|--|
| 42                                     | Profit/(Loss) Before Taxation                          | 6                                      |
| 37                                     | Profit/(Loss) After Taxation                           | 9                                      |
| -                                      | Dividends Paid   | -                                      |
| 30                                     | Net Assets (Represented by Share Capital and Reserves) | 217                                    |

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.

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 three 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

| <b>Debt Outstanding<br/>at 31 March 2003<br/>£000</b> | <b>Analysis of Loans by Source</b>    | <b>Debt Outstanding<br/>at 31 March 2004<br/>£000</b> | <b>Range of<br/>Interest Rates<br/>%</b> |
|---|---------------------------------------|---|--|
| 249,374   | <b>Long Term Loans:</b>               |   |  |
| 4,861   | Public Works Loan Board               | 226,576   | 2.5 to 14.0                              |
| 10,000  | European Investment Bank              | 4,503   | 4.09 to 8.55                             |
| 700   | Market - Long Term                    | 10,000  | 4.8125 to 5.0                            |
| <u>264,935</u>  | Covenant - Parallel Loan              | <u>200</u>  | 4.7763                                   |
|   |                                       | <u>241,279</u>  |  |
|   | <b>Analysis of Loans by Maturity:</b> |   |  |
| 1,157   | Between 1 - 2 years                   | 3,177   |  |
| 4,755   | Between 2 - 5 years                   | 2,700   |  |
| 17,541  | Between 5 - 10 years                  | 14,382  |  |
| <u>241,482</u>  | More than 10 years                    | <u>221,020</u>  |  |
| <u>264,935</u>  |                                       | <u>241,279</u>  |  |

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## Short Term Borrowing

| Debt Outstanding<br>at 31 March 2003<br>£000 | Analysis of Loans by Source                       | Debt Outstanding<br>at 31 March 2004<br>£000 |
|--|---|--|
|  | <b>Long Term Loans Repayable Within One Year:</b> |  |
| 400  | Public Works Loan Board                           | 22,799                                       |
| 3,617  | European Investment Bank                          | 358  |
| -  | Covenant - Parallel Loan                          | 500  |
| 4,017  |   | 23,657                                       |
|  | <b>Short Term Loans:</b>                          |  |
| 845  | Temporary Market Loans                            | 5,543  |
|  | Temporary Advances from Other Accounts:           |  |
| 4,832  | Common Good Fund & Charitable Trust Funds         | 3,735  |
| 9,596  | Superannuation Funds                              | 7,019  |
| 14,428                                       |   | 10,754                                       |
| 19,290                                       |   | 39,954                                       |

## 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.

### Dundee Contract Services

A provision was previously made in respect of potential future losses on on-going contracts.

| <b><u>Provision Movements 2003/2004</u></b>                        | <b>Balance<br/>as at<br/>1 April 2003<br/>£000</b> | <b>Movements in<br/>Provisions<br/>2003/2004<br/>£000</b> | <b>Balance<br/>as at<br/>31 March 2004<br/>£000</b> |
|--|--|---|---|
| Council Tax Income - Exemptions/Discounts                          | -  | 700   | 700   |
| Non-Domestic Rate Income - Abatements                              | 2,308  | (2,060)   | 248   |
| Self-Insured/Uninsured Losses - Tayside Regional Council           | 890  | (109)   | 781   |
| - Dundee District Council  | 1,896  | 49  | 1,945   |
| - Dundee City Council  | 2,935  | (294)   | 2,641   |
| Dundee Contract Services - Potential Future Losses<br>on Contracts | 100  | (100)   | -   |
|  | 8,129  | (1,814)   | 6,315   |

## 14 CONTINGENT ASSETS & LIABILITIES

No contingent assets or liabilities existed at 31 March 2004 (31 March 2003 Nil).

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 15 DSM SCHOOLS

Included in the General Fund Balance at 31 March 2004 of £8.645m is £0.462m (31 March 2003 £0.207m) in respect of schools participating in the Devolved School Management Scheme. These surplus funds are earmarked for the individual schools where underspends occurred in previous financial years.

### 16 RELATED PARTIES

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

| As at 31 March 2003   |                         |                                      | As at 31 March 2004   |                         |
|-----------------------|-------------------------|--------------------------------------|-----------------------|-------------------------|
| Charges<br>To<br>£000 | Charges<br>From<br>£000 |                                      | Charges<br>To<br>£000 | Charges<br>From<br>£000 |
| 106                   | 84                      | Dundee Energy Recycling Limited      | 231                   | -                       |
| -                     | -                       | Dundee Incubator Limited             | -                     | -                       |
| 70                    | 1                       | Dundee City Developments Limited     | 164                   | 1                       |
| 74                    | 57                      | Dundee Ice Arena Limited             | 77                    | 20                      |
| 99                    | 28                      | Dundee Contemporary Arts Limited     | 99                    | 19                      |
| -                     | -                       | Dundee Cultural Developments Limited | 25                    | -                       |
| 401                   | 61                      | Dovetail Enterprises (1993) Limited  | 401                   | 41                      |
| 8                     | -                       | Tayside Cable Technologies Limited   | 117                   | -                       |

### 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 2003    |  |   | 31 March 2004   |  |
|------------------|--|---|-----------------|--|
| £000             |  |   | £000            |  |
| 326,010          |  | Share of assets in Tayside Superannuation Fund          | 400,489         |  |
| <u>(426,790)</u> |  | Estimated liabilities in Tayside Superannuation Fund    | <u>456,484</u>  |  |
| (100,780)        |  | Net assets/(liabilities) in Tayside Superannuation Fund | (55,995)        |  |
| <u>(16,580)</u>  |  | Estimated liabilities for discretionary pensions        | <u>(19,308)</u> |  |
| <u>(117,360)</u> |  | Net Pension Liabilities                                 | <u>(75,303)</u> |  |

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

| 31 March 2003  |  |                    | 31 March 2004  |  |
|----------------|--|--------------------|----------------|--|
| £000           |  |                    | £000           |  |
| 219,441        |  | Equity investments | 281,646        |  |
| 63,164         |  | Bonds              | 73,416         |  |
| 31,559         |  | Property           | 35,079         |  |
| <u>11,846</u>  |  | Cash               | <u>10,348</u>  |  |
| <u>326,010</u> |  |                    | <u>400,489</u> |  |

## NOTES TO THE CONSOLIDATED BALANCE SHEET

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

| <b>2003/2004</b> |          | <b>2004/2005</b> |
|------------------|----------|------------------|
| 8.0%             | Equities | 7.7%             |
| 4.8%             | Bonds    | 5.1%             |
| 6.0%             | Property | 6.5%             |
| 4.0%             | Cash     | 4.0%             |

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 Hymans Robertson the independent actuaries to the Fund. The main assumptions used in the calculations are:

| <b>2002/2003</b> |  | <b>2003/2004</b> |
|------------------|--|------------------|
| 2.5%             | rate of inflation                      | 2.9%             |
| 4.0%             | rate of increase in salaries           | 4.4 %            |
| 2.5%             | rate of increase in pensions           | 2.9%             |
| 6.1%             | rate of discounting scheme liabilities | 6.5 %            |

The 2003/2004 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 2004, as measured under FRS17. Further information regarding these liabilities can be found in the 2003/2004 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.

| <b>2002/2003</b> |                                     | <b>2003/2004</b> |
|------------------|-------------------------------------|------------------|
| <b>£000</b>      |                                     | <b>£000</b>      |
|                  | <b>Sundry Debtors</b>               |                  |
| 8,305            | Government and EC Grants            | 5,773            |
| 3,921            | Rates due and unpaid                | 4,102            |
| <u>(1,392)</u>   | <u>Less provision for Bad Debts</u> | <u>(1,359)</u>   |
| 2,529            |                                     | 2,743            |
| 5,818            | Community Charge due and unpaid     | 5,175            |
| <u>(5,269)</u>   | <u>Less provision for Bad Debts</u> | <u>(4,821)</u>   |
| 549              |                                     | 354              |
| 18,795           | Council Tax due and unpaid          | 19,973           |
| <u>(11,384)</u>  | <u>Less provision for Bad Debts</u> | <u>(12,029)</u>  |
| 7,411            |                                     | 7,944            |
| 3,114            | Statutory Additions due and unpaid  | 3,320            |
| <u>(2,021)</u>   | <u>Less provision for Bad Debts</u> | <u>(1,995)</u>   |
| 1,093            |                                     | 1,325            |
| 28,268           | General Debtors                     | 33,273           |
| <u>(2,921)</u>   | <u>Less provision for Bad Debts</u> | <u>(3,488)</u>   |
| <u>25,347</u>    |                                     | <u>29,785</u>    |
| <u>45,234</u>    |                                     | <u>47,924</u>    |

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 19 ANALYSIS OF SUNDRY DEBTORS AND SUNDRY CREDITORS (Contd)

|                 | <b>Sundry Creditors</b> |                 |                 |
|-----------------|-------------------------|-----------------|-----------------|
| (5,437)         | Government Grants       | (5,128)         |                 |
| (4,437)         | Loans Fund Interest etc | (4,185)         |                 |
| <u>(26,375)</u> | General Creditors       | <u>(31,023)</u> |                 |
|                 |                         |                 | <u>(40,336)</u> |



# STATEMENT OF TOTAL MOVEMENTS IN RESERVES

|  | Fixed Asset<br>Restatement Reserve |               |                | Capital Financing<br>Reserve |                |                |
|--|------------------------------------|---------------|----------------|------------------------------|----------------|----------------|
|  | General<br>Fund<br>£000            | HRA<br>£000   | Total<br>£000  | General<br>Fund<br>£000      | HRA<br>£000    | Total<br>£000  |
|  | <b>CAPITAL RESERVES</b>            |               |                |                              |                |                |
| Balance as at 1 April 2003                           | 189,736                            | 12,569        | 202,305        | 36,725                       | 104,054        | 140,779        |
| Opening Entry Adjustment                             | 336                                | -             | 336            | 58                           | -              | 58             |
| Unrealised Gains on Revaluation of Fixed Assets      | 881                                | 9,411         | 10,292         | -                            | -              | -              |
| Disposal of Fixed Assets (Net Book Value)            | (1,041)                            | (3,387)       | (4,428)        | -                            | -              | -              |
| Capital Receipts (Disposal Proceeds)                 | -                                  | -             | -              | -                            | -              | -              |
| Transfer Capital Receipts                            | -                                  | -             | -              | 404                          | 3,394          | 3,798          |
| Other Capital Receipts                               | -                                  | -             | -              | 7,791                        | 2,000          | 9,791          |
| Financing of Fixed Assets (CFCR)                     | -                                  | -             | -              | 4,279                        | 622            | 4,901          |
| Excess of Principal Repayments over Depreciation etc | -                                  | -             | -              | (1,773)                      | (4,093)        | (5,866)        |
| Balance as at 31 March 2004                          | <u>189,912</u>                     | <u>18,593</u> | <u>208,505</u> | <u>47,484</u>                | <u>105,977</u> | <u>153,461</u> |

|  | Usable Capital<br>Receipts Reserve |             |               | Capital Fund            |             |               | Total<br>Capital<br>Reserves<br>£000 |
|--|------------------------------------|-------------|---------------|-------------------------|-------------|---------------|--------------------------------------|
|  | General<br>Fund<br>£000            | HRA<br>£000 | Total<br>£000 | General<br>Fund<br>£000 | HRA<br>£000 | Total<br>£000 |                                      |
|  | <b>CAPITAL RESERVES Contd</b>      |             |               |                         |             |               |                                      |
| Balance as at 1 April 2003                           | -                                  | -           | -             | -                       | -           | -             | 343,084                              |
| Opening Entry Adjustment                             | -                                  | -           | -             | -                       | -           | -             | 394                                  |
| Unrealised Gains on Revaluation of Fixed Assets      | -                                  | -           | -             | -                       | -           | -             | 10,292                               |
| Disposal of Fixed Assets (Net Book Value)            | -                                  | -           | -             | -                       | -           | -             | (4,428)                              |
| Capital Receipts (Disposal Proceeds)                 | 1,616                              | 3,394       | 5,010         | -                       | -           | -             | 5,010                                |
| Transfer Capital Receipts                            | (1,616)                            | (3,394)     | (5,010)       | 1,212                   | -           | 1,212         | -                                    |
| Other Capital Receipts                               | -                                  | -           | -             | 1,628                   | -           | 1,628         | 11,419                               |
| Financing of Fixed Assets (CFCR)                     | -                                  | -           | -             | -                       | -           | -             | 4,901                                |
| Excess of Principal Repayments over Depreciation etc | -                                  | -           | -             | -                       | -           | -             | (5,866)                              |
| Balance as at 31 March 2004                          | <u>-</u>                           | <u>-</u>    | <u>-</u>      | <u>2,840</u>            | <u>-</u>    | <u>2,840</u>  | <u>364,806</u>                       |

|   | Renewal<br>& Repair<br>Fund<br>£000 | Car Park<br>Reserve<br>£000 | Dundee<br>Contract<br>Services<br>Reserve<br>£000 | Insurance<br>Fund<br>Reserve<br>£000 | Pensions<br>Reserve<br>£000 | General<br>Fund<br>£000 | Total<br>Revenue<br>Reserves<br>£000 |
|---|-------------------------------------|-----------------------------|---|--------------------------------------|-----------------------------|-------------------------|--------------------------------------|
|   | <b>REVENUE RESERVES</b>             |                             |   |                                      |                             |                         |                                      |
|   | Balance as at 1 April 2003          | 4,352                       | 721   | 237                                  | 399                         | (117,360)               | 6,431                                |
| Net Surplus/(Deficit) for Year                  | -                                   | -                           | -   | (201)                                | 44,925                      | 2,214                   | 46,938                               |
| Interest on Revenue Balances                    | 152                                 | 15                          | -   | 90                                   | -                           | -                       | 257                                  |
| Transfer (to)/from Consolidated Revenue Account | <u>123</u>                          | <u>(109)</u>                | <u>(237)</u>                                      | <u>-</u>                             | <u>(2,868)</u>              | <u>-</u>                | <u>(3,091)</u>                       |
| Balance as at 31 March 2004                     | <u>4,627</u>                        | <u>627</u>                  | <u>-</u>  | <u>288</u>                           | <u>(75,303)</u>             | <u>8,645</u>            | <u>(61,116)</u>                      |

# STATEMENT OF TOTAL MOVEMENTS IN RESERVES

## EXPLANATION OF RESERVES

### **Fixed Asset Restatement Reserve**

This reserve 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. This reserve is not available to fund future expenditure.

### **Capital Financing Reserve**

Appropriations between this reserve 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 reserve from the Usable Capital Receipts Reserve. Insurance receipts are also credited to this reserve. This reserve 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 Reserve. 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.

### **Car Park Reserve**

This fund is available to provide for new and/or upgraded Car Parking facilities throughout the City when required.

### **Dundee Contract Services Reserve**

This reserve was inherited from the former Dundee District Council and is available to fund any future trading deficits of Dundee Contract Services. The Local Government in Scotland Act 2003 repealed the legislation on Compulsory Competitive Tendering. As a consequence, it is no longer legally possible to operate a DLO Reserve and the balance on the Dundee Contract Services Reserve was transferred to the Council's General Fund as at 1 April 2003.

### **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. The balance on the Pensions Reserve at 1 April 2003 was established by a Prior Period Adjustment (see Note 4 to the Revenue Account on page 10).

### **General Fund**

This represents the accumulated balances available to the Council which are not earmarked for specific purposes (apart from those balances held for DSM Schools).

# CASH FLOW STATEMENT

| 2002/2003<br>£000 |   | 2003/2004<br>£000 | £000             |
|-------------------|---|-------------------|------------------|
|                   | <b>REVENUE ACTIVITIES</b>   |                   |                  |
|                   | <i>Cash Outflows:</i>   |                   |                  |
| 179,773           | Cash Paid To and On Behalf of Employees                               | 195,641           |                  |
| 124,727           | Other Operating Cash Payments   | 144,615           |                  |
| 24,624            | Housing Benefits Paid Out   | 22,012            |                  |
| <u>54,487</u>     | Non-Domestic Rate Payments to National Pool                           | <u>55,495</u>     |                  |
| 383,611           |   |                   | 417,763          |
|                   | <i>Cash Inflows:</i>  |                   |                  |
| (18,125)          | Rents (After Rebates)   | (19,371)          |                  |
| (36,469)          | Council Tax Income  | (37,178)          |                  |
| (385)             | Community Charge Income   | (266)             |                  |
| (47,936)          | Non-Domestic Rate Receipts from National Pool                         | (51,829)          |                  |
| (55,675)          | Non-Domestic Rate Receipts  | (54,306)          |                  |
| (150,101)         | Revenue Support Grant   | (161,378)         |                  |
| (59,308)          | DWP Grant (Benefits Subsidy)  | (54,196)          |                  |
| (18,032)          | Other Government Grants   | (38,374)          |                  |
| (27,292)          | Cash Received for Goods & Services                                    | (25,230)          |                  |
| <u>(17,255)</u>   | Other Operating Cash Receipts   | <u>(12,752)</u>   |                  |
| <u>(430,578)</u>  |   |                   | <u>(454,880)</u> |
| (46,967)          | <i>Net Cash (Inflow) From Revenue Activities</i>                      |                   | (37,117)         |
|                   | <b>DIVIDENDS FROM JOINT VENTURES &amp; ASSOCIATES</b>                 |                   |                  |
|                   | <i>Cash Inflows:</i>  |                   |                  |
| -                 | Dividends Received  |                   | -                |
|                   | <b>RETURNS ON INVESTMENTS &amp; SERVICING OF FINANCE</b>              |                   |                  |
|                   | <i>Cash Outflows:</i>   |                   |                  |
| 18,577            | Interest Paid   | 18,795            |                  |
|                   | <i>Cash Inflow:</i>   |                   |                  |
| <u>(931)</u>      | Interest Received   | <u>(1,091)</u>    |                  |
| 17,646            |   |                   | 17,704           |
|                   | <b>CAPITAL ACTIVITIES</b>   |                   |                  |
|                   | <i>Cash Outflows:</i>   |                   |                  |
| 30,821            | Purchase of Fixed Assets (Non Revenue)                                | 38,607            |                  |
| 3,001             | Purchase of Fixed Assets (From Revenue)                               | 5,650             |                  |
| 3,665             | Creation of new Deferred Charges and Long-Term Debtors (Non Revenue)  | 4,030             |                  |
| <u>28</u>         | Creation of new Deferred Charges and Long-Term Debtors (From Revenue) | <u>48</u>         |                  |
| <u>37,515</u>     |   | <u>48,335</u>     |                  |
|                   | <i>Cash Inflows:</i>  |                   |                  |
| (10,568)          | Sale of Fixed Assets and Insurance Receipts                           | (14,562)          |                  |
| (7,308)           | Capital Grants/Contributions etc Received                             | (9,905)           |                  |
| <u>(1,732)</u>    | Receipts in respect of Deferred Charges and Long-Term Debtors         | <u>(3,317)</u>    |                  |
| <u>(19,608)</u>   |   | <u>(27,784)</u>   |                  |
| 17,907            |   |                   | 20,551           |
|                   | <b>ACQUISITIONS &amp; DISPOSALS</b>                                   |                   |                  |
|                   | <i>Cash Outflows:</i>   |                   |                  |
| -                 | Investments in Associates or Joint Ventures                           | 299               |                  |
|                   | <i>Cash Inflows:</i>  |                   |                  |
| <u>-</u>          | Sale of Investments in Associates or Joint Ventures                   | <u>-</u>          |                  |
| -                 |   |                   | 299              |
|                   | <b>MANAGEMENT OF LIQUID RESOURCES</b>                                 |                   |                  |
| -                 | Net Increase/(Decrease) in Short-Term Deposits                        | -                 |                  |
| <u>13,100</u>     | Net Increase/(Decrease) in Other Liquid Resources                     | <u>(9,450)</u>    |                  |
| <u>13,100</u>     |   |                   | <u>(9,450)</u>   |
| 1,686             | <i>Net Cash Outflow/(Inflow) Before Financing</i>                     |                   | (8,013)          |
|                   | <b>FINANCING</b>  |                   |                  |
|                   | <i>Cash Outflows:</i>   |                   |                  |
| 43,178            | Repayments of Amounts Borrowed  | 65,218            |                  |
|                   | <i>Cash Inflows:</i>  |                   |                  |
| (11,500)          | New Long-Term Loans Raised  | -                 |                  |
| <u>(27,935)</u>   | New Short Term Loans Raised   | <u>(62,226)</u>   |                  |
| <u>(39,435)</u>   |   | <u>(62,226)</u>   |                  |
| <u>3,743</u>      |   |                   | <u>2,992</u>     |
| <u>5,429</u>      | <i>Net Decrease/(Increase) in Cash</i>                                |                   | <u>(5,021)</u>   |

# NOTES TO THE CASH FLOW STATEMENT

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

| 2002/2003     |  | 2003/2004    |               |
|---------------|--|--------------|---------------|
| £000          |  | £000         | £000          |
| 2,833         | <b>Surplus for the year</b>                                  |              | 2,214         |
|               | <u>Non-cash Transactions</u>                                 |              |               |
| 839           | Other adjustments  | (1,214)      |               |
| 857           | Contributions (from)/to reserves                             | <u>(166)</u> |               |
| 1,696         |  |              | (1,380)       |
|               | <u>Items on an Accruals Basis</u>                            |              |               |
| (47)          | (Increase)/decrease in stores and work in progress           | 61           |               |
| 4,024         | (Increase)/decrease in debtors                               | (3,628)      |               |
| <u>5,934</u>  | Increase/(decrease) in creditors                             | <u>4,222</u> |               |
| 9,911         |  |              | 655           |
|               | <u>Items Classified Elsewhere in the Cash Flow Statement</u> |              |               |
| 18,295        | Add loans fund interest charges                              | 18,474       |               |
| 2,290         | Add fixed asset purchases from revenue                       | 4,901        |               |
| 12,736        | Add loans fund principal repayments                          | 13,234       |               |
| <u>(794)</u>  | Less interest on revenue balances                            | <u>(981)</u> |               |
| <u>32,527</u> |  |              | <u>35,628</u> |
| <u>46,967</u> | Net Cash Inflow from Revenue Activities                      |              | <u>37,117</u> |

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

| 2002/2003        |   | 2003/2004  |                  |
|------------------|---|------------|------------------|
| £000             |   | £000       | £000             |
| (5,429)          | (Decrease)/Increase in Cash in the Period | 5,021      |                  |
| 13,100           | Movement in Liquid Resources              | (9,450)    |                  |
| 3,743            | Reduction in Borrowing                    | 2,992      |                  |
| <u>294</u>       | Reduction in Long-Term Liability          | <u>200</u> |                  |
| 11,708           | Change in Net Debt                        |            | (1,237)          |
| <u>(305,560)</u> | Opening Net Debt at 1 April               |            | <u>(293,852)</u> |
| <u>(293,852)</u> | Closing Net Debt at 31 March              |            | <u>(295,089)</u> |

### Analysis of Movement in Net Debt

|   | 1 April 2003     | Cash Flows     | Non Cash      | 31 March 2004    |
|---|------------------|----------------|---------------|------------------|
|   | £000             | £000           | Changes       | £000             |
|   |                  |                | £000          |                  |
| <i>Cash</i>                               |                  |                |               |                  |
| Girobank Account                          | 4                | 29             | -             | 33               |
| Advances for Petty Outlays                | 84               | (1)            | -             | 83               |
| Bank Overdraft                            | <u>(21,296)</u>  | <u>4,993</u>   | -             | <u>(16,303)</u>  |
|   | <u>(21,208)</u>  | <u>5,021</u>   | -             | <u>(16,187)</u>  |
| Liquid Resources *                        | <u>13,100</u>    | <u>(9,450)</u> | -             | <u>3,650</u>     |
| <i>Borrowing</i>                          |                  |                |               |                  |
| Short-Term Advances from Other Accounts   | (14,428)         | 3,674          | -             | (10,754)         |
| Short-Term Loans                          | (845)            | (4,698)        | -             | (5,543)          |
| Long-Term Loans Repayable within One Year | (4,017)          | 4,017          | (23,657)      | (23,657)         |
| Long-Term Loans                           | <u>(264,935)</u> | <u>(1)</u>     | <u>23,657</u> | <u>(241,279)</u> |
|   | <u>(284,225)</u> | <u>2,992</u>   | -             | <u>(281,233)</u> |
| Covenant Deferred Liability               | <u>(1,519)</u>   | <u>200</u>     | -             | <u>(1,319)</u>   |
| <b>TOTAL NET DEBT</b>                     | <u>(293,852)</u> | <u>(1,237)</u> | <u>-</u>      | <u>(295,089)</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.

## 3 ANALYSIS OF GOVERNMENT GRANTS

| 2002/2003      |  | 2003/2004      |  |
|----------------|--|----------------|--|
| Actual         |  | Actual         |  |
| £000           |  | £000           |  |
| 150,101        | Revenue Support Grant                    | 161,378        |  |
| 5,731          | Specific Grants                          | 5,951          |  |
| <u>72,204</u>  | Other Government Grants (incl DWP Grant) | <u>86,619</u>  |  |
| <u>228,036</u> |  | <u>253,948</u> |  |

# GROUP ACCOUNTS

## INTRODUCTION

The Accounting Code of Practice (ACOP) requires local authorities with (in aggregate) material interests in subsidiary and associated companies and joint ventures to prepare summarised Group Accounts as supplementary information. 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, however, 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 City Council also has an interest in Dundee Incubator Limited and in Tayside Cable Technologies Limited which are classified as "associated companies". An associate company is defined by the ACOP as "an entity in which another entity has a "participating interest" and over whose operating and financial policies the investor exercises a significant influence". Participating Interest is defined in the ACOP as "an interest held in the shares of another entity on a long term basis for the purpose of securing a contribution". Companies Act legislation provides that an entity holding 20% or more of another entity should be presumed to exercise a significant influence.

## DUNDEE ENERGY RECYCLING LIMITED

Dundee City Council had at 31 March 2004, a sum of £5.362m invested 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. During 2003/2004 DERL negotiated its own financial restructuring, following which the investment by the Council is now in the form of Deferred Shares. As part of the restructuring Dundee City Council 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. Although at 31 March 2004 the Council did not have any loans to or from the Company, it had agreed to provide loan funding 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 2004 (40% at 31 March 2003). 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 statutory accounts to 31 December 2003 have been used. A change in the accounting period used for consolidation, from 31 March in previous years to 31 December this year, has resulted in restating the comparative figures for 2002/2003.

The Plant's performance and operational availability has suffered continued technical problems. Independent experts have now completed a comprehensive technical Performance Review, and the implementation of the recommended technical improvements are progressing satisfactorily. Following a review of DERL's Fixed Assets valuations the Directors of the Company had decided to recognise impairment of £6m in DERL's December 2002 accounts. The impairment has increased the reported losses brought forward in the December 2003 accounts. The Council's share of the loss reported by DERL for the period to 31 December 2003 is £2,137,000 and this is included in the 2003/2004 Group Revenue Account.

## DUNDEE INCUBATOR LIMITED

Dundee Incubator Limited (DIL) 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 (20.5% at 31 March 2003). The Board of the Company consists of six Directors and Dundee City Council currently has one officer on the Board. The accounting period for Dundee Incubator Limited is to 31 March. During the financial year 2003/2004 DIL has reported losses of £14,493. The Council's share of the loss reported by DIL for the period to 31 March 2004 was £2,971 (20.5%) and this is included in the Group Revenue Account in 2003/2004.

## TAYSIDE CABLE TECHNOLOGIES LIMITED

Tayside Cable Technologies Limited (TCTL) 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 2004 (19.9% at 31 March 2003). Dundee City Council has also invested £129,200 in unsecured loan notes of the company and has provided an additional loan of £100,000. The Council does not have any other loans to or from the Company. Dundee City Council does not currently have any member or officer appointed to the board. Considering the level of share ownership and other investments, TCTL is included in the Group Accounts as an "associate company". The accounting period for Tayside Cable Technologies Limited is to 30 September. For the purpose of disclosure, figures from TCTL's management accounts to 31 March 2004 have been used. The Council's share of TCTL's reported losses for the year was £34,074 (19.9%) and this is included in the Group Revenue Account in 2003/2004.

## 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 and Associate Company 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 and the share of the net assets and liabilities of the Associate Company.

## **GROUP ACCOUNTS**

The revenue account shows a group surplus of £40,000, a reduction of £2,174,000 from the surplus of £2,214,000 shown in the Council's Consolidated Revenue Account. The position for DERL, DIL and TCTL is shown as a balance on the Joint Venture and Associate Companies Profit and Loss Account with the General Fund balance for the Council being maintained at £8.645m.

The impact of consolidation on the Balance Sheet is to decrease the Group's net assets and reserves by £10,408,000 when compared to the Council's Balance Sheet. This reflects the Council's share of the losses carried forward by DERL, DIL and TCTL.

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

# GROUP REVENUE ACCOUNT

| (Restated)<br>2002/2003<br>Actual Net<br>Expenditure/<br>(Income)<br>£000 |  | 2003/2004<br>Actual Net<br>Expenditure/<br>(Income)<br>£000 |
|---|--|---|
| 256,682   | <b>Net Cost of Council Services</b>  | 263,252   |
| (1,238)   | Net Surplus on Statutory Trading Account                                   | (1,223)   |
| (315)   | Share of Tayside Contracts Surplus   | (288)   |
| (19,446)  | Net Income on Asset Management Revenue Account                             | (520)   |
| (303)   | Interest and Investment Income   | (517)   |
| (3,372)   | Pensions Interest Cost and Expected Return on Pensions Assets              | 4,039   |
| 5,149   | Share of Deficit in Joint Venture providing a Refuse Disposal Services     | 2,137   |
| 1   | Share of Deficit in Associate providing Economic Development Services      | 3   |
| <u>48</u>   | Share of Deficit in Associate not providing a Service                      | <u>34</u>   |
| 237,206   | <b>Net Operating Expenditure</b>   | 266,917   |
| <u>11,608</u>   | <b>Net Contribution to/(from) Council Funds &amp; Reserves</b>             | <u>(4,678)</u>  |
| 248,814   | <b>Amount to be met from Government Grants and Local Taxpayers</b>         | 262,239   |
| <u>(246,449)</u>  | <b>Income from Government Grants and Local Taxpayers</b>                   | <u>(262,279)</u>  |
| 2,365   | <b>Group (Surplus)/Deficit for the Financial Year</b>                      | (40)  |
|   | Per:   |   |
| (2,833)   | DCC General Fund Surplus for the Year                                      | (2,214)   |
| <u>5,198</u>  | Joint Venture and Associate Company Deficit for the Year                   | <u>2,174</u>  |
| 2,365   |  | (40)  |
|   | <b>Balances</b>  |   |
| (3,598)   | DCC General Fund balance at 1 April (including DSM Balances)               | (6,431)   |
| <u>(2,833)</u>  | Add DCC General Fund Surplus for the Year                                  | <u>(2,214)</u>  |
| (6,431)   | DCC General Fund at 31 March   | (8,645)   |
|   | <u>Add Joint Venture and Associate Companies Profit &amp; Loss Account</u> |   |
| 3,036   | Opening Balance  | 8,234   |
| <u>5,198</u>  | Joint Venture and Associate Companies Deficit for the Year                 | <u>2,174</u>  |
| <u>8,234</u>  |  | <u>10,408</u>   |
| <u>1,803</u>  | <b>Group Fund Balance at 31 March</b>                                      | <u>1,763</u>  |

# GROUP BALANCE SHEET

| (Restated)<br>At 31 March<br>2003<br>£000 |   | £000            | At 31 March<br>2004<br>£000 |
|---|---|-----------------|-----------------------------|
| 655,729                                   | Fixed Assets  |                 | 688,069                     |
| 9,469                                     | Deferred Charges  |                 | 8,029                       |
| 5,775                                     | Long Term Investments                                       |                 | 6,024                       |
|   | Investment in Joint Venture:                                |                 |                             |
| 12,116                                    | Share of Gross Assets                                       | 7,771           |                             |
| <u>(20,233)</u>                           | Share of Gross Liabilities                                  | <u>(18,025)</u> |                             |
| (8,117)                                   |   |                 | (10,254)                    |
| (117)                                     | Net Investment in Associates                                |                 | (154)                       |
| 9,367                                     | Long Term Debtors   |                 | 10,079                      |
| 59,360                                    | Current Assets  |                 | 52,672                      |
| <u>(76,835)</u>                           | Current Liabilities   |                 | <u>(96,593)</u>             |
| 654,631                                   | <b>Total Assets Less Net Current Assets/(Liabilities)</b>   |                 | 657,872                     |
|   | <u>Long Term Liabilities/Provisions</u>                     |                 |                             |
| (264,935)                                 | Borrowing Repayable within a Period in Excess of 12 Months  |                 | (241,279)                   |
| (1,531)                                   | Deferred Liabilities  |                 | (1,328)                     |
| (8,129)                                   | Provisions  |                 | (6,315)                     |
| (33,046)                                  | Government Grants/Capital Contributions Deferred            |                 | (40,365)                    |
| <u>(117,360)</u>                          | Net Pension Liabilities                                     |                 | <u>(75,303)</u>             |
| <u>(425,001)</u>                          |   |                 | <u>(364,590)</u>            |
| <u>229,630</u>                            | <b>Net Assets</b>   |                 | <u>293,282</u>              |
|   | <b>Financed By</b>  |                 |                             |
|   | Capital Reserves:   |                 |                             |
| 202,305                                   | Fixed Asset Restatement Reserve                             | 208,505         |                             |
| 140,779                                   | Capital Financing Reserve                                   | 153,461         |                             |
| -   | Capital Fund  | <u>2,840</u>    |                             |
| 343,084                                   |   |                 | 364,806                     |
|   | Revenue Reserves:   |                 |                             |
| 4,352                                     | Renewal and Repair Fund                                     | 4,627           |                             |
| 237                                       | Dundee Contract Services                                    | -               |                             |
| 399                                       | Insurance Fund  | 288             |                             |
| 721                                       | Car Park Reserve  | 627             |                             |
| <u>(117,360)</u>                          | Pensions Reserve  | <u>(75,303)</u> |                             |
| (111,651)                                 |   |                 | (69,761)                    |
| 6,431                                     | DCC General Fund  | 8,645           |                             |
| <u>(8,234)</u>                            | Joint Venture and Associate Companies Profit & Loss Account | <u>(10,408)</u> |                             |
| <u>(1,803)</u>                            |   |                 | <u>(1,763)</u>              |
| <u>229,630</u>                            |   |                 | <u>293,282</u>              |

David K Dorward  
Depute Chief Executive (Finance)  
Dundee City Council  
24 June 2004

## NOTES TO THE GROUP ACCOUNT BALANCE SHEET

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

| As at 31 March 2003 |                   |                                 | As at 31 March 2004 |                   |  |
|---------------------|-------------------|---------------------------------|---------------------|-------------------|--|
| Charges To £000     | Charges From £000 |                                 | Charges To £000     | Charges From £000 |  |
| 106                 | 84                | Dundee Energy Recycling Limited | 231                 | -                 |  |
| -                   | -                 | Dundee Incubator Limited        | -                   | -                 |  |
| 8                   | -                 | Tayside Cable Technologies      | 117                 | -                 |  |

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 its Associates or Joint Venture.

3. The Council is required to disclose any instance where the 15% threshold is exceeded when comparing the Group Company's Gross Assets, Gross Liabilities, Turnover, and Operating Results (on a three year average) with the corresponding Group figures. On a three year average basis the Council's share (40%) of DERL's operating results has exceeded the 15% threshold and is equivalent to an average annual loss of £3,119,000. This compared to the Council's net surplus for 2003/2004 of £2,214,000.



# TAYSIDE SUPERANNUATION FUND ACCOUNTS

| 2002/2003<br>£000 | <u>FUND ACCOUNT</u>                                    | 2003/2004<br>£000 | £000           |
|-------------------|--|-------------------|----------------|
|                   | <b>CONTRIBUTIONS AND BENEFITS</b>                      |                   |                |
|                   | Contributions receivable:                              |                   |                |
| (35,581)          | From employers   | (40,292)          |                |
| (14,396)          | From employees   | (15,865)          |                |
| (49,977)          |  |                   | (56,157)       |
| (8,106)           | Transfers in   |                   | (12,664)       |
|                   | Benefits payable:                                      |                   |                |
| 31,133            | Pensions   | 32,251            |                |
| <u>4,702</u>      | Lump Sums  | <u>5,976</u>      |                |
| 35,835            |  |                   | 38,227         |
|                   | Payments to and on account of Leavers:                 |                   |                |
| 226               | Refunds of Contributions                               | 278               |                |
| <u>3,947</u>      | Transfers Out  | <u>4,934</u>      |                |
| 4,173             |  |                   | 5,212          |
| <u>1,026</u>      | Administration Expenses                                |                   | <u>1,039</u>   |
| (17,049)          | Net Deposits from dealings with Members                |                   | (24,343)       |
|                   | <b>RETURNS ON INVESTMENTS</b>                          |                   |                |
| (26,471)          | Investment Income                                      | (28,454)          |                |
| 210,484           | Change in Market Value of Investments                  | (143,742)         |                |
| <u>1,299</u>      | Investment Management Expenses                         | <u>3,388</u>      |                |
| <u>185,312</u>    | Net Returns on Investments                             |                   | (168,808)      |
| 168,263           | <b>NET (INCREASE)/DECREASE IN FUND DURING THE YEAR</b> |                   | (193,151)      |
| <u>926,322</u>    | <b>OPENING NET ASSETS OF THE SCHEME</b>                |                   | <u>758,059</u> |
| <u>758,059</u>    | <b>CLOSING NET ASSETS OF THE SCHEME</b>                |                   | <u>951,210</u> |
|                   | <b><u>NET ASSETS STATEMENT (AS AT 31 MARCH)</u></b>    |                   |                |
|                   |  | <b>2004</b>       | <b>£000</b>    |
|                   |  |                   | <b>£000</b>    |
|                   | <b>INVESTMENT ASSETS AT MARKET VALUE</b>               |                   |                |
|                   | Listed Investments                                     |                   |                |
| 303,024           | - UK Equities  | 367,145           |                |
| 30,287            | - UK Fixed Interest - Public Sector                    | 28,565            |                |
| 6,031             | - UK Fixed Interest - Other                            | 22,967            |                |
| 17,116            | - UK Index Linked                                      | 28,689            |                |
| 89,076            | - Overseas Equities                                    | 179,734           |                |
| 115               | - Overseas Fixed Interest - Other                      | 17,755            |                |
| 2,537             | - Overseas Index Linked                                | -                 |                |
|                   | Unlisted Investments                                   |                   |                |
| 3,606             | - UK Unit Trusts                                       | -                 |                |
| 59,074            | - UK Open Ended Investment Companies                   | 71,400            |                |
| 28,744            | - Overseas Unit Trusts                                 | -                 |                |
| 89,619            | - Overseas Open Ended Investment Companies             | 115,971           |                |
| 68,922            | - Property Unit Trusts                                 | 85,448            |                |
| <u>31,574</u>     | Cash Balances held by Fund Managers                    | <u>24,487</u>     |                |
| 729,725           |  |                   | 942,161        |
|                   | <b>CURRENT ASSETS</b>                                  |                   |                |
| 10,983            | Sundry Debtors   | 9,145             |                |
| 10,000            | Short Term Lending                                     | -                 |                |
| <u>9,348</u>      | Revenue Deposits with Dundee City Council Loans Fund   | <u>6,974</u>      |                |
| 30,331            |  | 16,119            |                |
|                   | <b>LESS CURRENT LIABILITIES</b>                        |                   |                |
| (1,781)           | Sundry Creditors                                       | (7,070)           |                |
| <u>28,550</u>     | <b>NET CURRENT ASSETS</b>                              |                   | 9,049          |
|                   | <b>LESS LONG TERM LIABILITIES</b>                      |                   |                |
| (216)             | Creditors of more than 1 Year                          | -                 |                |
| <u>758,059</u>    | <b>NET ASSETS</b>                                      |                   | <u>951,210</u> |

David K Dorward CPFA  
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Dundee City Council  
24 June 2004

# TAYSIDE TRANSPORT SUPERANNUATION FUND ACCOUNTS

| 2002/2003<br>£000          | <u>FUND ACCOUNT</u>                                    | 2003/2004<br>£000          | 2004<br>£000               |
|----------------------------|--|----------------------------|----------------------------|
|                            | <b>CONTRIBUTIONS AND BENEFITS</b>                      |                            |                            |
|                            | Contributions receivable:                              |                            |                            |
| (133)                      | From employers   | (195)                      |                            |
| <u>(132)</u>               | From employees   | <u>(129)</u>               |                            |
| (265)                      |  |                            | (324)                      |
|                            | Benefits payable:                                      |                            |                            |
| 1,427                      | Pensions   | 1,501                      |                            |
| <u>114</u>                 | Lump Sums  | <u>75</u>                  |                            |
| 1,541                      |  |                            | 1,576                      |
|                            | Payments to and on account of Leavers:                 |                            |                            |
| 49                         | Transfers Out  |                            | 28                         |
| <u>54</u>                  | Administration Expenses                                |                            | <u>52</u>                  |
| 1,379                      | Net Withdrawals from dealings with Members             |                            | 1,332                      |
|                            | <b>RETURNS ON INVESTMENTS</b>                          |                            |                            |
| (1,079)                    | Investment Income                                      | (1,342)                    |                            |
| 6,306                      | Change in Market Value of Investments                  | (3,877)                    |                            |
| <u>54</u>                  | Investment Management Expenses                         | <u>112</u>                 |                            |
| <u>5,281</u>               | Net Returns on Investments                             |                            | <u>(5,107)</u>             |
| 6,660                      | <b>NET (INCREASE)/DECREASE IN FUND DURING THE YEAR</b> |                            | <u>(3,775)</u>             |
| <u>36,168</u>              | <b>OPENING NET ASSETS OF THE SCHEME</b>                |                            | <u>29,508</u>              |
| <u>29,508</u>              | <b>CLOSING NET ASSETS OF THE SCHEME</b>                |                            | <u>33,283</u>              |
|                            | <b>NET ASSETS STATEMENT (AS AT 31 MARCH)</b>           |                            |                            |
| <b>2003</b><br><b>£000</b> |  | <b>2004</b><br><b>£000</b> | <b>2004</b><br><b>£000</b> |
|                            | <b>INVESTMENT ASSETS AT MARKET VALUE</b>               |                            |                            |
|                            | Listed Investments                                     |                            |                            |
| 9,146                      | - UK Equities  | 9,378                      |                            |
| 7,675                      | - UK Fixed Interest - Public Sector                    | 3,588                      |                            |
| 474                        | - UK Fixed Interest - Other                            | 2,910                      |                            |
| 3,989                      | - UK Index Linked                                      | 3,603                      |                            |
| 2,663                      | - Overseas Equities                                    | 5,411                      |                            |
| -                          | - Overseas Fixed Interest - Other                      | 2,230                      |                            |
|                            | Unlisted Investments                                   |                            |                            |
| 341                        | - UK Unit Trusts                                       | -                          |                            |
| 3,399                      | - Overseas Unit Trusts                                 | -                          |                            |
| -                          | - UK Open Ended Investment Companies                   | 468                        |                            |
| -                          | - Overseas Open Ended Investment Companies             | 912                        |                            |
| -                          | - Property Unit Trusts                                 | 3,468                      |                            |
| <u>1,449</u>               | Cash Balances held by Fund Managers                    | <u>962</u>                 |                            |
| 29,136                     |  |                            | 32,930                     |
|                            | <b>CURRENT ASSETS</b>                                  |                            |                            |
| 146                        | Sundry Debtors   | 331                        |                            |
| <u>247</u>                 | Revenue Deposits with Dundee City Council Loans Fund   | <u>49</u>                  |                            |
| 393                        |  | 380                        |                            |
|                            | <b>LESS CURRENT LIABILITIES</b>                        |                            |                            |
| <u>(21)</u>                | Sundry Creditors                                       | <u>(27)</u>                |                            |
| <u>372</u>                 | <b>NET CURRENT ASSETS</b>                              |                            | <u>353</u>                 |
| <u>29,508</u>              | <b>NET ASSETS</b>                                      |                            | <u>33,283</u>              |

David K Dorward CPFA  
Depute Chief Executive (Finance)  
Dundee City Council  
24 June 2004

# **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 2004. 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 2004, 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 Board; Tayside Valuation Joint Board; Tayside Contracts Joint Committee; Angus College; Dundee College; Perth College.

Membership of the fund increased to 17,408 employees at 31 March 2004 from 16,143 employees at 31 March 2003. The number of pensioners on the roll at 31 March 2004 was 9,629 compared with 9,506 at 31 March 2003.

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 2002/2003 and 2003/2004 were as follows:-

|                        | Contributions Receivable |                      | Benefits Payable     |                      |
|------------------------|--------------------------|----------------------|----------------------|----------------------|
|                        | 2002/2003                | 2003/2004            | 2002/2003            | 2003/2004            |
|                        | £000                     | £000                 | £000                 | £000                 |
| Dundee City Council    | 18,476                   | 20,147               | 14,665               | 14,746               |
| Other Scheduled Bodies | 25,607                   | 29,219               | 18,905               | 21,512               |
| Admitted Bodies        | <u>5,894</u>             | <u>6,791</u>         | <u>2,265</u>         | <u>1,969</u>         |
| <b>TOTAL</b>           | <b><u>49,977</u></b>     | <b><u>56,157</u></b> | <b><u>35,835</u></b> | <b><u>38,227</u></b> |

### Investment Administration

During the year, Dundee City Council charged the Tayside Superannuation Fund £1,011,134 (2002/2003 £874,160) for administering the Fund. 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 2004 the market value of these investment assets was £942.2m (31 March 2003 £729.7m), managed as follows:

|                                    | 2003                |                     | 2004                |                     |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                    | £m                  | %                   | £m                  | %                   |
| Schroder Investment Management Ltd | 225.2               | 30.9                | -                   | -                   |
| Baillie Gifford & Co               | 220.4               | 30.2                | 236.7               | 25.1                |
| Fidelity Pensions Management       | 212.4               | 29.1                | 280.8               | 29.8                |
| Schroder Properties Limited        | 71.7                | 9.8                 | 88.3                | 9.4                 |
| Goldman Sachs                      | -                   | -                   | 101.3               | 10.7                |
| Alliance Bernstein                 | <u>-</u>            | <u>-</u>            | <u>235.1</u>        | <u>25.0</u>         |
|                                    | <b><u>729.7</u></b> | <b><u>100.0</u></b> | <b><u>942.2</u></b> | <b><u>100.0</u></b> |

### Purchases & Sales

Purchases and Sales in 2002/2003 and 2003/2004 amounted to:-

|           | 2002/2003 | 2003/2004 |
|-----------|-----------|-----------|
|           | £m        | £m        |
| Purchases | 360.0     | 691.3     |
| Sales     | 340.9     | 616.7     |

# 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 2004 was £79.0m (31 March 2003 Nil). This was covered by related collateral, at a level of 105.9%, 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 2004 the number of contributing employees was 152 (159 at 31 March 2003) and the number of pensioners was 392 (386 at 31 March 2003). 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 £37,333 (2002/2003 £37,615) for administering the fund. 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 2004 was £32.9m (31 March 2003 £29.1m) and these investment assets were wholly managed by Schroder Investment Management Ltd.

### Purchases & Sales

Purchases and Sales in 2002/2003 and 2003/2004 amounted to:-

|           | 2002/2003 | 2003/2004 |
|-----------|-----------|-----------|
|           | £m        | £m        |
| Purchases | 38.7      | 32.5      |
| Sales     | 39.9      | 32.2      |

## Securities Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2004 was £3.8m (31 March 2003 Nil). This was covered by related collateral, at a level of 105.9%, 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](http://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.

| 2002/2003<br>£000 |  | 2003/2004<br>£000 |
|-------------------|--|-------------------|
|                   | <b><u>Income &amp; Expenditure Account</u></b> |                   |
|                   | <b><u>Income</u></b>                           |                   |
| (6)               | Rents and Feuduties                            | (2)               |
| (94)              | Interest on Loans                              | (94)              |
| <u>(16)</u>       | Dividends and Commission                       | <u>(14)</u>       |
| (116)             |  | (110)             |
|                   | <b><u>Expenditure</u></b>                      |                   |
| 39                | Property Costs                                 | 33                |
| 76                | Donations and Contributions                    | 73                |
| 12                | Other Expenditure                              | 8                 |
| <u>5</u>          | Loss on Sale of Shares                         | <u>1</u>          |
| 132               |  | 115               |
| <u>16</u>         | <b><u>Deficit for Year</u></b>                 | <u>5</u>          |
|                   |  |                   |
|                   | <b><u>Balance Sheet as at 31 March</u></b>     |                   |
|                   |  |                   |
| 2003<br>£000      |  | 2004<br>£000      |
| -                 | <b><u>Fixed Assets</u></b>                     | -                 |
|                   | <b><u>Current Assets</u></b>                   |                   |
| 30                | Debtors  | 1                 |
| 392               | Investments                                    | 369               |
| <u>2,648</u>      | Loans Fund Investment                          | <u>2,667</u>      |
| <u>3,070</u>      | Total Current Assets                           | <u>3,037</u>      |
|                   | <b><u>Current Liabilities</u></b>              |                   |
| 30                | Creditors and Accruals                         | 1                 |
| <u>30</u>         | Total Current Liabilities                      | <u>1</u>          |
| <u>3,040</u>      | Net Current Assets                             | <u>3,036</u>      |
| <u>3,040</u>      | Total Net Assets                               | <u>3,036</u>      |
|                   | <b><u>Reserves</u></b>                         |                   |
| <u>3,040</u>      | Capital  | <u>3,036</u>      |
| <u>3,040</u>      |  | <u>3,036</u>      |

## **Notes**

- 1 Included within the Investments figure of £369,000 shown above, £325,000 relates to marketable securities. These securities are valued at cost and their market value was £409,000 as at 31 March 2004.

David K Dorward CPFA  
Depute Chief Executive (Finance)  
Dundee City Council  
24 June 2004



# 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.

| <b>Income &amp; Expenditure Account</b> |                                      | <b>2003/2004</b>                            |                                  |                                  |                             |  |
|---|--------------------------------------|---|----------------------------------|----------------------------------|-----------------------------|--|
| <b>2002/2003<br/>Actual<br/>£000</b>    |                                      | <b>Interest on<br/>Investments<br/>£000</b> | <b>Other<br/>Income<br/>£000</b> | <b>Total<br/>Income<br/>£000</b> | <b>Expenditure<br/>£000</b> | <b>(Surplus)/<br/>Deficit<br/>£000</b> |
| (301)                                   | Fleming Trust                        | (16)  | (196)                            | (212)                            | 79                          | (133)                                  |
| (32)                                    | Hospital Fund                        | (12)  | (18)                             | (30)                             | 35                          | 5                                      |
| 7                                       | Dundee Festival Trust                | (2)   | -                                | (2)                              | 5                           | 3                                      |
| (66)                                    | Burial Grounds Perpetuity Fund       | (46)  | (82)                             | (128)                            | 46                          | (82)                                   |
| -                                       | A T Cathro Bequest                   | -   | (1)                              | (1)                              | 1                           | -                                      |
| <u>(4)</u>                              | Other Various Smaller Trusts (30 no) | <u>(23)</u>                                 | <u>(8)</u>                       | <u>(31)</u>                      | <u>31</u>                   | <u>-</u>                               |
| <u>(396)</u>                            | Total                                | <u>(99)</u>                                 | <u>(305)</u>                     | <u>(404)</u>                     | <u>197</u>                  | <u>(207)</u>                           |

| <b>2003<br/>£000</b> | <b>Balance Sheet as at 31 March</b>  | <b>2004<br/>£000</b> |
|----------------------|--------------------------------------|----------------------|
| 4,605                | Property                             | 4,806                |
| 2,591                | Revenue Deposits with Loans Fund     | 1,445                |
| -                    | External Revenue Deposits            | 1,130                |
| <u>(1)</u>           | Sundry Debtors less Sundry Creditors | <u>21</u>            |
| <u>7,195</u>         | Total Assets                         | <u>7,402</u>         |
|                      | Represented by:                      |                      |
| 34                   | Long-Term Loans                      | 24                   |
| <u>7,161</u>         | Trust Fund Balances                  | <u>7,378</u>         |
| <u>7,195</u>         |                                      | <u>7,402</u>         |

David K Dorward CPFA  
Depute Chief Executive (Finance)  
Dundee City Council  
24 June 2004

## Notes

- In addition to the expenditure shown above, the Fleming Trust incurred capital expenditure of £201,000 in 2003/2004 (2002/2003 £592,000). No capital receipts were received in 2003/2004 (2002/2003 £180,000).
- 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 2004 was £4.588m (31 March 2003 £4.455m).

### 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 2004 was £372,000 (31 March 2003 £374,000).

### Dundee Festival Trust

This Trust was created from the income that was received from events to mark the 800<sup>th</sup> anniversary of the foundation of Dundee as a Royal Burgh. The Trust is used to promote summer festival events. The balance on the Trust at 31 March 2004 was £51,000 (31 March 2003 £54,000).

### 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 2004 was £1.224m (31 March 2003 £1.116m).

### 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 2004 was £23,000 (31 March 2003 £23,000).

# STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the 2003/2004 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**  
**24 June 2004**

# 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 2004.

**David K Dorward CPFA**  
**Depute Chief Executive (Finance)**  
**Dundee City Council**  
**24 June 2004**

## **Independent Auditor's Report**

### **To the members of Dundee City Council and the Accounts Commission for Scotland**

I certify that I have audited the financial statements on pages 6 to 48 under the Local Government (Scotland) Act 1973. The financial statements have been prepared in accordance with the accounting policies set out on pages 6 to 8.

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and the Code of Audit Practice approved by the Accounts Commission and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001.

#### **Respective responsibilities of the Depute Chief Executive (Finance) and Auditor**

As described on page 50 the Depute Chief Executive (Finance) of the Council is responsible for the preparation of the financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, a Statement of Recommended Practice ('the SORP'). My responsibilities, as independent auditor, are established by statute and the Code of Audit Practice approved by the Accounts Commission, and guided by the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements present fairly the financial position of the Council at 31 March 2004 and its income and expenditure for the year. I also report if, in my opinion, the Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on the System of Internal Financial Control on page 49 complies with the requirements of the SORP. I report if, in my opinion, the statement does not comply with the requirements or if it is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the Council's corporate governance procedures or risk and control procedures.

I read the other information published with the financial statements and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

#### **Basis of audit opinion**

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and the Code of Audit Practice, which requires compliance with relevant United Kingdom Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Depute Chief Executive (Finance) in the preparation of the financial statements and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

#### **Opinion**

In my opinion the financial statements present fairly the financial position of the Council as at 31 March 2004 and its income and expenditure for the year then ended.

#### **Failure to comply with statutory requirement**

It has not been necessary to qualify my opinion in respect of the following matter.

Supporting people grant of £11.389 million has been used by the Council in 2003-04 to fund expenditure on housing support services, both directly and by making payments to other providers. Housing support services as defined in the Regulation of Care (Scotland) Act 2001 require to be registered with the Care Commission. An Order made under that Act required applications to register to be made before 1 October 2003.

However, due to the fact that multiple and complex services were being provided, it took some time for the Care Commission and individual providers to agree on the number of applications required and no valid applications were made before 1 October 2003. As a result, expenditure funded by supporting people grant since 1 October 2003 in respect of services that required to be registered is not in compliance with the statutory requirement. The Council estimates that the sum involved for the period from 1 October 2003 to 31 March 2004 is in the region of £6.129 million.

Peter Tait CPFA, Chief Auditor  
Audit Scotland  
Osborne House  
1/5 Osborne Terrace  
Edinburgh EH12 5HG

30 September 2004