



DUNDEE CITY COUNCIL

**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2006**

AUDITED

September 2006

DUNDEE CITY COUNCIL

STATEMENT OF ACCOUNTS 2005/2006

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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 2005/2006.

Accounting Policies (see pages 5 to 7)

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

The Accounting Statements (see pages 9 to 55)

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 2005/2006 the Housing Revenue Account had a surplus of income over expenditure of £0.336m and this surplus was transferred to the Consolidated Revenue Account and then appropriated to the Renewal and Repair Fund.

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 2006. 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 56)

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 57)

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

Major Changes in Accounting Policy

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

There have been no major changes in accounting policy since the 2004/2005 Statement of Accounts was prepared.

Virement from Contingency/Fund Balances

The 2005/2006 Revenue Budget included a general contingency provision of £0.2m to allow for unforeseen items of expenditure arising during the course of the financial year. An amount of £0.141m was vired from this contingency to offset additional expenditure incurred by departments. In addition, virements totalling £2.2m were made from General Fund balances, mainly to fund departmental expenditure commitments that had been carried forward from 2004/2005. During the course of the financial year, the Council received additional new monies totalling £0.3m from the Scottish Executive to fund new initiatives, mainly in Social Work services.

The "Budgeted Net Expenditure/(Income)" column in the Consolidated Revenue Account (see page 9 and note 15 on pages 13 and 14) reflects the impact of the transfers from the general contingency and from General Fund balances together with the additional funding received from the Scottish Executive during the financial year. The budgeted net expenditure figures have also been adjusted to reflect amounts transferred from the Renewal & Repair Fund in order to fund expenditure within departments.

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Revenue Expenditure

The Consolidated Revenue Account (see page 9) shows an actual deficit for the year of £2.288m, against a budgeted deficit of £4.770m, ie this represents an overall net underspend of £2.482m against the 2005/2006 Revenue Budget. The main components of the net underspend are as follows:

	£m
Net underspend on Council Services	(3.361)
Equal Pay Costs	3.481
Reduced Contributions to Joint Boards	(0.386)
Additional Housing Benefits Subsidy	(0.711)
Reduced DCS Surpluses *	0.270
Savings on Loan Charges and Additional Interest Received	(0.346)
Contribution from Renewal & Repair Fund	(0.187)
Reduced CFCR Expenditure	(0.631)
Reduced Local Taxation Income	0.374
Net Additional Government Grants	(1.102)
Other Miscellaneous Net Overspends	<u>0.117</u>
TOTAL NET UNDERSPEND	<u>(2.482)</u>

*Note: the reduction in DCS surpluses is £0.070m when restated to a historical cost basis.

The net underspend of £3.361m on Council services was due to a number of under and overspends within departmental budgets, particularly underspends in Social Work, Planning & Transportation, Waste Management and Communities. Some of these underspends relate to planned efficiency savings. Given the size and diversity of the Council's Revenue Budget and the services that it provides, there can be a significant number of variances from budget in any given financial year. It should also be noted that, within the above underspends, expenditure commitments totalling £2.2m (including Education Devolved School Management balances) will be carried forward to 2006/2007.

General Fund Balances

The excess of expenditure over income for the financial year 2005/2006 was £2.288m. When subtracted from the opening General Fund balance of £8.884m, this gives a General Fund balances figure of £6.596m at 31 March 2006. It is, however, estimated that there are expenditure commitments amounting to £1.648m outstanding at 31 March 2006. These have arisen due to underspends in 2005/2006 and these underspends will be carried forward to 2006/2007 and fully utilised in the new financial year. In addition, there are ear-marked balances within the General Fund of £0.555m and £1.562m in respect of the Devolved School Management Scheme and Car Parking respectively. When all of these items are taken into account, it is estimated that the Council has uncommitted General Fund balances of £2.831m as at 31 March 2006. This sum is not considered unreasonable for a local authority with an annual net cost of services of almost £300m.

Principal Sources of Finance for Revenue Expenditure

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

Revenue Support Grant	173.5
Contributions from National Non-Domestic Pool	<u>53.5</u>
	<u>227.0</u>

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

Prudential Code

The previous controls on local authority borrowing were abolished by the Local Government in Scotland Act 2003 and replaced (with effect from 1 April 2004) by a prudential regime, based mainly on self-regulation. A Prudential Code has been developed by CIPFA as a professional code of practice to support local authorities in taking decisions on capital investment. The Code seeks to ensure that capital investment programmes are affordable, that borrowing is within prudent and sustainable levels and that treasury management decisions are taken in accordance with professional good practice. The Code also sets out a range of prudential indicators that will demonstrate whether these objectives have been met. Compliance with the Code is required under the 2003 Act. The Council has complied with all aspects of the Prudential Code in 2005/2006.

Capital Expenditure & Borrowing Facilities

Gross capital expenditure in 2005/2006 was £55.6m, of which £15.8m was spent within the Housing Department Programmes. The remaining £39.8m was spent on the Council's other services including Education, Social Work, Planning & Transportation, Leisure & Communities, Waste Management and Economic Development.

The £55.6m of capital expenditure was funded through borrowing (£25.4m), various types of capital receipts (£27.9m) and directly from the 2005/2006 Revenue Account (£2.3m).

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)

£m

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In December 2003, the Scottish Executive confirmed their initial offer of revenue (level playing field) support of £5.73m per annum for a revised PPP project with a notional capital value of £80m for the replacement, extension and refurbishment of schools within the city. Robertson Capital Projects (RCP) were appointed preferred bidder in November 2005. The Council is currently working closely with RCP with a view to securing financial closure by the summer of 2006.

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 £195.8m as at 31 March 2006. The estimated net pension liability at 31 March 2005 was £191.0m. The beneficial effects of a rising stock market during the period were more than offset by a further change in the discount rate for defined benefit pension scheme liabilities.

Statutory Trading Accounts

The Local Government in Scotland Act 2003 repealed CCT legislation and introduced a new requirement to maintain Trading Accounts for significant trading operations. In 2003/2004, the Council established a Statutory Trading Account for the services provided by Dundee Contract Services. The Statutory Trading Account (see Note 18 on page 16) shows that a surplus of £0.164m was generated in 2005/2006 and this has been transferred to the Consolidated Revenue Account. The statutory financial target is for the Trading Account to break-even over a three year rolling period. This requirement has been exceeded by £1.521m during the period 2003-2006.

Scottish Housing Quality Standard

Following consultation, and recognising the desire of a majority of tenants to remain with the Council, a Scottish Housing Quality Standard delivery plan was submitted to the Scottish Executive. The Scottish Executive had previously announced that they require all Scottish Council Housing to be brought up to the new Scottish Housing Quality Standard by 2015 and maintained at that standard thereafter. The standard states that Scottish Council Housing should be free from major repair, energy efficient and safe and secure. The Council's delivery plan was forwarded in April 2005 and sets out the achievement of the standard by 2015 and the phasing of the £140.8m investment in Council Housing core stock. The Council also intends to spend an additional £45m to supplement the SHQS by investing in a maintenance investment programme during the same period. Following discussions with Communities Scotland, the Council has requested to re-submit its delivery plan by the end of June 2006.

Equal Pay Costs/Single Status Agreement

The 2005/2006 Consolidated Revenue Account includes a charge totalling £3.481m in respect of the estimated cost of settling potential equal pay claims for certain categories of staff. In addition to the costs associated with its own staff, the charge also reflects the Council's liability to meet a share (33%) of the equal pay costs for Tayside Contracts staff. The charge covers estimated equal pay costs for the 5-year period to 31 March 2006 and includes provision for Income

Tax and National Insurance costs. The settlement of equal pay claims is deemed to be a necessary step towards reaching agreement on the implementation of the Single Status Agreement, which will ensure ongoing equal pay for work of equal value for all employees of the Council. Work is ongoing within the Council towards implementing the Single Status Agreement.

Departmental Restructuring

In September 2005, it was agreed that the Communities and Leisure & Arts Departments would be merged into a single department, to be named Leisure & Communities. An organisational structure for the new department has also been agreed. The existing Committee structure continues to operate in the meantime.

Dundee Leisure

In March 2006, it was agreed that a Leisure Company with charitable status ("Dundee Leisure") would be established to manage and operate the Council's swimming and leisure facilities from 1 April 2006. A Management Agreement has been agreed between the Council and the Company, together with building leases for five different leisure facilities. As part of the Management Agreement, 118 full-time equivalent staff have transferred from the Council to the Company on existing terms and conditions of employment. The financial savings arising from the establishment of Dundee Leisure (mainly in respect of non-domestic rates and VAT) have been reflected in future years' Revenue Budgets.

Group Accounts

The Group Income & Expenditure Account shows a deficit of £1.982m a decrease of £0.306m from the deficit of £2.288m shown in the Council's Consolidated Revenue Account. This is mainly due to incorporating the surpluses on the Common Good Fund and Charitable Trust Funds. The impact of consolidation on the Balance Sheet is to decrease the net assets and reserves by £284m, when compared to the Council's Balance Sheet. This is mainly due to the impact of consolidating the Council's share of the Balance Sheets of Tayside Joint Police Board and Tayside Fire & Rescue Board. These Boards' Balance Sheets show large deficits, mainly due to the effect of accounting for pension costs under Financial Reporting Standard 17 (Retirement Benefits).

Acknowledgements

I would like to thank Fraser Macpherson, the Finance Convener, all other Elected Members and officers of the Council for their active support and co-operation in the effective management of the Council's finances during another challenging year. Finally, I would conclude this report by thanking all the Finance Department staff who contributed to the management and control of the Council's finances and to the finalisation of the City Council's 2005/2006 Statement of Accounts.

David K Dorward CPFA
Depute Chief Executive (Finance)
Dundee City Council
22 June 2006

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 2005 - 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 2005

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

Intangible Assets

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

Tangible Fixed Assets - Basis of Valuation

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

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

Non-operational investment properties within all Council Departments are revalued annually. In 2005/06 the date of the revaluation was 31 March 2006.

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

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

Tangible Fixed Assets - Capital Charges to Revenue Accounts

The capital charges made to Service Revenue Accounts, Central Support Services and Statutory Trading Accounts, equate to the sum of depreciation (where applicable) and impairment plus a notional interest charge based on the revised net amount at which the fixed asset is included in the Consolidated Balance Sheet at 1 April 2005. The notional rate of interest used is 3.5% for those fixed assets included in the Consolidated Balance Sheet at current value (2004/2005 3.5%) and 4.95% for infrastructure assets and community assets which are included in the Consolidated Balance Sheet at historical cost (2004/2005 4.8%). The Council's housing stock is depreciated using the Major Repairs Allowance as a measure for depreciation. The straight-line method of depreciation is used for all other assets that are subject to depreciation. Assets have been assigned various useful lives and residual values have been assumed where appropriate. No depreciation is charged in the year of acquisition but a full year's charge is made in the year of disposal.

Leases

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

Finance Leases:

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

Operating Leases:

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

STATEMENT OF ACCOUNTING POLICIES

Deferred Charges

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

Investments

Investments in companies are shown at cost, less any provision required for loss in value. Superannuation Fund investments are shown at market value (mid market price). Common Good, Charitable Trust and Insurance Funds investments are shown in the accounts at cost less any provision required for overall loss in value. Dividend income from investments is recognised when the right to receive the dividend is established.

Stocks and Work in Progress

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

Covenant Schemes

Assets which have been financed through Covenant schemes are included in the Consolidated Balance Sheet at a value arrived at in accordance with the accounting treatment for tangible 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 2006.

Provisions

Provisions are made for the following:-

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

Significant Estimation Techniques

The Council's Consolidated Balance Sheet at 31 March 2006 includes various provisions totalling £32.391m. These provisions have been calculated using the undernoted estimation techniques.

Bad Debt Provisions

Non Domestic Rates - the provision of £1.188m has been calculated by applying a fixed percentage to each year's outstanding debt.

Community Charge - the provision of £4.160m has been calculated by projecting future collection levels based on the actual collection achieved in 2005/2006.

Council Tax - the provision of £12.549m has been calculated using the non-collection rate anticipated when each financial year's Council Tax was set, or a lower figure where the anticipated collection rate has been exceeded.

Statutory Additions - the provision of £2.451m 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 £1.867m 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 £0.706m 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 £1.466m 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 2005/2006.

Non Domestic Rates - a provision is required for potential loss of income arising from the settlement of valuation appeals. The provision of £2.959m 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 £4.345m is based on the outstanding value of unsettled claims, considered in conjunction with aggregate stop-loss arrangements within the Council's insurance cover.

Government and EC Grants

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

Capital Receipts

Income from the sale of assets is accounted for on an accruals basis and is credited initially to the Usable

STATEMENT OF ACCOUNTING POLICIES

Capital Receipts Reserve. Thereafter, the proportion applied to fund new capital expenditure in the year, and thus reduce borrowing in the year, is transferred to the Capital Financing Account. Alternatively, transfers may be made to the Capital Fund to fund capital expenditure in future financial years.

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

Reserves

The Council maintains a number of reserve funds for purposes outwith those classified as provisions. Full details are given in the Statement of Total Movements in Reserves on pages 32 and 33.

Basis of Funding and Charging for Capital

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

Repurchase of Borrowing

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

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.

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 2006 have been brought into account. The recognition and measurement of income is in accordance with the Application Note to Financial Reporting Standard 5 concerning "Revenue Recognition".

Statutory Additions

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

Pensions

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

Teachers:

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

Other Employees:

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

Central Support Services

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

Insurance

The Council's insurance arrangements are operated in accordance with the guidance contained in "Accounting for Insurance in Local Authorities in Scotland", issued by LA(S)AAC in December 2005.

Exceptional Items

Exceptional items are ones that are material in terms of the Council's overall expenditure and are not expected to recur frequently or regularly. Exceptional items are included in the net cost of the service to which they relate or on the face of the Consolidated Revenue Account if that degree of prominence is necessary in order to give a fair presentation of the accounts. Further details are provided in the notes to the Consolidated Revenue Account.

Prior Period Adjustments

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

Financial Relationships with Companies

The Accounting Code of Practice requires local authorities to prepare supplementary Group Accounts to incorporate the results of subsidiaries, associates and joint ventures. A joint venture and two associates have been consolidated using the "equity" method in the supplementary Group Accounts on pages 37 to 46.

CONSOLIDATED REVENUE ACCOUNT

2004/2005 Actual Net Expenditure/ (Income) £000		Actual Gross Expenditure £000	Actual Income £000	2005/2006 Actual Net Expenditure/ (Income) £000	Budgeted Net Expenditure/ (Income) £000
	Services				
117,000	Education Services	141,710	(18,499)	123,211	123,717
5,715	General Fund Housing	68,451	(65,849)	2,602	3,594
5,144	Housing Revenue Account	45,566	(41,371)	4,195	4,648
23,057	Cultural & Related Services	29,463	(5,390)	24,073	23,871
15,955	Environmental Services	20,815	(4,041)	16,774	17,309
15,438	Roads & Transport Services	23,304	(6,936)	16,368	16,234
2,253	Trading Services	4,025	(1,457)	2,568	2,410
6,652	Planning & Development Services	13,722	(7,988)	5,734	6,493
63,228	Social Work	87,240	(21,840)	65,400	65,963
3,264	Corporate & Democratic Core	3,552	(105)	3,447	3,387
379	Non Distributed Costs	459	-	459	459
4,590	Central Services to the Public	10,572	(7,610)	2,962	5,246
30,026	Joint Boards	31,676	-	31,676	32,062
-	Exceptional Item	<u>3,481</u>	-	<u>3,481</u>	-
292,701	Net Cost of Services	<u>484,036</u>	<u>(181,086)</u>	302,950	305,393
			Ref Note No		
(134)	Net Surplus on Statutory Trading Account		18	(164)	(434)
(241)	Share of Tayside Contracts Surplus			(194)	(185)
(6,659)	Net Income on Asset Management Revenue Account		5	(7,832)	(6,752)
(907)	Interest and Investment Income			(884)	(525)
<u>3,912</u>	Pensions Interest Cost and Expected Return on Pensions Assets		16	<u>4,272</u>	<u>4,272</u>
<u>288,672</u>	Net Operating Expenditure			<u>298,148</u>	<u>301,769</u>
	Appropriations				
(13,794)	Contribution to/(from) Capital Financing Account			(10,227)	(10,687)
(614)	Contribution to/(from) Renewal & Repair Fund			(1,171)	(984)
(277)	Contribution to/(from) Insurance Fund Reserve			1,116	(350)
<u>(4,218)</u>	Contribution to/(from) Pensions Reserve		16	<u>(4,349)</u>	<u>(4,477)</u>
<u>269,769</u>	Amount to be met from Government Grants and Local Taxpayers			<u>283,517</u>	<u>285,271</u>
	Principal Sources of Finance				
(51,472)	Income from Council Tax			(54,083)	(54,551)
(143)	Income from Community Charge		11	(94)	-
(163,770)	Revenue Support Grant			(173,523)	(172,356)
<u>(53,996)</u>	Contribution from National Non-Domestic Rate Pool			<u>(53,529)</u>	<u>(53,594)</u>
<u>(269,381)</u>				<u>(281,229)</u>	<u>(280,501)</u>
<u>388</u>	Deficit for the Financial Year			<u>2,288</u>	<u>4,770</u>
	Balances				
(9,272)	Balances at 1 April (including DSM and Car Park Balances)			(8,884)	(8,884)
<u>388</u>	Add (Surplus)/Deficit for the financial year			<u>2,288</u>	<u>4,770</u>
<u>(8,884)</u>	General Fund Balance at 31 March			<u>(6,596)</u>	<u>(4,114)</u>

Note

The Consolidated Revenue Account has been prepared in accordance with the Service Expenditure Analysis for Scotland that is set out in Section 3 of the 2005 CIPFA Best Value Accounting Code of Practice (BVACoP). This standard analysis seeks to promote consistency between local authorities in terms of both format and comparability of financial reporting. The Council's internal management structure is, however, somewhat different from the service structure set out in BVACoP. For completeness, Note 15 to the Consolidated Revenue Account (see pages 13 and 14) shows the Net Operating Expenditure of £298.148m re-classified in line with the Council's management/department structure.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1 ACQUIRED AND DISCONTINUED OPERATIONS

In 2005/2006 there were no acquired or discontinued operations (2004/2005 None).

2 EXCEPTIONAL ITEMS

In 2005/2006 a charge totalling £3,481,000 has been included in the Consolidated Revenue Account in respect of the estimated cost of settling potential equal pay claims for certain categories of staff. In addition to the costs associated with its own staff, the charge also reflects the Council's liability to meet a share (33%) of the equal pay costs for Tayside Contracts staff. The charge covers estimated equal pay costs for the 5-year period to 31 March 2006 and includes provision for Income Tax and National Insurance costs. In 2004/2005 there were no exceptional items.

3 EXTRAORDINARY ITEMS

In 2005/2006 there were no extraordinary items (2004/2005 None).

4 PRIOR PERIOD ADJUSTMENTS

In 2005/2006 there were no prior period adjustments (2004/2005 None).

5 TRANSACTIONS ON THE ASSET MANAGEMENT REVENUE ACCOUNT

2004/2005		2005/2006	
£000	Income	£000	£000
	Capital Charges		
(34,122)	- General Fund Services (including Statutory Trading Account)		(36,772)
(17,495)	- Housing Revenue Account		(16,941)
	Transfer from Government Grants/Capital Contributions		
<u>(1,360)</u>	Deferred Account		<u>(2,658)</u>
(52,977)			(56,371)
	Expenditure		
27,273	Provision for Depreciation/Impairment	29,271	
18,804	External Interest Charges (including Interest on Revenue Balances)	18,992	
<u>241</u>	Consolidated Loans Fund Expenses	<u>276</u>	
<u>46,318</u>			<u>48,539</u>
<u>(6,659)</u>	Balance to Consolidated Revenue Account		<u>(7,832)</u>

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

6 FINANCE AND OPERATING LEASES

Council as Lessee

The Council has acquired plant and equipment that is accounted for as a finance lease. The rentals payable under this agreement during 2005/2006 were £4,000 (2004/2005 £4,000). This amount comprises £1,000 of financing costs and £3,000 relating to the write-down of obligations to the lessor.

Operating lease rental payments of £2,546,000 were made during 2005/2006 (2004/2005 £2,560,000). These payments related to the asset categories Other Land and Buildings (£518,000) and Vehicles, Plant and Equipment (£2,028,000). In addition, the Council operates a contract car hire scheme and home computer initiative for its employees. In financial year 2005/2006, total payments of £1,196,000 (2004/2005 £814,000) were made by the Council to the lessors, offset by contributions of £739,000 (2004/2005 £362,000) from employees.

Council as Lessor

Dundee City Council has entered into a number of property agreements that are managed corporately by the Economic Development Department. These agreements are accounted for as operating leases. The aggregate rentals receivable from these agreements in 2005/2006 was £4,212,000 (2004/2005 £3,826,000).

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

7 PUBLICITY ACCOUNT

Section 5 of the Local Government Act 1986 requires local authorities to keep a separate account of expenditure on publicity. During 2005/2006 the Council incurred the expenditure shown below on publicity.

2004/2005		2005/2006
£000		£000
262	Employment Advertising	181
120	General Advertising	138
<u>141</u>	Others	<u>249</u>
<u>523</u>		<u>568</u>

8 AGENCY ARRANGEMENTS

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

2004/2005			2005/2006	
Income	Expenditure		Income	Expenditure
£000	£000		£000	£000
Education				
628	628	Special Education services to Angus Council	655	655
Social Work:				
3,428	3,428	Provision of Social Work services to NHS Tayside	4,286	4,286
131	131	Provision of Day Care services to Angus Council	-	-
<u>104</u>	<u>104</u>	Provision of Day Care Services to Perth & Kinross Council	<u>107</u>	<u>107</u>
<u>3,663</u>	<u>3,663</u>		<u>4,393</u>	<u>4,393</u>
Economic Development				
6	16	Scottish Enterprise Tayside in respect of Skillseekers Initiative	9	26
Support Services				
<u>279</u>	<u>279</u>	Crown and Procurator Fiscal Offices	<u>256</u>	<u>256</u>
<u>4,576</u>	<u>4,586</u>	TOTAL	<u>5,313</u>	<u>5,330</u>

9 LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. Detailed below is the income and related expenditure arising from work that has been carried out under the Local Authority (Goods and Services) Act 1970 (as amended by subsequent legislation) during the financial year 2005/2006.

2004/2005			2005/2006	
Income	Expenditure		Income	Expenditure
£000	£000		£000	£000
Education				
14	14	Purchasing services to Perth & Kinross Council	14	14
		Purchasing services and instrument repair services to Angus Council	17	17
<u>10</u>	<u>10</u>	Payroll services to Dundee College	<u>14</u>	<u>14</u>
<u>41</u>	<u>41</u>		<u>45</u>	<u>45</u>
Dundee Contract Services				
279	279	Repairs and maintenance services to Housing Associations	238	212
<u>27</u>	<u>27</u>	Ground maintenance services to Housing Associations	<u>33</u>	<u>33</u>
<u>306</u>	<u>306</u>		<u>271</u>	<u>245</u>
<u>347</u>	<u>347</u>	Total	<u>316</u>	<u>290</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 2005/2006 in respect of teachers' pensions was 12.5% (2004/2005 12.5%). In 2005/2006 the Council paid £9.7m (2004/2005 £9.5m) to the Scottish Public Pensions Agency in respect of teachers' pension costs which represents 18.5% of teachers' pensionable pay including 6% employee contribution (2004/2005 18.5%). In addition the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2005/2006 these amounted to £0.06m (2004/2005 £0.05m) representing 0.12% of pensionable pay (2004/2005 0.10%).

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 2005/2006 the Council paid an employer's contribution of £17.6m (2004/2005 £16.1m) into the Tayside Superannuation Fund, representing 16.1% of pensionable pay (2004/2005 15.8%). The employer's contribution rate in 2005/2006 was 275% 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 2005/2006 these amounted to £1.9m (2004/2005 £1.4m), representing 1.7% of pensionable pay (2004/2005 1.4%).

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 2005/2006 £0.491m (2004/2005 £0.379m)
- b awarded prior to 2005/2006 for which payments are still being made £20.729m (2004/2005 £21.725m)

11 COMMUNITY CHARGE INCOME

2004/2005 Actual £000		2005/2006 Actual £000
	Adjustments for Previous Year:	
(4)	Gross Charge	(3)
(4)	Net Charge	(3)
<u>147</u>	Released from Provision for Bad Debts	<u>97</u>
<u>143</u>		<u>94</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 2004/2005	Salary Banding	Number of Employees 2005/2006
120	£40,000 - £49,999	140
31	£50,000 - £59,999	24
13	£60,000 - £69,999	17
3	£70,000 - £79,999	5
4	£80,000 - £89,999	4
-	£90,000 - £99,999	-
-	£100,000 - £109,999	-
1	£110,000 - £119,999	1

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 2006, was £445,273 (2004/2005 £433,476).

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

14 RELATED PARTIES

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

2004/2005			2005/2006	
Charges To £000	Charges From £000	Revenue	Charges To £000	Charges From £000
1,117	3,172	Dundee Energy Recycling Limited	981	3,969
185	136	Dundee City Developments Limited	116	135
63	141	Dundee Ice Arena Limited	59	124
31	407	Dundee Contemporary Arts Limited	16	330
28	648	Dovetail Enterprises (1993) Limited	1	722
77	-	Tayside Cable Technologies Limited	-	-
105	38	Tayside Fire & Rescue Board	94	42
1	619	Tayside Joint Police Board	551	46
369	14,664	Tayside Contracts Joint Committee	399	14,099
166	8	Tayside Valuation Joint Board	160	4
262	-	Tay Road Bridge Joint Board	250	121

In 2005/2006, 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 Consolidated Revenue Account shown on page 9 has been prepared in accordance with the Service Expenditure Analysis for Scotland that is set out in Section 3 of the 2005 CIPFA Best Value Accounting Code of Practice (BVACoP). This standard analysis seeks to promote consistency between local authorities in terms of both format and comparability of financial reporting. The Council's internal management structure is, however, somewhat different from the service structure set out in BVACoP. For completeness, the Net Operating Expenditure of £298.148m (as shown in the Consolidated Revenue Account) has been re-classified in line with the Council's management/department structure as follows:

2004/2005 Actual Net Expenditure/ (Income) £000		2005/2006			
		Actual Gross Expenditure £000	Actual Income £000	Actual Net Expenditure/ (Income) £000	Budgeted Net Expenditure/ (Income) £000
	Council Services				
111,375	Education	128,859	(11,505)	117,354	117,396
63,068	Social Work	87,070	(21,840)	65,230	65,798
17,883	Planning & Transportation (incl Car Parks)	26,857	(8,822)	18,035	18,594
6,202	Economic Development	13,127	(6,722)	6,405	6,195
14,966	Leisure & Arts	20,582	(5,104)	15,478	15,220
13,554	Waste Management	16,981	(2,628)	14,353	14,762
2,533	Environmental Health & Trading Standards	3,685	(1,074)	2,611	2,723
11,873	Communities	19,793	(7,328)	12,465	12,921
269	Central Support Services	2,154	(2,096)	58	595
5,796	Miscellaneous Services	11,805	(6,344)	5,461	5,881
3,765	Other Housing	5,666	(3,833)	1,833	2,021
(13)	Supporting People	11,848	(11,834)	14	14
2,400	DCS Land Services Client	2,307	(92)	2,215	2,301
16,493	Contribution to Tayside Joint Police Board	17,370	-	17,370	17,639
12,629	Contribution to Tayside Fire & Rescue Board	13,400	-	13,400	13,470
904	Contribution to Tayside Valuation Joint Board	906	-	906	953
(60)	Housing Benefits	48,075	(48,779)	(704)	7
3,264	Corporate and Democratic Core	3,552	(105)	3,447	3,387
277	Net (Surplus)/Deficit on Insurance Account	493	(1,609)	(1,116)	350
379	Non Distributed Costs	459	-	459	459
-	Contingencies & Unforeseen Items	-	-	-	59
-	Exceptional Items	3,481	-	3,481	-
287,557	Net Cost of General Fund Services	438,470	(139,715)	298,755	300,745
5,144	Housing Revenue Account	45,566	(41,371)	4,195	4,648
<u>292,701</u>	Net Cost of Services	<u>484,036</u>	<u>(181,086)</u>	<u>302,950</u>	<u>305,393</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

15 REVISED SERVICE EXPENDITURE ANALYSIS (Contd)

2004/2005 Actual Net Expenditure/ (Income) £000		2005/2006	
		Actual Net Expenditure/ (Income) £000	Budgeted Net Expenditure/ (Income) £000
(134)	Net Surplus on Statutory Trading Account	(164)	(434)
(241)	Share of Tayside Contracts Surplus	(194)	(185)
(6,659)	Net Income on Asset Management Revenue Account	(7,832)	(6,752)
(907)	Interest and Investment Income	(884)	(525)
<u>3,912</u>	Pensions Interest Cost and Expected Return on Pensions Assets	<u>4,272</u>	<u>4,272</u>
<u>288,672</u>	Net Operating Expenditure	<u>298,148</u>	<u>301,769</u>

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:

2004/2005			2005/2006	
£000	£000		£000	£000
	(75,303)	Deficit at 1 April		(191,023)
(17,515)		Current Service Cost	(19,117)	
16,164		Employer Contributions	17,619	
1,424		Contribution in respect of Unfunded Benefits	1,912	
(207)		Past Service Costs	(298)	
(172)		Settlements/Curtailments	(193)	
<u>(3,912)</u>		Net Return on Assets	<u>(4,272)</u>	
	(4,218)			(4,349)
	(5,750)	Actuarial Gain/(Losses)		55
	(105,532)	Effect of Change in Accounting Methodology		-
		Difference between Actuarial Contribution Figure and		
	<u>(220)</u>	Actual Contribution Figure		<u>(435)</u>
	<u>(191,023)</u>	Deficit at 31 March		<u>(195,752)</u>

The net revenue account charge is calculated as follows:

2004/2005		2005/2006
£000		£000
	Operating Costs	
17,515	Current Service Cost	19,117
207	Past Service Cost	298
<u>172</u>	(Gains)/Losses on settlements and curtailments	<u>193</u>
<u>17,894</u>	Total Operating Charge (A)	<u>19,608</u>
	Expected Returns	
28,294	Expected Return on Employer Assets	29,375
<u>(32,206)</u>	Interest on Pension Scheme Liabilities	<u>(33,647)</u>
<u>(3,912)</u>	Net Return (B)	<u>(4,272)</u>
<u>21,806</u>	Net Revenue Account Cost (A) - (B)	<u>23,880</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

16 PENSION ASSETS AND LIABILITIES (Contd)

The history of experienced gains and losses is as follows:

	2002/2003 £000	2003/2004 £000	2004/2005 £000	2005/2006 £000
Difference between the expected and actual return on assets	(94,226)	47,388	22,587	93,963
Value of assets	326,010	400,489	459,834	556,623
Percentage of assets	<u>(28.9%)</u>	<u>11.8%</u>	<u>4.9%</u>	<u>16.9%</u>
Experience gains/(losses) on liabilities	(37,008)	(2,413)	-	(2,665)
Present value of liabilities	426,790	475,792	650,857	752,375
Percentage of the present value of liabilities	<u>(8.7%)</u>	<u>(0.5%)</u>	<u>0.0%</u>	<u>(0.4%)</u>
Actuarial gains/(losses)	(111,339)	44,975	(5,750)	55
Present value of liabilities	426,790	475,792	650,857	752,375
Percentage of the present value of liabilities	<u>(26.1%)</u>	<u>9.5%</u>	<u>(0.9%)</u>	<u>0.0%</u>
Effect of change in accounting methodology	N/A	N/A	(105,532)	N/A
Present value of liabilities	N/A	N/A	650,857	N/A
Percentage of the present value of liabilities	N/A	N/A	<u>(16.2%)</u>	<u>N/A</u>

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

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 2005/2006 of £58,000 is included within "Central Services to the Public" in the Consolidated Revenue Account.

2004/2005 Net Expenditure/ (Surplus) £000	Central Support Service	Gross Expenditure £000	Recharges to Council Departments £000	Recharge to Corporate & Democratic Core £000	Other Internal Income £000	External Income £000	Total Income £000	2005/2006 Net Expenditure/ (Surplus) £000
(8)	Chief Executive (incl Corporate Planning)	1,141	(30)	(871)	-	(267)	(1,168)	(27)
(3)	Press Office	289	(278)	(19)	-	-	(297)	(8)
(22)	Personnel	2,208	(1,869)	(197)	(60)	(82)	(2,208)	-
(72)	Information Technology Administration &	6,059	(5,740)	(16)	(462)	(167)	(6,385)	(326)
233	Legal Services	4,963	(2,635)	(1,283)	(557)	(234)	(4,709)	254
206	Architectural Services	5,898	(5,583)	-	-	-	(5,583)	315
(65)	Finance General	<u>5,865</u>	<u>(2,644)</u>	<u>(1,529)</u>	<u>(496)</u>	<u>(1,346)</u>	<u>(6,015)</u>	<u>(150)</u>
<u>269</u>		<u>26,423</u>	<u>(18,779)</u>	<u>(3,915)</u>	<u>(1,575)</u>	<u>(2,096)</u>	<u>(26,365)</u>	<u>58</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

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

Target 2003/04 £000	Actual 2003/04 £000	Target 2004/05 £000	Actual 2004/05 £000		Actual 2005/06 £000	Target 2005/06 £000	3-Year Actual 2003/06 £000	3-Year Target 2003/06 £000
(24,426)	(26,067)	(25,428)	(26,223)	Income	(25,185)	(24,843)	(77,475)	(74,697)
<u>23,516</u>	<u>24,844</u>	<u>24,773</u>	<u>26,089</u>	Expenditure	<u>25,021</u>	<u>24,409</u>	<u>75,954</u>	<u>72,698</u>
<u>(910)</u>	<u>(1,223)</u>	<u>(655)</u>	<u>(134)</u>	(Surplus)/Deficit	<u>(164)</u>	<u>(434)</u>	<u>(1,521)</u>	<u>(1,999)</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 £1.999m in excess of the statutory requirement for the three financial years ending 31 March 2006.

Financial Performance

The Trading Account for the current financial year is in surplus by £0.164m and has exceeded the break even condition described in the Act for the third year in succession. However, it fell short of the Council's own financial target for 2005/06 of £0.434m by £0.270m. The results reflect the difficult trading conditions in which the department has had to operate as both the construction and land services operations have experienced a drop in turnover when compared with the previous year's actual. The total income generated of £25.185m was £1.038m lower than the 2004/05 actual figure of £26.223m and it is only through the efforts of management and workforce in improving efficiency and reducing costs has the account remained in surplus.

The statutory financial target is for the Trading Account to break even over a three year rolling period and this requirement has been exceeded by £1.521m during the financial years 2003/2004 to 2005/2006. The surplus achieved was, however, £0.478m under the Council's own financial target of £1.999m for the same period. During the second and third years of the statutory three year rolling period the department experienced a fall in turnover whilst faced with above average inflation increases in pension costs, interest charges and transport costs. Management are fully aware of the department's current difficulties and are continuing to improve efficiency and control costs to ensure that the organisation will meet all its future financial objectives.

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 2005/2006 financial year, for external audit services undertaken in accordance with the Code of Audit Practice, is £398,444 (2004/2005 £377,100). During 2005/2006, 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 (2004/2005 None).

COUNCIL TAX INCOME ACCOUNT

2004/2005 £000				2005/2006 £000	£000
67,762		Gross Charge			70,400
(5,820)	Deduct	- Exemptions		(6,208)	
(54)		- Disabled Relief		(55)	
<u>(7,888)</u>		- Discounts		<u>(8,158)</u>	
<u>(13,762)</u>					<u>(14,421)</u>
54,000		Net Council Tax			55,979
(12,852)	Deduct	- Rebates		(13,043)	
<u>13,032</u>		- Less: DWP Grant (Benefits Subsidy)		<u>13,314</u>	
180					271
(14)		- MOD Properties			(12)
14		- Contribution Received			12
<u>(2,789)</u>		Provision for Bad Debts/Exemptions/Discounts			<u>(2,342)</u>
<u>51,391</u>		Total Council Tax Income for Current Financial Year			<u>53,908</u>
(1,021)		Adjustment to Previous Years' Council Tax			(750)
<u>1,102</u>		Adjustment to Previous Years' Provision for Bad Debts			<u>925</u>
<u>81</u>		Total Adjustments for Previous Years			<u>175</u>
<u>51,472</u>		Total Council Tax Income			<u>54,083</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 2005/2006 charges levied. Details of the calculation of the Council Tax base are shown at Note 2.

<u>Council Tax Charge 2004/2005 £</u>	<u>Valuation Band</u>	<u>Property Valuation Range</u>	<u>Fraction of Band D</u>	<u>Council Tax Charge 2005/2006 £</u>
756.67	A	Up to £27,000	6/9	786.67
882.78	B	£ 27,001 - £ 35,000	7/9	917.78
1,008.89	C	£ 35,001 - £ 45,000	8/9	1,048.89
1,135.00	D	£ 45,001 - £ 58,000	9/9	1,180.00
1,387.22	E	£ 58,001 - £ 80,000	11/9	1,442.22
1,639.44	F	£ 80,001 - £106,000	13/9	1,704.44
1,891.67	G	£106,001 - £212,000	15/9	1,966.67
2,270.00	H	Over £212,000	18/9	2,360.00

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

2 CALCULATION OF THE COUNCIL TAX BASE

2004/2005		2005/2006								
<u>Council Tax Base</u>		A	B	C	D	E	F	G	H	TOTAL
72,456	Total Number of Properties	31,877	16,541	7,621	7,813	5,640	1,882	790	42	72,206
6,862	<u>Less</u> Exemptions/Deductions	4,250	925	441	586	262	58	15	14	6,551
9,090	<u>Less</u> Adjustment for Single Chargepayers	5,177	2,053	816	623	358	97	36	4	9,164
56,504	Effective Number of Properties	22,450	13,563	6,364	6,604	5,020	1,727	739	24	56,491
	Band D Equivalent Factor (Ratio)	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
47,688	Band D Equivalent Number of Properties	14,967	10,549	5,657	6,604	6,136	2,495	1,232	48	47,688
<u>12</u>	<u>Add</u> Contribution in lieu in respect of Class 18 dwellings (Band D equivalent)									<u>12</u>
47,700	NOMINAL TAX YIELD									47,700
<u>(1,669)</u>	<u>Less</u> Provision for Non-Collection 3.5%									<u>(1,669)</u>
<u>46,031</u>										<u>46,031</u>
	COUNCIL TAX BASE 2005/2006 (equivalent to a Band D Council Tax of £1,180)									

NON-DOMESTIC RATE INCOME ACCOUNT

2004/2005		2005/2006
£000		£000
72,149	Gross Rate Levied	76,272
-	Transitional Surcharge	386
-	Transitional Relief	<u>(2,600)</u>
72,149		74,058
	Deduct:	
(4,932)	Exemptions, Voids and Partially Occupied Properties	(5,000)
(1,032)	Disabled Relief	(1,060)
(5,335)	Other Reliefs, Charities, etc	(5,783)
(1,433)	Relieved on Appeal	(1,491)
<u>(608)</u>	Provision for Bad Debts/Abatements	<u>(3,356)</u>
<u>58,809</u>		<u>57,368</u>
	Adjustments to Previous Years:	
2	Interest on Overpaid Rates	4
<u>(900)</u>	Bad Debts/Abatements	<u>(1,221)</u>
<u>57,911</u>		<u>56,151</u>
	Allocated as follows:	
57,994	Contribution to National Non-Domestic Rate Pool	56,296
<u>(83)</u>	City Council Non-Domestic Rates	<u>(145)</u>
<u>57,911</u>		<u>56,151</u>
	National Non-Domestic Rate Pool:	
57,994	Contribution to National Non-Domestic Rate Pool	56,296
<u>54,079</u>	Contribution from National Non-Domestic Rate Pool	<u>53,674</u>
<u>3,915</u>	Net Contribution to National Non-Domestic Rate Pool	<u>2,622</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 2005/2006 was 46.1p for properties with a rateable value of over £11,500, with a 0.45p supplement for properties with a rateable value of £29,000 or over. The purpose of this supplement is to finance the revised reduction for properties with a rateable value of £11,500 and under which is now based on a sliding scale.

2 RATEABLE SUBJECTS AND VALUES

2004	<u>Non-Domestic Rateable Subjects at 1 April</u>	2005
2,883	Commercial	2,947
692	Industrial	677
7	Public Utilities	-
<u>2,029</u>	Miscellaneous	<u>1,990</u>
<u>5,611</u>		<u>5,614</u>
	<u>Non-Domestic Rateable Values at 1 April</u>	
		2005
		£000
64,407	Commercial	73,406
22,611	Industrial	25,533
4,257	Public Utilities	-
<u>54,117</u>	Miscellaneous	<u>63,515</u>
<u>145,392</u>		<u>162,454</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.

2004/2005 Actual £000		2005/2006 Actual £000	Budget £000
	<u>INCOME</u>		
39,110	Gross Rent Income - Dwellings	38,700	38,589
866	- Non-Dwellings	828	871
208	Interest on Revenue Balances	238	135
119	Housing Support Grant	62	120
<u>2,107</u>	Other Income	<u>2,045</u>	<u>1,401</u>
<u>42,410</u>		<u>41,873</u>	<u>41,116</u>
	<u>EXPENDITURE</u>		
19,087	Repairs and Maintenance	18,203	18,114
8,465	Supervision and Management	9,056	8,608
13,208	Capital Financing Costs	13,022	12,903
<u>1,902</u>	Bad Debts and Voids	<u>1,220</u>	<u>1,570</u>
<u>42,662</u>		<u>41,501</u>	<u>41,195</u>
<u>252</u>	Transfer of (Surplus)/Deficit to Consolidated Revenue Account	<u>(372)</u>	<u>79</u>
218	Pensions Interest Cost and Expected Return on Pensions Assets	238	238
<u>(262)</u>	Contribution from Pensions Reserve	<u>(202)</u>	<u>(317)</u>
<u>208</u>	NET (INCOME)/EXPENDITURE	<u>(336)</u>	<u>-</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 £46.81 per week in 2005/2006 (2004/2005 £45.19).

2 **HOUSING STOCK**
The Council was responsible for managing 16,124 dwellings as at 31 March 2006 (31 March 2005 16,396). The stock was made up as follows:

2005			2006	
Number	%		Number	%
3,762	23	Houses	3,645	23
11,475	70	Flats	11,339	70
<u>1,159</u>	<u>7</u>	Maisonettes	<u>1,140</u>	<u>7</u>
<u>16,396</u>	<u>100</u>		<u>16,124</u>	<u>100</u>
		The change in housing stock during the year can be summarised as follows:		
16,673		Stock at 1 April	16,396	
(277)		Less: Sales	(260)	
-		Less: Demolitions etc	<u>(12)</u>	
<u>16,396</u>		Stock at 31 March	<u>16,124</u>	

Within the Housing Stock of 16,124 a total of 1,121 properties have been earmarked for demolition and are not generating rental income.

3 **RENT ARREARS AND BAD DEBTS**
The amount of rent arrears written off at 31 March 2006 was £539,175 (31 March 2005 £529,028) which is equivalent to 1.40% (2004/2005 1.35%) of rent collectable from tenants. The provision for doubtful debts was decreased to £706,100 (2004/2005 £888,519).

Rent arrears at 31 March 2006 were £1,246,929 or 3.23% (31 March 2005 £1,503,444 or 3.85%) of rent collectable and this equated to an average rent arrears per house of £83.11 (2004/2005 £95.31). These figures are net of prepaid rents as at 31 March 2006.

4 **EXCEPTIONAL OR PRIOR YEAR ITEMS**
There are no exceptional or prior year items in 2005/2006 (2004/2005 None).

CONSOLIDATED BALANCE SHEET

As at 31 March 2005 £000		Ref Note No	As at 31 March 2006 £000	£000
-	INTANGIBLE ASSETS			-
	TANGIBLE FIXED ASSETS			
	Operational Assets:			
210,938	Council Dwellings	1,2,7,9	205,885	
308,024	Other Land and Buildings	1,2,7,9	305,615	
17,977	Vehicles, Plant and Equipment	1,2,7,8,9	30,594	
60,652	Infrastructure Assets	1,2,7,9	70,665	
<u>1,606</u>	Community Assets	1,2,7,9	<u>1,606</u>	
599,197	Non-Operational Assets:			614,365
59,723	Investment Properties	1,2,7,8,9	62,339	
15,557	Assets Under Construction	1,2,7,9	19,107	
<u>13,286</u>	Surplus Assets Held for Disposal	1,2,7,9	<u>18,608</u>	
<u>88,566</u>				<u>100,054</u>
687,763				714,419
-	DEFERRED CHARGES	3		-
650	LONG TERM INVESTMENTS	4,11		500
<u>15,622</u>	LONG TERM DEBTORS	5		<u>16,223</u>
704,035				731,142
	CURRENT ASSETS			
574	Stores and Work in Progress		598	
53,614	Sundry Debtors (Net of Bad Debt Provisions)	19	58,200	
398	Short Term Investments		386	
2,350	Short Term Lending		21,900	
35	Girobank Account		36	
<u>84</u>	Advances for Petty Outlays		<u>87</u>	
<u>57,055</u>			<u>81,207</u>	
	LESS CURRENT LIABILITIES			
(51,348)	Sundry Creditors	19	(53,502)	
(24,612)	Borrowing Repayable on Demand or Within 12 Months	12	(16,925)	
<u>(10,137)</u>	Bank Overdraft		<u>(16,118)</u>	
<u>(86,097)</u>			<u>(86,545)</u>	
<u>(29,042)</u>				<u>(5,338)</u>
674,993	Total Assets Less Net Current Liabilities			725,804
(268,102)	Borrowing Repayable within a Period in Excess of 12 Months	12	(302,746)	
(655)	Deferred Liabilities	6,8	(452)	
(6,595)	Provisions	13	(8,004)	
(52,444)	Government Grants/Capital Contributions Deferred		(66,379)	
<u>(191,023)</u>	Net Pension Liabilities	18	<u>(195,752)</u>	
<u>(518,819)</u>				<u>(573,333)</u>
<u>156,174</u>	Net Assets	10		<u>152,471</u>
	Financed By Fund Balances and Reserves:			
180,528	Fixed Asset Restatement Account		182,968	
149,278	Capital Financing Account		148,855	
4,278	Capital Fund		5,440	
4,218	Renewal and Repair Fund		3,237	
11	Insurance Fund		1,127	
(191,023)	Pensions Reserve	18	(195,752)	
<u>8,884</u>	General Fund	15	<u>6,596</u>	
<u>156,174</u>				<u>152,471</u>

David K Dorward, CPFA
Depute Chief Executive (Finance)
Dundee City Council
22 June 2006

NOTES TO THE CONSOLIDATED BALANCE SHEET

1 SUMMARY OF CAPITAL EXPENDITURE AND DISPOSALS

	Council Dwellings £000	Other Land & Buildings £000	Operational Equipment £000	Infrastr. Assets £000	Community Assets £000	Invest. Properties £000	Assets Under Construct. £000	Surplus Assets Held for Disposal £000	Total £000
Gross Book Value at 31 March 2005	219,882	321,374	29,991	83,465	1,606	59,723	15,557	13,346	744,944
<u>Less</u> Accumulated Depreciation & Impairment	(8,944)	(13,350)	(12,014)	(22,813)	-	-	-	(60)	(57,181)
Net Book Value at 31 March 2005	210,938	308,024	17,977	60,652	1,606	59,723	15,557	13,286	687,763
Movements in 2005/2006:									
Expenditure	3,493	10,724	15,724	13,126	445	291	9,746	138	53,687
Disposals	(5,538)	(344)	(32)	-	-	(180)	-	(1,050)	(7,144)
Depreciation	(8,806)	(13,315)	(3,075)	(3,767)	-	-	-	(308)	(29,271)
Revaluations/Other Adjustments	5,798	526	-	654	(445)	2,505	(6,196)	6,542	9,384
Net Book Value at 31 March 2006	205,885	305,615	30,594	70,665	1,606	62,339	19,107	18,608	714,419
Analysis of Net Book Value at 31 March 2006:									
Gross Book Value	214,691	326,396	45,229	97,245	1,606	62,339	19,107	18,882	785,495
<u>Less</u> Accumulated Depreciation & Impairment	(8,806)	(20,781)	(14,635)	(26,580)	-	-	-	(274)	(71,076)
Net Book Value	205,885	305,615	30,594	70,665	1,606	62,339	19,107	18,608	714,419

2 SOURCES OF FINANCE FOR CAPITAL EXPENDITURE

2004/2005 £000		2005/2006 £000	
55,615	Capital Expenditure on Fixed Assets	53,687	
3,538	Deferred Charges	1,728	
<u>2,494</u>	Long-Term Debtors	<u>146</u>	
<u>61,647</u>	Capital to be Financed for the year		<u>55,561</u>
Financed by:			
24,409	Loan	25,419	
14,834	Capital Receipts (incl Insurance Receipts)	10,009	
13,578	Government Grants/Capital Contributions	16,626	
3,253	Receipts in Respect of Deferred Charges	950	
11	Receipts in Respect of Long-Term Investments	-	
289	Receipts from Long-Term Debtors	318	
3,494	Revenue	2,239	
<u>1,779</u>	Net Change in Capital Accruals	<u>-</u>	
<u>61,647</u>	Total Capital Financing for the year		<u>55,561</u>

3 MOVEMENT IN DEFERRED CHARGES

2004/2005 £000		2005/2006 £000	
8,029	Value as at 1 April		-
<u>(3,938)</u>	Transfer to Long-Term Debtors		<u>-</u>
4,091	Restated Value as at 1 April		-
<u>3,538</u>	Add: Additions		<u>1,728</u>
7,629			1,728
(3,253)	Less: Receipts	(950)	
<u>(4,376)</u>	Write-Downs	<u>(778)</u>	
<u>(7,629)</u>			<u>(1,728)</u>
<u>-</u>	Value as at 31 March		<u>-</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

4 LONG TERM INVESTMENTS

As at		As at
31 March 2005		31 March 2006
£000		£000
500	Dundee City Developments Limited	500
<u>150</u>	Tayside Cable Technologies Limited	<u>-</u>
<u>650</u>		<u>500</u>

5 LONG TERM DEBTORS

As at		As at
31 March 2005		31 March 2006
£000		£000
1,252	Mortgages/Repairs Notices	1,159
7,376	Loans to Joint Boards to fund Capital Expenditure	6,899
3,624	Debt Rescheduling Premium	5,129
<u>3,370</u>	Other Loans	<u>3,036</u>
<u>15,622</u>		<u>16,223</u>

6 COMMITMENTS UNDER CAPITAL CONTRACTS

In January 2006, the Council approved its 2006-2009 Capital Plan for General Services. This programme totals £176.0m of expenditure to be incurred in 2006/2007 and beyond. Of this expenditure £66.7m is legally committed under contracts and the remaining £109.3m relates to projects with committee approval to commence in 2006/2007 and beyond but for which contracts have not yet been entered into.

In addition, the Council approved a Standard Delivery Plan in May 2005 for the Scottish Housing Quality Standard (SHQS). The plan allows for £185.8m expenditure over the period to 2015. In June 2006, the Council approved the 2006-2009 Housing (HRA) Capital Budget that included expenditure relating to the above plan. This programme totals £67.3m of expenditure to be incurred over the period 2006-2009. Of this expenditure £9.2m is legally committed under contracts and the remaining £58.1m relates to projects with committee approval to commence in 2006/2007 and beyond but for which contracts have not yet been entered into.

The Council has a "Covenant" arrangement with a consortium of banks. This covenant was entered into prior to 1 April 2004 to allow capital expenditure to be carried out on Council projects with funding provided by the banks so that the expenditure did not require to count against the Council's Capital Section 94 Capital Consent at the time of being incurred. For this arrangement an undischarged liability of £0.649m existed as at 31 March 2006 (being £0.449m deferred liability and £0.200m loans outstanding).

7 INFORMATION ON ASSETS HELD

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

Number as at		Number as at
31 March 2005		31 March 2006
16,396	Council Dwellings	16,124
	Operational Land and Buildings	
45	Office Buildings	44
66	Schools	66
11	Sports Centres and Swimming Pools	10
30	Residential Homes and Care Centres	26
11	Neighbourhood Centres	11
55	Sports Pavilions	54
7	Airport Buildings	7
32	Off Street Car Parks	31
15	Public Conveniences	12
13	Libraries	13
7	Museums and Galleries	7
19	Cemetery Buildings	19
1	District Court	1
<u>284</u>	Miscellaneous Buildings	<u>283</u>
<u>596</u>		<u>584</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

7 INFORMATION ON ASSETS HELD (Contd)

Number as at 31 March 2005		Number as at 31 March 2006
	Community Assets	
88	Parks and Community Land	88
11	Cemeteries (Land only)	11
14	Museum/Library Collections	14
<u>1</u>	Monuments	<u>1</u>
<u>114</u>		<u>114</u>
	Non-Operational Assets	
465	Shops, Offices, Industrial Units and Commercial Property	466
18	Assets Under Construction	27
<u>160</u>	Other Non-Operational Assets	<u>160</u>
<u>643</u>		<u>653</u>
640	Infrastructure Assets	699
758	Vehicles, Plant and Equipment	824

8 FINANCE AND OPERATING LEASES

Council as Lessee

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

	Vehicles, Plant and Equipment £000
Gross Book Value as at 31 March 2005	17
<u>Less</u> Accumulated Depreciation	<u>(10)</u>
Net Book Value at 31 March 2005	7
Movements in 2005/2006:	
Additions	-
Depreciation	(4)
Disposals	<u>-</u>
Net Book Value as at 31 March 2006	<u>3</u>
Analysis of Net Book Value as at 31 March 2006:	
Gross Book Value	17
<u>Less</u> Accumulated Depreciation	<u>(14)</u>
Net Book Value	<u>3</u>

The outstanding obligations to make payments under this finance lease (excluding financing costs) as at 31 March 2006 are included as a Deferred Liability in the Consolidated Balance Sheet and are as follows:

	Vehicles, Plant and Equipment £000
Payable in 2006/2007	3
Payable between 2007/2008 and 2010/2011	-
Payable after 2010/2011	<u>-</u>
Total	<u>3</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

8 FINANCE AND OPERATING LEASES (Contd)

In respect of operating leases, the Council is committed to making payments to lessors of £3.204m in 2006/2007. This comprises the following elements:

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Total £000
Leases expiring in 2006/2007	140	-	140
Leases expiring between 2007/2008 and 2010/2011	89	2,637	2,726
Leases expiring after 2010/2011	<u>229</u>	<u>109</u>	<u>338</u>
Total	<u>458</u>	<u>2,746</u>	<u>3,204</u>

Council as Lessor

The Council had no assets leased to third parties on finance lease as at 31 March 2006 (31 March 2005 None).

The gross value of assets held for use in operating leases as at 31 March 2006 was £51.403m (31 March 2005 £52.237m). These assets are classed as Investment Properties and, in accordance with the relevant accounting policy, the accumulated depreciation as at 31 March 2006 relating to these assets was Nil (31 March 2005 Nil).

9 VALUATION OF THE COUNCIL'S ASSETS

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

The Council has a five year rolling programme of revaluation with 2005/2006 being the second year of this rolling programme. All property related assets held on the Economic and Development and Communities accounts were revalued as at 31 March 2006. The rolling programme of revaluation was carried out by a team of staff from the Council's Economic Development Department led by Mr John Dobbie FRICS and conducted in accordance with The Royal Institution of Chartered Surveyors Appraisal and Valuation Manual (the "Red Book"). Each valuer was either a Fellow or Professional Associate of the Royal Institution of Chartered Surveyors (RICS).

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

	Council Dwellings £000	Other Land and Buildings £000	Operational Equipment £000	Investment Properties £000	Surplus Assets Held for Disposal £000	Grand Total £000
Valued at Historical Cost	-	-	-	-	-	-
Valued at Current Value in:						
2004/2005	-	12,437	2,515	-	1,211	16,163
2005/2006	<u>205,885</u>	<u>6,011</u>	<u>2,223</u>	<u>62,187</u>	<u>5,244</u>	<u>281,550</u>
	<u>205,885</u>	<u>18,448</u>	<u>4,738</u>	<u>62,187</u>	<u>6,455</u>	<u>297,713</u>

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

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

9 VALUATION OF THE COUNCIL'S ASSETS (Contd)

Since 1 April 2000, Dundee City Council has been required to comply with the requirements of Financial Reporting Standard 15 (Tangible Fixed Assets). One of the main requirements of FRS15 is that depreciation should be provided for all assets, which are considered to have a finite useful life, where this can be estimated with reasonable certainty at the time of acquisition/revaluation. Depreciation does not have to be provided for land, non-operational investment properties and assets under construction. The only legitimate grounds for not charging depreciation is that the depreciation charge would be immaterial. The Council's housing stock is depreciated using the Major Repairs Allowance as a measure for depreciation. The depreciation charge for 2005/2006 is £8,806,028. The straight-line method of depreciation is used by Dundee City Council for all other assets and the total depreciation charge for 2005/2006 is £20,465,110. No depreciation is charged in the year of acquisition but a full year's charge is made in the year of disposal.

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

Investment properties are not subject to depreciation but are required to be re-valued annually. The increase in balance sheet values in 2005/2006 due to the revaluation of investment properties is £2,505,000.

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 2005/2006, there were no assets which were subject to impairment.

10 ANALYSIS OF NET ASSETS EMPLOYED

As at 31 March 2005 £000		As at 31 March 2006 £000
43,526	General Fund	34,570
110,052	Housing Revenue Account	115,596
<u>2,596</u>	Dundee Contract Services (Statutory Trading Account)	<u>2,305</u>
<u>156,174</u>	Total	<u>152,471</u>

11 INVESTMENTS IN RELATED COMPANIES

Dundee Energy Recycling Limited (DERL)

Dundee Energy Recycling Limited is a special purpose company, established in order to construct and operate a new Waste-to-Energy Plant at Baldovie, Dundee. The plant was taken over from the construction contractor on 31 March 2000. On the same date, a 20 year contract commenced between the Council and DERL for the disposal of domestic refuse. The company was financially restructured in March 2004, as part of which the Council purchased the plant from DERL and leased it back at a commercial rate. The Council has 5,362,181 Deferred Shares of £1 par value in the company. A loan facility of £2.3m is in place to provide working capital and assist with the cash flow. The carrying value of the investment in the company in the Council's Balance Sheet is Nil (31 March 2005 Nil). The Council owned 40% of the £100 Ordinary Share Capital of DERL at 31 March 2006 (40% at 31 March 2005). Dundee City Council has two officers as Directors on the Board of DERL (maximum number of Directors is six). The Council's interest in DERL is considered to constitute a "joint venture" in terms of the Accounting Code of Practice. The DERL project was developed under the Private Finance Initiative (PFI).

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

<u>31.12.2004</u> (Audited) £000		<u>31.12.2005</u> (Unaudited) £000
(6,043)	Profit/(Loss) Before Taxation	72
(6,042)	Profit/(Loss) After Taxation	72
-	Dividends Paid	-
4,731	Net (Liabilities)/Assets (Represented by Share Capital and Reserves)	4,803

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.

NOTES TO THE CONSOLIDATED BALANCE SHEET

11 INVESTMENTS IN RELATED COMPANIES (Contd)

Dundee City Developments Limited

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

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

<u>30.04.2004</u> <u>(Audited)</u> <u>£000</u>		<u>30.04.2005</u> <u>(Audited)</u> <u>£000</u>
59	Profit/(Loss) Before Taxation	21
61	Profit/(Loss) After Taxation	21
-	Dividends Paid	-
1,039	Net Assets (Represented by Share Capital and Reserves)	1,884

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

Dundee Ice Arena Limited

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

Dundee Contemporary Arts Limited

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

Dundee Cultural Developments Limited

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

Dovetail Enterprises Limited

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

Dundee Leisure

Dundee Leisure was established to manage and operate swimming and leisure facilities in Dundee from 1 April 2006. The Council has agreed to pay a management fee to the Company. The swimming and leisure facilities will be owned by the Council and leased to the Company. The Council has agreed to provide a loan facility up to £100,000. The Company is limited by guarantee and the members' liability is limited to a maximum amount of £1. The Council has five elected members and two officers appointed as Directors to the Board (total number of Directors is 15).

NOTES TO THE CONSOLIDATED BALANCE SHEET

12 ANALYSIS OF BORROWING

Long Term Borrowing

Debt Outstanding at 31 March 2005 £000	Analysis of Loans by Source	Debt Outstanding at 31 March 2006 £000	Range of Interest Rates %
	Long Term Loans:		
246,255	Public Works Loan Board	261,322	2.5 to 14.0
1,647	European Investment Bank	1,224	8.55
20,000	Market - Long Term	40,000	2.81 to 5.0
<u>200</u>	Covenant - Parallel Loan	<u>200</u>	5.21545
<u>268,102</u>		<u>302,746</u>	
	Analysis of Loans by Maturity:		
5,764	Between 1 - 2 years	5,814	
12,940	Between 2 - 5 years	25,571	
16,150	Between 5 - 10 years	28,671	
<u>233,248</u>	More than 10 years	<u>242,690</u>	
<u>268,102</u>		<u>302,746</u>	

Short Term Borrowing

Debt Outstanding at 31 March 2005 £000	Analysis of Loans by Source	Debt Outstanding at 31 March 2006 £000
	Long Term Loans Repayable Within One Year:	
5,321	Public Works Loan Board	5,342
<u>2,856</u>	European Investment Bank	<u>423</u>
8,177		5,765
	Short Term Loans:	
389	Temporary Market Loans	359
	Temporary Advances from Other Accounts:	
4,078	Common Good Fund & Charitable Trust Funds	4,386
<u>11,968</u>	Superannuation Funds	<u>6,415</u>
16,046		10,801
<u>24,612</u>		<u>16,925</u>

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.

NOTES TO THE CONSOLIDATED BALANCE SHEET

<u>Provision Movements 2005/2006</u>	Balance as at 31 March 2005 £000	Movements in Provisions 2005/2006 £000	Balance as at 31 March 2006 £000
Council Tax Income - Exemptions/Discounts	900	(200)	700
Non-Domestic Rate Income - Abatements	383	2,576	2,959
Self-Insured/Uninsured Losses - Tayside Regional Council	715	(22)	693
- Dundee District Council	2,022	(1,022)	1,000
- Dundee City Council	<u>2,575</u>	<u>77</u>	<u>2,652</u>
	<u>6,595</u>	<u>1,409</u>	<u>8,004</u>

14 CONTINGENT ASSETS & LIABILITIES

No contingent assets or liabilities existed at 31 March 2006 (31 March 2005 Nil).

15 GENERAL FUND BALANCES

The Consolidated Balance Sheet shows that the Council has a General Fund balance of £6.596m as at 31 March 2006 (31 March 2005 £8.884m). It is estimated that there are expenditure commitments amounting to £1.648m outstanding at 31 March 2006. These have arisen due to underspends in 2005/2006 and these underspends will be carried forward to 2006/2007 and fully utilised in the new financial year. In addition, there are earmarked balances within the General Fund of £0.555m and £1.562m in respect of the Devolved School Management Scheme and Car Parking respectively. When all of these items are taken into account, it is estimated that the Council has uncommitted General Fund balances of £2.831m as at 31 March 2006.

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

16 RELATED PARTIES

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

As at 31 March 2005			As at 31 March 2006	
Charges To £000	Charges From £000		Charges To £000	Charges From £000
215	66	Dundee Energy Recycling Limited	424	66
10	2	Dundee City Developments Limited	6	4
34	5	Dundee Ice Arena Limited	53	-
64	5	Dundee Contemporary Arts Limited	63	16
15	36	Dovetail Enterprises (1993) Limited	4	33
109	-	Tayside Cable Technologies Limited	-	-
717	1	Tayside Fire & Rescue Board	784	-
2,685	165	Tayside Joint Police Board	2,985	8
882	2,006	Tayside Contracts Joint Committee	913	1,414
90	-	Tayside Valuation Joint Board	268	-
132	-	Tay Road Bridge Joint Board	47	205

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.

NOTES TO THE CONSOLIDATED BALANCE SHEET

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 2005		31 March 2006
£000		£000
459,834	Share of assets in Tayside Superannuation Fund	556,623
<u>(628,753)</u>	Estimated liabilities in Tayside Superannuation Fund	<u>(731,154)</u>
(168,919)	Net assets/(liabilities) in Tayside Superannuation Fund	(174,531)
<u>(22,104)</u>	Estimated liabilities for discretionary pensions	<u>(21,221)</u>
<u>(191,023)</u>	Net Pension Liabilities	<u>(195,752)</u>

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

31 March 2005		31 March 2006
£000		£000
317,655	Equity investments	403,377
54,789	Gilts	66,441
28,434	Bonds	26,621
41,811	Property	47,913
<u>17,145</u>	Cash	<u>12,271</u>
<u>459,834</u>		<u>556,623</u>

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

2004/2005		2005/2006
7.5%	Equities	7.0%
4.5%	Gilts	4.2%
5.3%	Bonds	4.9%
7.0%	Property	6.5%
4.3%	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 2005 and updated for the following year, by Barnett Waddingham the independent actuaries to the Fund. The main assumptions used in the calculations are:

2004/2005		2005/2006
2.9%	rate of inflation	3.0%
4.4%	rate of increase in salaries	4.5%
2.9%	rate of increase in pensions	3.0%
5.4%	rate of discounting scheme liabilities	4.9%

The 2005/2006 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 2006, as measured under FRS17. Further information regarding these liabilities can be found in the 2005/2006 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.

NOTES TO THE CONSOLIDATED BALANCE SHEET

19 ANALYSIS OF SUNDRY DEBTORS AND SUNDRY CREDITORS

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

As at 31 March 2005 £000		As at 31 March 2006 £000
	Sundry Debtors	
12,917	Government and EC Grants	19,674
3,505	Rates due and unpaid	3,266
<u>(915)</u>	<u>Less provision for Bad Debts</u>	<u>(1,188)</u>
2,590		2,078
4,687	Community Charge due and unpaid	4,358
<u>(4,432)</u>	<u>Less provision for Bad Debts</u>	<u>(4,160)</u>
255		198
21,097	Council Tax due and unpaid	20,174
<u>(12,663)</u>	<u>Less provision for Bad Debts</u>	<u>(12,549)</u>
8,434		7,625
3,282	Statutory Additions due and unpaid	3,708
<u>(2,104)</u>	<u>Less provision for Bad Debts</u>	<u>(2,451)</u>
1,178		1,257
31,826	General Debtors	31,407
<u>(3,586)</u>	<u>Less provision for Bad Debts</u>	<u>(4,039)</u>
28,240		27,368
<u>53,614</u>		<u>58,200</u>
	Sundry Creditors	
(6,266)	Government Grants	(4,435)
(4,555)	Loans Fund Interest etc	(5,105)
<u>(40,527)</u>	General Creditors	<u>(43,962)</u>
<u>(51,348)</u>		<u>(53,502)</u>

20 EVENTS AFTER THE BALANCE SHEET DATE

There were no events that occurred between 1 April 2006 and 22 June 2006 that would have an impact on the 2005/2006 financial statements (2004/2005 None). The latter date is the date on which the accounts were authorised for issue by the Depute Chief Executive (Finance).

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	Fixed Asset Restatement Account			Capital Financing Account		
	General Fund £000	HRA £000	Total £000	General Fund £000	HRA £000	Total £000
	CAPITAL RESERVES					
Balance as at 1 April 2005	179,869	659	180,528	40,954	108,324	149,278
Unrealised Gains/(Losses) on Revaluation of Fixed Assets	3,395	6,189	9,584	(205)	-	(205)
Disposal of Fixed Assets (Net Book Value)	(1,607)	(5,537)	(7,144)	-	-	-
Capital Receipts (Disposal Proceeds)	-	-	-	-	-	-
Transfer Capital Receipts	-	-	-	1,711	8,298	10,009
Other Capital Receipts	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-
Financing of Fixed Assets (CFCR)	-	-	-	2,239	-	2,239
Excess of Depreciation etc over Principal Repayments	-	-	-	(8,869)	(3,597)	(12,466)
Balance as at 31 March 2006	<u>181,657</u>	<u>1,311</u>	<u>182,968</u>	<u>35,830</u>	<u>113,025</u>	<u>148,855</u>

	Usable Capital Receipts Reserve			Capital Fund			Total Capital Reserves £000
	General Fund £000	HRA £000	Total £000	General Fund £000	HRA £000	Total £000	
	CAPITAL RESERVES (Contd)						
Balance as at 1 April 2005	-	-	-	4,278	-	4,278	334,084
Unrealised Gains on Revaluation of Fixed Assets	-	-	-	-	-	-	9,379
Disposal of Fixed Assets (Net Book Value)	-	-	-	-	-	-	(7,144)
Capital Receipts (Disposal Proceeds)	1,711	8,298	10,009	-	-	-	10,009
Transfer Capital Receipts	(1,711)	(8,298)	(10,009)	-	-	-	-
Other Capital Receipts	-	-	-	969	-	969	969
Interest Receivable	-	-	-	193	-	193	193
Financing of Fixed Assets (CFCR)	-	-	-	-	-	-	2,239
Excess of Principal Repayments over Depreciation etc	-	-	-	-	-	-	(12,466)
Balance as at 31 March 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,440</u>	<u>-</u>	<u>5,440</u>	<u>337,263</u>

	Insurance			General Fund £000	Total Revenue Reserves £000
	Renewal & Repair Fund £000	Fund Reserve £000	Pensions Reserve £000		
	REVENUE RESERVES				
Balance as at 1 April 2005	4,218	11	(191,023)	8,884	(177,910)
Net Surplus/(Deficit) for Year	-	-	(380)	(2,288)	(2,668)
Interest on Revenue Balances	190	-	-	-	190
Transfer (to)/from Consolidated Revenue Account	<u>(1,171)</u>	<u>1,116</u>	<u>(4,349)</u>	<u>-</u>	<u>(4,404)</u>
Balance as at 31 March 2006	<u>3,237</u>	<u>1,127</u>	<u>(195,752)</u>	<u>6,596</u>	<u>(184,792)</u>

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

EXPLANATION OF RESERVES

Fixed Asset Restatement Account

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

Capital Financing Account

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

Usable Capital Receipts Reserve

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

Capital Fund

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

Renewal and Repair Fund

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

Insurance Fund Reserve

This represents the element of the Council's Insurance Fund that is not specifically earmarked as provisions for self-insured and uninsured losses.

Pensions Reserve

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

General Fund

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

CASH FLOW STATEMENT

2004/2005 £000		2005/2006 £000	£000
	REVENUE ACTIVITIES		
	<i>Cash Outflows:</i>		
210,431	Cash Paid To and On Behalf of Employees	218,815	
142,515	Other Operating Cash Payments	166,015	
21,950	Housing Benefits Paid Out	22,741	
<u>58,189</u>	Non-Domestic Rate Payments to National Pool	<u>58,112</u>	
433,085			465,683
	<i>Cash Inflows:</i>		
(18,755)	Rents (After Rebates)	(17,859)	
(38,274)	Council Tax Income	(41,546)	
(242)	Community Charge Income	(151)	
(54,079)	Non-Domestic Rate Receipts from National Pool	(53,674)	
(58,199)	Non-Domestic Rate Receipts	(59,239)	
(163,770)	Revenue Support Grant	(173,523)	
(60,973)	DWP Grant (Benefits Subsidy)	(62,795)	
(40,873)	Other Government Grants	(36,647)	
(28,276)	Cash Received for Goods & Services	(30,625)	
<u>(13,341)</u>	Other Operating Cash Receipts	<u>(15,231)</u>	
<u>(476,782)</u>			<u>(491,290)</u>
(43,697)	<i>Net Cash (Inflow) From Revenue Activities</i>		(25,607)
	DIVIDENDS FROM JOINT VENTURES & ASSOCIATES		
	<i>Cash Inflows:</i>		
-	Dividends Received		-
	RETURNS ON INVESTMENTS & SERVICING OF FINANCE		
	<i>Cash Outflows:</i>		
18,119	Interest Paid	20,557	
	<i>Cash Inflow:</i>		
<u>(1,067)</u>	Interest Received	<u>(1,682)</u>	
17,052			18,875
	CAPITAL ACTIVITIES		
	<i>Cash Outflows:</i>		
50,230	Purchase of Fixed Assets (Non Revenue)	43,930	
4,935	Purchase of Fixed Assets (From Revenue)	4,009	
5,945	Creation of new Deferred Charges and Long-Term Debtors (Non Revenue)	1,680	
<u>87</u>	Creation of new Deferred Charges and Long-Term Debtors (From Revenue)	<u>194</u>	
<u>61,197</u>		<u>49,813</u>	
	<i>Cash Inflows:</i>		
(16,729)	Sale of Fixed Assets and Insurance Receipts	(10,219)	
(7,241)	Capital Grants/Contributions etc Received	(17,604)	
<u>(3,959)</u>	Receipts in respect of Deferred Charges and Long-Term Debtors	<u>(1,874)</u>	
<u>(27,929)</u>		<u>(29,697)</u>	
33,268			20,116
	ACQUISITIONS & DISPOSALS		
	<i>Cash Outflows:</i>		
-	Investments in Associates or Joint Ventures	-	
	<i>Cash Inflows:</i>		
<u>(11)</u>	Sale of Investments in Associates or Joint Ventures	<u>-</u>	
<u>(11)</u>			<u>-</u>
6,612	<i>Net Cash Outflow Before Financing</i>		13,384
	MANAGEMENT OF LIQUID RESOURCES		
-	Net Increase/(Decrease) in Short-Term Deposits	-	
<u>(1,300)</u>	Net Increase/(Decrease) in Other Liquid Resources	<u>19,550</u>	
<u>(1,300)</u>			19,550
	FINANCING		
	<i>Cash Outflows:</i>		
43,684	Repayments of Amounts Borrowed	46,440	
<u>3</u>	Capital Element of Finance Lease Rental Payments	<u>3</u>	
<u>43,687</u>		<u>46,443</u>	
	<i>Cash Inflows:</i>		
(35,000)	New Long-Term Loans Raised	(71,000)	
<u>(20,168)</u>	New Short Term Loans Raised	<u>(2,400)</u>	
<u>(55,168)</u>		<u>(73,400)</u>	
<u>(11,481)</u>			<u>(26,957)</u>
<u>(6,169)</u>	<i>Net (Increase)/Decrease in Cash</i>		<u>5,977</u>

NOTES TO THE CASH FLOW STATEMENT

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

2004/2005 £000		2005/2006 £000	£000
(388)	Deficit for the year		(2,288)
	<u>Non-cash Transactions</u>		
122	Other adjustments	2,108	
<u>(686)</u>	Contributions (from)/to reserves	<u>136</u>	
(564)			2,244
	<u>Items on an Accruals Basis</u>		
10	(Increase)/decrease in stores and work in progress	(24)	
182	(Increase)/decrease in debtors	(5,350)	
<u>10,191</u>	Increase/(decrease) in creditors	<u>(4,143)</u>	
10,383			(9,517)
	<u>Items Classified Elsewhere in the Cash Flow Statement</u>		
19,046	Add loans fund interest charges	19,268	
3,494	Add fixed asset purchases from revenue	2,239	
13,001	Add loans fund principal repayments	14,925	
<u>(1,275)</u>	Less interest on revenue balances	<u>(1,264)</u>	
<u>34,266</u>			<u>35,168</u>
<u>43,697</u>	Net Cash Inflow from Revenue Activities		<u>25,607</u>

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

2004/2005 £000		2005/2006 £000	£000
6,169	Increase/(Decrease) in Cash in the Period	(5,977)	
(1,300)	Movement in Liquid Resources	19,550	
(11,481)	(Increase) in Borrowing	(26,957)	
<u>670</u>	Reduction in Long-Term Liability	<u>200</u>	
(5,942)	Change in Net Debt		(13,184)
<u>(295,089)</u>	Opening Net Debt at 1 April		<u>(301,031)</u>
<u>(301,031)</u>	Closing Net Debt at 31 March		<u>(314,215)</u>

Analysis of Movement in Net Debt

	1 April 2005 £000	Cash Flows £000	Non Cash Changes £000	31 March 2006 £000
<i>Cash</i>				
Girobank Account	35	1	-	36
Advances for Petty Outlays	84	3	-	87
Bank Overdraft	<u>(10,137)</u>	<u>(5,981)</u>	-	<u>(16,118)</u>
	<u>(10,018)</u>	<u>(5,977)</u>	-	<u>(15,995)</u>
Liquid Resources *	<u>2,350</u>	<u>19,550</u>	-	<u>21,900</u>
<i>Borrowing</i>				
Short-Term Advances from Other Accounts	(16,046)	5,245	-	(10,801)
Short-Term Loans	(389)	30	-	(359)
Long-Term Loans Repayable within One Year	(8,177)	8,177	(5,765)	(5,765)
Long-Term Loans	<u>(268,102)</u>	<u>(40,409)</u>	<u>5,765</u>	<u>(302,746)</u>
	<u>(292,714)</u>	<u>(26,957)</u>	-	<u>(319,671)</u>
Covenant Deferred Liability	<u>(649)</u>	<u>200</u>	-	<u>(449)</u>
TOTAL NET DEBT	<u>(301,031)</u>	<u>(13,184)</u>	-	<u>(314,215)</u>

*Liquid Resources are defined as funds invested externally by the Council which are repayable on demand or have a fixed maturity period of less than 12 months.

NOTES TO THE CASH FLOW STATEMENT

3 ANALYSIS OF GOVERNMENT GRANTS

2004/2005		2005/2006
Actual		Actual
£000		£000
163,770	Revenue Support Grant	173,523
60,973	DWP Grant (Benefits Subsidy)	62,795
11,528	Supporting People	11,715
4,129	National Priorities Action Fund	2,148
4,013	Criminal Justice Services	4,686
3,210	Social Inclusion Partnership Fund	3,926
3,000	Better Neighbourhood Services Fund	-
2,040	Changing Children's Services Fund	2,204
2,002	Benefits Administration Grant	2,002
1,685	Community Wardens/Anti Social Behaviour	1,870
1,050	Concessionary Travel	-
1,000	Working with Families Fund	1,000
904	Ardler Debt Servicing	904
603	Modernising Government Fund	563
472	Housing Act Implementation	464
-	Private Sector Housing Grant	1,139
<u>5,237</u>	Other Various	<u>4,026</u>
<u>265,616</u>		<u>272,965</u>

GROUP ACCOUNTS

INTRODUCTION

The Accounting Code of Practice (ACoP) requires local authorities to consider all their interests (including statutory bodies) and to prepare a full set of group financial statements where they have material interests in subsidiary and associated companies and joint ventures. The following Group Accounts are prepared on the basis of the 2005 ACoP. The local authority group is defined as the local authority and its interests in entities which would be regarded as its subsidiaries or associates or joint ventures if the local authority was subject to the Companies Act. The Local Authority Group includes the Joint Boards on which the City Council has representation and are funded from requisitions. These Boards are consolidated as associates.

Dundee City Council's interest in Dundee Energy Recycling Limited is considered to constitute a joint venture in terms of the 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". Further, Dundee City Developments Limited is considered to be an associate in terms of the ACoP.

The group financial statements comprise a Group Income & Expenditure Account, Group Balance Sheet, Group Statement of Total Movements in Reserves and Group Cash Flow Statement, together with relevant supporting information.

BASIS OF CONSOLIDATION

As part of the consolidation process the City Council's accounts have been adjusted to incorporate the balances of directly managed funds which include the Common Good Fund and Charitable Trust Funds. A further adjustment has been made to incorporate a proportion of the Balance Sheet of Tayside Contracts, which is accounted for as a joint arrangement. The City Council's accounts have also been adjusted to comply with United Kingdom Generally Accepted Accounting Practice (UK GAAP) by reversing out notional interest charges and adjusting for gains and losses on fixed asset disposals and for capital grants amortised to service revenue accounts.

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

- bringing into the Group Income & Expenditure Account the Council's share of the profits and losses of the joint venture and the surpluses/deficits of the associates.
- bringing into the Group Balance Sheet the Council's share of the gross assets and gross liabilities of the joint venture and the net assets of the associates.

The Group Income & Expenditure Account shows a deficit of £1,982,000, a decrease of £306,000 from the deficit of £2,288,000 shown in the Council's Consolidated Revenue Account. This is mainly due to incorporating the surpluses on the Common Good Fund and Charitable Trust Funds.

The impact of consolidation on the Balance Sheet is to decrease the net assets and reserves by £284m, when compared to the Council's Balance Sheet. This is mainly due to the impact of consolidating the Council's share of the Balance Sheets of Tayside Joint Police Board and Tayside Fire & Rescue Joint Board. These Boards' Balance Sheets show large deficits, mainly due to the effect of accounting for pension costs under Financial Reporting Standard 17 (Retirement Benefits).

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

TAYSIDE JOINT POLICE BOARD

Tayside Joint Police Board was established by Section 34 of the Local Government (Scotland) Act 1994 and the Tayside Combined Police Area Amalgamation Scheme Order 1995. This Order provided for Dundee City Council, Perth & Kinross Council and Angus Council becoming amalgamated for Police purposes into the Tayside Joint Police Board.

The Board consists of 18 Councillors appointed from the three Councils as follows: 7 members from Dundee City Council, 6 members from Perth & Kinross Council and 5 members from Angus Council. There has been no change to the composition of the Board from 2004/2005. The Board shares responsibility for Tayside Police with Scottish Ministers and the Chief Constable, who is responsible for operational matters. The Board is supported by two officers from Angus Council as officials to the Board.

Dundee City Council has included the Tayside Joint Police Board in the Group Accounts as an associate in terms of the ACoP and accounted for it on a 'net equity' basis. The City Council's share is 45.36% based on the percentage of funding requisitions for the Board. The Board's accounting period is 31 March. For the purpose of consolidation and disclosure, draft statutory accounts for the year ended 31 March 2006 were used. The Board's accounts were adjusted to comply with UK GAAP by reversing out notional interest and adjusting for gains and losses on fixed asset disposal and for capital grants amortised to the revenue account.

The Board's Revenue Account shows a net surplus for 2005/2006 of £1.086m, of which £0.478m (45.36%) has been included in the Group Accounts. The Balance Sheet shows a net liability of £470.8m, of which £213.6m (45.36%) has been included in the Group Accounts.

GROUP ACCOUNTS

TAYSIDE FIRE AND RESCUE BOARD

Tayside Fire and Rescue Board, as the combined Fire Authority for Tayside, has statutory responsibilities under the Fire Services Act 1947 and Fire Precautions Act 1971. The 'Board' is constituted by Order which provides for members from Dundee City Council, Perth & Kinross Council and Angus Council to be represented and to manage the financial affairs of the service.

The Board consists of 18 Councillors appointed from the three Councils as follows: 7 members from Dundee City Council, 6 members from Perth & Kinross Council and 5 members from Angus Council. There has been no change to the composition of the Board from 2004/2005. The Board is supported by two officers from Perth & Kinross Council as officials to the Board.

Dundee City Council has included the Tayside Fire & Rescue Board in the Group Accounts as an associate in terms of the ACoP and accounted for it on a 'net equity' basis. The City Council's share is 52% based on the percentage of funding requisitions for the Board. The Board's accounting period is 31 March. For the purpose of consolidation and disclosure, draft statutory accounts for the year ended 31 March 2006 were used. The Board's accounts were adjusted to comply with UK GAAP by reversing out notional interest and adjusting for gains and losses on fixed asset disposal for capital grants amortised to the revenue account.

The Board's Revenue Account shows a net surplus for 2005/2006 of £29,000, of which £15,000 (52%) has been included in the Group Accounts. The Balance Sheet shows a net liability of £143.7m, of which £74.7m (52%) has been included in the Group Accounts.

TAYSIDE VALUATION JOINT BOARD

Tayside Valuation Joint Board was created in 1996 to take over from the Local Authorities in its area certain duties in relation to valuation for Rating and Council Tax. The Valuation Joint Boards (Scotland) Order 1995 provides the regulatory framework for the administration of the Board.

The Board consists of 15 Councillors appointed from the three Councils as follows: 6 members from Dundee City Council, 5 members from Perth & Kinross Council and 4 members from Angus Council. There has been no change in the Board's composition from 2004/2005. The Board is supported by two officers from Dundee City Council as officials to the Board.

Dundee City Council has included the Tayside Valuation Joint Board in the Group Accounts as an associate in terms of the ACoP and accounted for it on a 'net equity' basis. The City Council's share is 34.86% based on the percentage of funding requisitions for the Board. The Board's accounting period is 31 March. For the purpose of consolidation and disclosure, draft statutory accounts to the year ended 31 March 2006 were used. The Board's accounts were adjusted to comply with UK GAAP by reversing out notional interest and adjusting for capital grants amortised to the revenue account.

The Board's Revenue Account shows a net deficit for 2005/2006 of £50,000 which was budgeted for and met from its reserves. The Group Accounts include £17,000 (34.86%) representing the City Council's share of the deficit. The Balance Sheet shows a net liability of £3.32m, of which £1.15m (34.86%) has been included in the Group Accounts.

DUNDEE CITY DEVELOPMENTS LIMITED

Dundee City Developments Limited was established in 1999 as a company limited by guarantee to continue the process of economic regeneration and to maintain momentum across a range of economic development initiatives in the city. Dundee City Council has provided this company with an interest free loan of £500,000 primarily to provide the company with initial working capital. The interest free loan is currently shown as a long-term investment in the Council's Consolidated Balance Sheet. Dundee City Council has two officers on the Board of Dundee City Developments Limited (there can be up to ten other Board members). The company is limited by guarantee and the members liability is limited to a maximum amount of £1. The City Council has included the company as an associate in the Group Accounts. The percentage for consolidation is 33%, based on the actual board membership as at 30 April 2006 (April 2005 33%). The company has been consolidated in the Group Accounts on a 'net equity' basis. DCD's accounting period is 30 April. For the purpose of consolidation and disclosure, draft Statutory Accounts to 30 April 2006 have been used and adjusted to 31 March 2006.

DUNDEE ENERGY RECYCLING LIMITED

Dundee Energy Recycling Limited is a special purpose company, established in order to construct and operate a new Waste-to-Energy Plant at Baldovie, Dundee. The plant was taken over from the construction contractor on 31 March 2000. On the same date, a 20 year contract commenced between the Council and DERL for the disposal of domestic refuse. The company was financially restructured in March 2004, as part of which the Council purchased the plant from DERL and leased it back at a commercial rate. The Council has 5,362,181 Deferred Shares of £1 par value in the company. A loan facility of £2.3m is in place to provide working capital and assist with cash flow. The carrying value of the investment in the company in the Council's Balance Sheet is Nil (31 March 2005 Nil). The Council owned 40% of the £100 Ordinary Share Capital of DERL at 31 March 2006 (40% at 31 March 2005). Dundee City Council has two officers as Directors on the Board of DERL (maximum number of Directors is six). The Council's interest in DERL is considered to constitute a joint venture in terms of the Accounting Code of Practice. The DERL project was developed under the Private Finance Initiative (PFI).

DERL's accounting period is 31 December. For the purpose of consolidation and disclosure, figures from DERL's unaudited statutory accounts to 31 December 2005 have been used. The company has been consolidated in the Group Accounts on a 'gross equity' basis. The company has recorded a profit of £72,000 for the year to 31 December 2005 (31 December 2004 loss of £6.042m). The share of the profit for Dundee City Council is £29,000 (40%) and this has been consolidated in the Group Accounts.

GROUP INCOME AND EXPENDITURE ACCOUNT

2004/2005 Actual Net Expenditure/ (Income) £000		2005/2006	Actual Gross Expenditure £000	Actual Income £000	Actual Net Expenditure/ (Income) £000
	Services				
110,308	Education Services		134,735	(18,524)	116,211
5,519	General Fund Housing		68,458	(66,067)	2,391
(3,915)	Housing Revenue Account		37,567	(44,131)	(6,564)
20,617	Cultural & Related Services		26,976	(5,493)	21,483
15,710	Environmental Services		19,917	(3,918)	15,999
13,036	Roads & Transport Services		20,561	(6,936)	13,625
1,968	Trading Services		3,735	(1,457)	2,278
3,256	Planning & Development Services		9,133	(8,168)	965
62,352	Social Work		86,417	(21,840)	64,577
3,264	Corporate & Democratic Core		3,552	(105)	3,447
379	Non Distributed Costs		459	-	459
4,443	Central Services to the Public		10,406	(7,618)	2,788
30,026	Joint Boards		31,676	-	31,676
-	Exceptional Items		3,481	-	3,481
38	Common Good		138	(67)	71
49,312	Share of Operating Results of Associates		52,319	-	52,319
<u>(46,842)</u>	Share of Joint Boards' Requisitions		-	<u>(49,872)</u>	<u>(49,872)</u>
269,471	Net Cost of Services		<u>509,530</u>	<u>(234,196)</u>	<u>275,334</u>
(2,430)	Share of Turnover of Joint Venture				(2,624)
4,498	Share of Other Operating Expenses of Joint Venture				2,539
(374)	Other Operating Income & Expenditure				(370)
19,045	Interest Payable				19,266
1,164	Share of Interest Payable (Associates & Joint Venture)				817
(1,093)	Interest and Investment Income				(1,078)
(181)	Share of Interest & Investment Income (Associates & Joint Venture)				(372)
3,912	Pension Interest Cost & Expected Return on Pension Asset				4,272
<u>14,236</u>	Share of Pension Interest Cost & Expected Return on Pension Asset (Associates)				<u>14,864</u>
<u>308,248</u>	Net Operating Expenditure before Reserves Movements				<u>312,648</u>
	Appropriations				
(15,401)	Contribution to/(from) Capital Financing Account				(11,287)
(614)	Contribution to/(from) Renewal & Repair Fund				(1,171)
(277)	Contribution to/(from) Insurance Fund Reserve				1,116
(20,290)	Contribution to/(from) Pensions Reserve				(21,510)
(122)	Gains/(Losses) from Asset Sales				2,854
<u>(2,087)</u>	Appropriation to/(from) Group Income & Expenditure Reserve				<u>561</u>
<u>269,457</u>	Amount to be met from Government Grants and Local Taxpayers				<u>283,211</u>
	Principal Sources of Finance				
(51,472)	Income from Council Tax				(54,083)
(143)	Income from Community Charge				(94)
(163,770)	Revenue Support Grant				(173,523)
<u>(53,996)</u>	Contribution from National Non-Domestic Rate Pool				<u>(53,529)</u>
<u>(269,381)</u>					<u>(281,229)</u>
<u>76</u>	Deficit for the Financial Year				<u>1,982</u>

GROUP BALANCE SHEET

As at 31 March 2005 £000		As at 31 March 2006 £000	£000
-	INTANGIBLE ASSETS		-
	TANGIBLE FIXED ASSETS		
	Operational Assets:		
210,938	Council Dwellings	205,885	
312,573	Other Land and Buildings	310,227	
18,494	Vehicles, Plant and Equipment	31,371	
60,652	Infrastructure Assets	70,665	
<u>1,606</u>	Community Assets	<u>1,606</u>	
604,263	Non-Operational Assets:		619,754
61,221	Investment Properties	63,827	
15,557	Assets Under Construction	19,107	
<u>13,286</u>	Surplus Assets Held for Disposal	<u>18,608</u>	
<u>90,064</u>			<u>101,542</u>
694,327			721,296
	LONG TERM INVESTMENTS		
(260,527)	Investments in Associates		(290,550)
	Investment in Joint Venture:		
3,887	Share of Gross Assets	3,660	
<u>(1,995)</u>	Share of Gross Liabilities	<u>(1,739)</u>	
1,892			1,921
650	Other Investments		500
<u>15,622</u>			<u>16,223</u>
451,964			449,390
	LONG TERM DEBTORS		
	CURRENT ASSETS		
1,121	Stores and Work In Progress	1,121	
53,008	Sundry Debtors (Net of Bad Debts Provision)	59,556	
398	Short Term Investments	386	
5,448	Short Term Lending	25,247	
35	Girobank Account	36	
<u>85</u>	Advances for Petty Outlays	<u>87</u>	
<u>60,095</u>		<u>86,433</u>	
	LESS CURRENT LIABILITIES		
(24,612)	Borrowing Payable on Demand or Within 12 Months	(16,925)	
(50,685)	Sundry Creditors	(54,062)	
<u>(10,640)</u>	Bank Overdraft	<u>(17,373)</u>	
<u>(85,937)</u>		<u>(88,360)</u>	
<u>(25,842)</u>			<u>(1,927)</u>
426,122	Total Assets Less Net Current Liabilities		447,463
(268,102)	Borrowing Repayable within a Period in Excess of 12 Months	(302,746)	
(895)	Deferred Liabilities	(837)	
(13,376)	Provisions	(13,138)	
<u>(52,444)</u>	Government Grants/Capital Contributions Deferred	<u>(66,379)</u>	
<u>(334,817)</u>			<u>(383,100)</u>
91,305	Net Assets before Pension Liabilities		64,363
<u>(191,023)</u>	Net Pension Liabilities		<u>(195,752)</u>
<u>(99,718)</u>	Net Liabilities		<u>(131,389)</u>
	Financed By Fund Balances and Reserves:		
204,168	Fixed Asset Restatement Account	206,590	
141,589	Capital Financing Account	139,965	
-	Usable Capital Receipts Reserve	75	
4,278	Capital Fund	5,440	
582	Revaluation Reserve of Associate	568	
4,251	Renewal and Repair Fund	3,272	
11	Insurance Fund	1,127	
(477,506)	Pensions Reserve	(509,949)	
9,132	Common Good & Charitable Trust Fund Balances	9,438	
8,994	General Fund	6,741	
2,851	Associates - Joint Boards' General Reserves	3,341	
<u>1,932</u>	Profit & Loss Account of Associates and Joint Ventures	<u>2,003</u>	
<u>(99,718)</u>			<u>(131,389)</u>

David K Dorward, CPFA
Depute Chief Executive (Finance)
Dundee City Council
22 June 2006

NOTES TO THE GROUP BALANCE SHEET

1 The following represents material indebtedness to/from the Council with the other Group entities:

As at 31 March 2005			As at 31 March 2006	
Charges To	Charges From		Charges To	Charges From
£000	£000		£000	£000
215	66	Dundee Energy Recycling Limited	424	66
10	2	Dundee City Developments Limited	6	4
717	1	Tayside Fire & Rescue Board	784	-
2,685	165	Tayside Joint Police Board	2,985	8
882	2,006	Tayside Contracts Joint Committee	913	1,414
90	-	Tayside Valuation Joint Board	268	-

GROUP STATEMENT OF TOTAL MOVEMENTS IN RESERVES

CAPITAL RESERVES

	DCC £000	TC £000	Adjusted DCC £000	Police £000	Fire £000	TVJB £000	DCD £000	DERL £000	Total £000
Fixed Asset Restatement Account									
Balance as at 1 April 2005	180,528	1,190	181,718	15,722	6,720	8	-	-	204,168
Unrealised Gains/(Losses)	9,584	1	9,585	533	368	-	-	-	10,486
Disposal of Fixed Assets (NBV)	(7,144)	-	(7,144)	(553)	(367)	-	-	-	(8,064)
Capital Receipts (Disposal Proceeds)	-	-	-	-	-	-	-	-	-
Transfer Capital Receipts	-	-	-	-	-	-	-	-	-
Other Capital Receipts	-	-	-	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-	-	-	-
Financing of Fixed Assets (CFCR)	-	-	-	-	-	-	-	-	-
Excess of Depreciation etc over Principal Repayments	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2006	<u>182,968</u>	<u>1,191</u>	<u>184,159</u>	<u>15,702</u>	<u>6,721</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>206,590</u>

	DCC £000	TC £000	Adjusted DCC £000	Police £000	Fire £000	TVJB £000	DCD £000	DERL £000	Total £000
Capital Financing Account									
Balance as at 1 April 2005	149,278	(941)	148,337	(4,649)	(2,088)	(11)	-	-	141,589
Unrealised Gains/(Losses)	(205)	-	(205)	-	-	-	-	-	(205)
Disposal of Fixed Assets (NBV)	-	-	-	-	-	-	-	-	-
Capital Receipts (Disposal Proceeds)	-	15	15	-	-	-	-	-	15
Transfer Capital Receipts	10,009	-	10,009	452	(398)	-	-	-	10,063
Other Capital Receipts	-	-	-	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-	-	-	-
Financing of Fixed Assets (CFCR)	2,239	142	2,381	-	325	-	-	-	2,706
Excess of Depreciation etc over Principal Repayments	(12,466)	(122)	(12,588)	(1,615)	-	-	-	-	(14,203)
Balance as at 31 March 2006	<u>148,855</u>	<u>(906)</u>	<u>147,949</u>	<u>(5,812)</u>	<u>(2,161)</u>	<u>(11)</u>	<u>-</u>	<u>-</u>	<u>139,965</u>

	DCC £000	TC £000	Adjusted DCC £000	Police £000	Fire £000	TVJB £000	DCD £000	DERL £000	Total £000
Usable Capital Receipts Reserve									
Balance as at 1 April 2005	-	-	-	-	-	-	-	-	-
Unrealised Gains/(Losses)	-	-	-	-	-	-	-	-	-
Disposal of Fixed Assets (NBV)	-	-	-	-	-	-	-	-	-
Capital Receipts (Disposal Proceeds)	10,009	-	10,009	-	6	-	-	-	10,015
Transfer Capital Receipts	(10,009)	-	(10,009)	-	(6)	-	-	-	(10,015)
Other Capital Receipts	-	-	-	75	-	-	-	-	75
Interest Receivable	-	-	-	-	-	-	-	-	-
Financing of Fixed Assets (CFCR)	-	-	-	-	-	-	-	-	-
Excess of Depreciation etc over Principal Repayments	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>75</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75</u>

	DCC £000	TC £000	Adjusted DCC £000	Police £000	Fire £000	TVJB £000	DCD £000	DERL £000	Total £000
Capital Fund									
Balance as at 1 April 2005	4,278	-	4,278	-	-	-	-	-	4,278
Unrealised Gains/(Losses)	-	-	-	-	-	-	-	-	-
Disposal of Fixed Assets (NBV)	-	-	-	-	-	-	-	-	-
Capital Receipts (Disposal Proceeds)	-	-	-	-	-	-	-	-	-
Transfer Capital Receipts	-	-	-	-	-	-	-	-	-
Other Capital Receipts	969	-	969	-	-	-	-	-	969
Interest Receivable	193	-	193	-	-	-	-	-	193
Financing of Fixed Assets (CFCR)	-	-	-	-	-	-	-	-	-
Excess of Depreciation etc over Principal Repayments	5,440	-	5,440	-	-	-	-	-	-
Balance as at 31 March 2006	<u>5,440</u>	<u>-</u>	<u>5,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,440</u>

GROUP STATEMENT OF TOTAL MOVEMENTS IN RESERVES

CAPITAL RESERVES (Contd)

	DCC £000	TC £000	Adjusted DCC £000	Police £000	Fire £000	TVJB £000	DCD £000	DERL £000	Total £000
Revaluation Reserve									
Balance as at 1 April 2005	-	-	-	-	-	-	582	-	582
Unrealised Gains/(Losses)	-	-	-	-	-	-	(14)	-	(14)
Disposal of Fixed Assets (NBV)	-	-	-	-	-	-	-	-	-
Capital Receipts (Disposal Proceeds)	-	-	-	-	-	-	-	-	-
Transfer Capital Receipts	-	-	-	-	-	-	-	-	-
Other Capital Receipts	-	-	-	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-	-	-	-
Financing of Fixed Assets (CFCR)	-	-	-	-	-	-	-	-	-
Excess of Depreciation etc over Principal Repayments	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>568</u>	<u>-</u>	<u>568</u>

REVENUE RESERVES

	DCC £000	TC £000	Adjusted DCC £000	Police £000	Fire £000	TVJB £000	DCD £000	DERL £000	Total £000
Renewal & Repair Fund									
Balance as at 1 April 2005	4,218	33	4,251	-	-	-	-	-	4,251
Net Surplus/(Deficit) for year	-	-	-	-	-	-	-	-	-
Interest on Revenue Balances	190	2	192	-	-	-	-	-	192
Transfer (to)/from Income & Expenditure Account	(1,171)	-	(1,171)	-	-	-	-	-	(1,171)
Balance as at 31 March 2006	<u>3,237</u>	<u>35</u>	<u>3,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,272</u>

	DCC £000	TC £000	Adjusted DCC £000	Police £000	Fire £000	TVJB £000	DCD £000	DERL £000	Total £000
Insurance Fund Reserve									
Balance as at 1 April 2005	11	-	11	-	-	-	-	-	11
Net Surplus/(Deficit) for year	-	-	-	-	-	-	-	-	-
Interest on Revenue Balances	-	-	-	-	-	-	-	-	-
Transfer (to)/from Income & Expenditure Account	1,116	-	1,116	-	-	-	-	-	1,116
Balance as at 31 March 2006	<u>1,127</u>	<u>-</u>	<u>1,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,127</u>

	DCC £000	TC £000	Adjusted DCC £000	Police £000	Fire £000	TVJB £000	DCD £000	DERL £000	Total £000
Pensions Reserve									
Balance as at 1 April 2005	(191,023)	(6,781)	(197,804)	(206,218)	(72,229)	(1,255)	-	-	(477,506)
Net Surplus/(Deficit) for year	(380)	1,647	1,267	(7,336)	(4,933)	69	-	-	(10,933)
Interest on Revenue Balances	-	-	-	-	-	-	-	-	-
Transfer (to)/from Income & Expenditure Account	(4,349)	-	(4,349)	(12,551)	(4,590)	(20)	-	-	(21,510)
Balance as at 31 March 2006	<u>(195,752)</u>	<u>(5,134)</u>	<u>(200,886)</u>	<u>(226,105)</u>	<u>(81,752)</u>	<u>(1,206)</u>	<u>-</u>	<u>-</u>	<u>(509,949)</u>

	DCC £000	TC £000	Adjusted DCC £000	Police £000	Fire £000	TVJB £000	DCD £000	DERL £000	Total £000
General Fund/General Reserve/ Profit & Loss Account									
Balance as at 1 April 2005	8,884	110	8,994	2,090	690	71	40	1,892	13,777
Net Surplus/(Deficit) for year	(2,288)	30	(2,258)	492	15	(17)	42	29	(1,697)
Interest on Revenue Balances	-	5	5	-	-	-	-	-	5
Transfer (to)/from Income & Expenditure Account	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2006	<u>6,596</u>	<u>145</u>	<u>6,741</u>	<u>2,582</u>	<u>705</u>	<u>54</u>	<u>82</u>	<u>1,921</u>	<u>12,085</u>

	DCC £000	CG & Trusts £000	Adjusted DCC £000	Police £000	Fire £000	TVJB £000	DCD £000	DERL £000	Total £000
Common Good & Charitable Trust Fund Balances									
Balance as at 1 April 2005	-	9,132	9,132	-	-	-	-	-	9,132
Net Surplus/(Deficit) for year	-	112	112	-	-	-	-	-	112
Interest on Revenue Balances	-	194	194	-	-	-	-	-	194
Transfer (to)/from Income & Expenditure Account	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2006	<u>-</u>	<u>9,438</u>	<u>9,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,438</u>

GROUP STATEMENT OF TOTAL MOVEMENTS IN RESERVES

EXPLANATION OF RESERVES

Fixed Asset Restatement Account

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

Capital Financing Account

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

Usable Capital Receipts Reserve

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

Capital Fund

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

Revaluation Reserve

This represents the revaluation of assets of Dundee City Developments Ltd.

Renewal and Repair Fund

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

Insurance Fund Reserve

This represents the element of the Insurance Fund that is not specifically earmarked as provisions for self-insured and uninsured losses.

Pensions Reserve

The pension costs included in the Group Income and Expenditure Account have been determined in accordance with Financial Reporting Standard 17 (Retirement Benefits). The cost of providing pensions for public sector employees, however, continues to be funded in accordance with the relevant regulations. An appropriation between the Pensions Reserve and the Group Income and Expenditure Account is required to offset the net change in the pension liability that has been recognised in the Group Income and Expenditure Account. This appropriation ensures that FRS17 has no net impact on the General Fund or General Reserves. The actuarial gain or loss for the year is also credited to, or charged against, the Pensions Reserve. The deficit balance shown on the Pensions Reserve does not require to be funded.

General Fund/General Reserve/Profit & Loss Account

This represents the accumulated balances generally available which are not otherwise earmarked for specific purposes. General Fund and General Reserve balances may also be committed at the Balance Sheet date in respect of underspends to be carried forward to the next financial year and amounts used in setting the Council Tax for the next financial year. This reserve also includes the profits and losses carried forward by associates and joint venture.

Common Good and Charitable Trust Funds Balances

This represents the accumulated balances on the Common Good Fund and Charitable Trust Funds.

GROUP CASH FLOW STATEMENT

2004/2005 £000		2005/2006 £000	£000
	REVENUE ACTIVITIES		
	<i>Cash Outflows:</i>		
218,803	Cash Paid To and On Behalf of Employees	227,960	
150,632	Other Operating Cash Payments	175,389	
21,950	Housing Benefits Paid Out	22,741	
<u>58,189</u>	Non-Domestic Rate Payments to National Pool	<u>58,112</u>	
449,574			484,202
	<i>Cash Inflows:</i>		
(18,755)	Rents (After Rebates)	(17,859)	
(38,274)	Council Tax Income	(41,546)	
(242)	Community Charge Income	(151)	
(54,079)	Non-Domestic Rate Receipts from National Pool	(53,674)	
(58,199)	Non-Domestic Rate Receipts	(59,239)	
(163,770)	Revenue Support Grant	(173,523)	
(60,973)	DWP Grant (Benefits Subsidy)	(62,795)	
(40,873)	Other Government Grants	(36,647)	
(44,775)	Cash Received for Goods & Services	(49,461)	
<u>(13,341)</u>	Other Operating Cash Receipts	<u>(15,231)</u>	
<u>(493,281)</u>			<u>(510,126)</u>
(43,707)	<i>Net Cash (Inflow) From Revenue Activities</i>		(25,924)
	DIVIDENDS FROM JOINT VENTURES & ASSOCIATES		
	<i>Cash Inflows:</i>		
-	Dividends Received		-
	RETURNS ON INVESTMENTS & SERVICING OF FINANCE		
	<i>Cash Outflows:</i>		
18,151	Interest Paid	20,590	
	<i>Cash Inflow:</i>		
<u>(1,067)</u>	Interest Received	<u>(1,682)</u>	
17,084			18,908
	CAPITAL ACTIVITIES		
	<i>Cash Outflows:</i>		
50,350	Purchase of Fixed Assets (Non Revenue)	44,099	
4,935	Purchase of Fixed Assets (From Revenue)	4,009	
5,945	Creation of new Deferred Charges and Long-Term Debtors (Non Revenue)	1,680	
<u>87</u>	Creation of new Deferred Charges and Long-Term Debtors (From Revenue)	<u>194</u>	
<u>61,317</u>		<u>49,982</u>	
	<i>Cash Inflows:</i>		
(16,744)	Sale of Fixed Assets and Insurance Receipts	(10,234)	
(7,241)	Capital Grants/Contributions etc Received	(17,604)	
<u>(3,959)</u>	Receipts in respect of Deferred Charges and Long-Term Debtors	<u>(1,874)</u>	
<u>(27,944)</u>		<u>(29,712)</u>	
33,373			20,270
	ACQUISITIONS & DISPOSALS		
	<i>Cash Outflows:</i>		
-	Investments in Associates or Joint Ventures	-	
	<i>Cash Inflows:</i>		
<u>(11)</u>	Sale of Investments in Associates or Joint Ventures	<u>-</u>	
<u>(11)</u>			<u>-</u>
6,739	<i>Net Cash Outflow Before Financing</i>		13,254
	MANAGEMENT OF LIQUID RESOURCES		
-	Net Increase/(Decrease) in Short-Term Deposits	-	
<u>(1,300)</u>	Net Increase/(Decrease) in Other Liquid Resources	<u>19,550</u>	
<u>(1,300)</u>			19,550
	FINANCING		
	<i>Cash Outflows:</i>		
44,185	Repayments of Amounts Borrowed	47,269	
<u>24</u>	Capital Element of Finance Lease Rental Payments	<u>56</u>	
<u>44,209</u>		<u>47,325</u>	
	<i>Cash Inflows:</i>		
(35,000)	New Long-Term Loans Raised	(71,000)	
<u>(20,168)</u>	New Short Term Loans Raised	<u>(2,400)</u>	
<u>(55,168)</u>		<u>(73,400)</u>	
<u>(10,959)</u>			<u>(26,075)</u>
<u>(5,520)</u>	<i>Net (Increase)/Decrease in Cash</i>		<u>6,729</u>

NOTES TO THE GROUP CASH FLOW STATEMENT

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

2004/2005		2005/2006	
£000		£000	£000
(76)	Deficit for the year		(1,982)
	<u>Non-cash Transactions</u>		
132	Other adjustments	2,425	
<u>(998)</u>	Contributions (from)/to reserves	<u>(170)</u>	
(866)			2,255
	<u>Items on an Accruals Basis</u>		
10	(Increase)/decrease in stores and work in progress	(24)	
182	(Increase)/decrease in debtors	(5,350)	
<u>10,191</u>	Increase/(decrease) in creditors	<u>(4,143)</u>	
10,383			(9,517)
	<u>Items Classified Elsewhere in the Cash Flow Statement</u>		
19,046	Add loans fund interest charges	19,268	
3,494	Add fixed asset purchases from revenue	2,239	
13,001	Add loans fund principal repayments	14,925	
<u>(1,275)</u>	Less interest on revenue balances	<u>(1,264)</u>	
<u>34,266</u>			<u>35,168</u>
<u>43,707</u>	Net Cash Inflow from Revenue Activities		<u>25,924</u>

2 THE EFFECTS OF ACQUISITION OF SUBSIDIARY ACTIVITIES

The City Council has not acquired any subsidiaries during 2005/2006 (2004/2005 None).

3 MATERIAL EFFECTS OF CASH FLOWS OF AN ENTITY ACQUIRED IN THE PERIOD

The City Council has not acquired any entities during 2005/2006 (2004/2005 None).

Tayside Contracts has been included as an adjustment to the City Council's Cash Flow Statement. This has resulted in the following adjustments:

	£000
Revenue Activities	
Cash Outflows	18,519
Cash Inflows	<u>(18,836)</u>
	(317)
Returns on Investment and Servicing of Finance	
Interest Paid	33
Capital Activities	
Purchase of Fixed Assets	169
Sale of Fixed Assets	<u>(15)</u>
	154
Financing	
Repayments of Borrowing	829
Capital Element of Finance Lease	<u>53</u>
	<u>882</u>
NET EFFECT	<u>752</u>

TAYSIDE SUPERANNUATION FUND ACCOUNTS

2004/2005 £000	<u>FUND ACCOUNT</u>	2005/2006 £000	£000
	CONTRIBUTIONS AND BENEFITS		
	Contributions receivable:		
(45,602)	From employers	(53,053)	
<u>(17,215)</u>	From employees	<u>(18,444)</u>	
(62,817)			(71,497)
(27,693)	Transfers in		(7,681)
	Benefits payable:		
33,774	Pensions	35,441	
<u>5,483</u>	Lump Sums	<u>6,599</u>	
39,257			42,040
	Payments to and on account of Leavers:		
290	Refunds of Contributions	346	
<u>8,201</u>	Transfers Out	<u>5,626</u>	
8,491			5,972
<u>1,098</u>	Administration Expenses		<u>1,167</u>
(41,664)	Net Deposits from dealings with Members		(29,999)
	RETURNS ON INVESTMENTS		
	Investment Income		
(4,883)	Interest from Fixed Interest Securities	(5,226)	
(17,965)	Dividends from Equities	(22,753)	
(3,080)	Income from Index Linked Securities	(4,121)	
(5,653)	Income Pooled Investment Vehicles	(5,517)	
(1,174)	Interest on Cash Deposits	(1,392)	
(1,317)	Other Income	(1,536)	
(99,303)	Change in Market Value of Investments	(257,025)	
2,932	Investment Management Expenses	3,853	
<u>270</u>	Taxation	<u>438</u>	
(130,173)	Net Returns on Investments		(293,279)
(171,837)			
<u>951,210</u>	NET (INCREASE) IN FUND DURING THE YEAR		(323,278)
	OPENING NET ASSETS OF THE SCHEME		<u>1,123,047</u>
<u>1,123,047</u>	CLOSING NET ASSETS OF THE SCHEME		<u>1,446,325</u>

2005 £000	<u>NET ASSETS STATEMENT (AS AT 31 MARCH)</u>	2006 £000	£000
	INVESTMENT ASSETS AT MARKET VALUE		
	Listed Investments		
431,119	- UK Equities	573,366	
24,306	- UK Fixed Interest - Public Sector	57,357	
12,588	- UK Fixed Interest - Other	16,621	
31,542	- UK Index Linked	34,234	
219,206	- Overseas Equities	266,295	
14,096	- Overseas Fixed Interest - Other	19,916	
36,950	- Overseas Fixed Interest - Public Sector	19,416	
	Unlisted Investments		
9,582	- UK Unit Trusts	-	
69,278	- UK Open Ended Investment Companies	98,166	
124,238	- Overseas Open Ended Investment Companies	196,123	
101,795	- Property Unit Trusts	131,225	
<u>26,927</u>	Cash Balances held by Fund Managers	<u>19,968</u>	
1,101,627			1,432,687
	CURRENT ASSETS		
13,426	Sundry Debtors	12,167	
<u>11,614</u>	Revenue Deposits with Dundee City Council Loans Fund	<u>6,034</u>	
25,040		18,201	
	LESS CURRENT LIABILITIES		
<u>(3,620)</u>	Sundry Creditors	<u>(4,563)</u>	
21,420	NET CURRENT ASSETS		13,638
<u>1,123,047</u>	NET ASSETS		<u>1,446,325</u>

David K Dorward CPFA
Depute Chief Executive (Finance)
Dundee City Council
22 June 2006

TAYSIDE TRANSPORT SUPERANNUATION FUND ACCOUNTS

2004/2005 £000	<u>FUND ACCOUNT</u>	2005/2006 £000	£000
	CONTRIBUTIONS AND BENEFITS		
	Contributions receivable:		
(238)	From employers	(282)	
<u>(123)</u>	From employees	<u>(118)</u>	
(361)			(400)
(7)	Transfers In		(11)
	Benefits payable:		
1,558	Pensions	1,603	
<u>206</u>	Lump Sums	<u>113</u>	
1,764			1,716
	Payments to and on account of Leavers:		
25	Transfers Out		44
<u>38</u>	Administration Expenses		<u>40</u>
1,459	Net Withdrawals from dealings with Members		1,389
	RETURNS ON INVESTMENTS		
	Investment Income		
(303)	Interest from Fixed Interest Securities	(300)	
(420)	Dividends from Equities	(497)	
(212)	Income from Index Linked Securities	(260)	
(169)	Income Pooled Investment Vehicles	(165)	
(58)	Interest on Cash Deposits	(47)	
(4)	Other Income	(4)	
(1,986)	Change in Market Value of Investments	(6,174)	
<u>77</u>	Investment Management Expenses	<u>99</u>	
<u>1</u>	Taxation	<u>9</u>	
(3,074)	Net Returns on Investments		(7,339)
(1,615)	NET (INCREASE) IN FUND DURING THE YEAR		(5,950)
<u>33,283</u>	OPENING NET ASSETS OF THE SCHEME		<u>34,898</u>
<u>34,898</u>	CLOSING NET ASSETS OF THE SCHEME		<u>40,848</u>
	NET ASSETS STATEMENT (AS AT 31 MARCH)		
2005 £000		2006 £000	£000
	INVESTMENT ASSETS AT MARKET VALUE		
	Listed Investments		
9,920	- UK Equities	12,317	
2,650	- UK Fixed Interest - Public Sector	5,590	
1,385	- UK Fixed Interest - Other	1,620	
3,439	- UK Index Linked	3,336	
5,961	- Overseas Equities	7,566	
1,549	- Overseas Fixed Interest - Other	1,892	
4,028	- Overseas Fixed Interest - Public Sector	1,941	
	Unlisted Investments		
520	- UK Unit Trusts	-	
-	- UK Open Ended Investment Companies	643	
795	- Overseas Open Ended Investment Companies	1,346	
3,051	- Property Unit Trusts	3,891	
<u>1,218</u>	Cash Balances held by Fund Managers	<u>441</u>	
34,516			40,583
	CURRENT ASSETS		
44	Sundry Debtors	61	
<u>369</u>	Revenue Deposits with Dundee City Council Loans Fund	<u>390</u>	
413		451	
	LESS CURRENT LIABILITIES		
(31)	Sundry Creditors	(186)	
<u>382</u>	NET CURRENT ASSETS		<u>265</u>
<u>34,898</u>	NET ASSETS		<u>40,848</u>

David K Dorward CPFA
Depute Chief Executive (Finance)
Dundee City Council
22 June 2006

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 2006. 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 2006, 43 bodies were participants in the scheme being 11 "scheduled bodies" and 32 other organisations admitted at the discretion of the scheme administrators and known as "admitted bodies". The scheduled bodies were as follows:

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

Membership of the fund increased to 19,049 employees at 31 March 2006 from 18,550 employees at 31 March 2005. The number of pensioners on the roll at 31 March 2006 was 9,918 compared with 9,777 at 31 March 2005.

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 2004/2005 and 2005/2006 were as follows:-

	Contributions Receivable		Benefits Payable	
	2004/2005	2005/2006	2004/2005	2005/2006
	£000	£000	£000	£000
Dundee City Council	22,258	24,641	15,695	17,460
Other Scheduled Bodies	32,631	37,406	20,805	21,776
Admitted Bodies	<u>7,928</u>	<u>9,450</u>	<u>2,757</u>	<u>2,804</u>
TOTAL	<u>62,817</u>	<u>71,497</u>	<u>39,257</u>	<u>42,040</u>

Investment Administration

During the year, Dundee City Council charged the Tayside Superannuation Fund £1,044,326 for administering the Fund (2004/2005 £1,058,957). 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 2006 the market value of these investment assets was £1,432.7m (31 March 2005 £1,101.6m), managed as follows:

	2005		2006	
	£m	%	£m	%
Baillie Gifford & Co	272.3	24.7	366.3	25.6
Fidelity Pensions Management	311.3	28.3	408.4	28.5
Schroder Properties Limited	107.9	9.8	134.7	9.4
Goldman Sachs	125.9	11.4	148.2	10.3
Alliance Bernstein	<u>284.2</u>	<u>25.8</u>	<u>375.1</u>	<u>26.2</u>
	<u>1,101.6</u>	<u>100.0</u>	<u>1,432.7</u>	<u>100.0</u>

Purchases & Sales

Purchases and Sales in 2004/2005 and 2005/2006 amounted to:-

	2004/2005	2005/2006
	£m	£m
Purchases	340.8	593.2
Sales	277.3	463.5

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 2006 was £182.4 (31 March 2005 £172.4m). This was covered by related collateral, at a level of 106.5%, 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 2006 the number of contributing employees was 125 (136 at 31 March 2005) and the number of pensioners was 400 (399 at 31 March 2005). As with the Tayside Superannuation Fund an actuarial valuation is carried out every three years to ensure that the Fund can meet its future pension liabilities.

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

Investment Administration

During the year, Dundee City Council charged the Tayside Transport Fund £36,465 for administering the fund (2004/2005 £36,637). 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 2006 was £40.6m (31 March 2005 £34.5m) and these investment assets were managed as follows:

	2005		2006	
	£m	%	£m	%
Baillie Gifford & Co	17.5	50.7	22.1	54.6
Schroder Properties Limited	3.2	9.3	4.0	9.8
Goldman Sachs	<u>13.8</u>	<u>40.0</u>	<u>14.5</u>	<u>35.6</u>
	<u>34.5</u>	<u>100.0</u>	<u>40.6</u>	<u>100.0</u>

Purchases & Sales

Purchases and Sales in 2004/2005 and 2005/2006 amounted to:-

	2004/2005	2005/2006
	£m	£m
Purchases	18.0	25.8
Sales	15.2	21.5

Securities Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2006 was £6.8m (31 March 2005 £10.3m). This was covered by related collateral, at a level of 106.5%, 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 2005 determined the employer contribution rates for the years 2006/2007, 2007/2008 and 2008/2009. 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 2005 showed that the actuarial value and market value of the Fund's assets stood at £1,111.8m representing 91% 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 2006 were:-

275% of employees' contributions for 2006/2007

295% of employees' contributions for 2007/2008

315% of employees' contributions for 2008/2009

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 2005. The deficit is spread over the average remaining working lifetime of the existing members (approximately 12 years).

The contribution rates following the 31 March 2005 valuation were calculated using the projected unit actuarial method and the main actuarial assumptions were as follows:-

Rate of return on investments	- equities	7.1% per annum
	- gilts	4.5% per annum
	- bonds and property	5.3% per annum
Rate of general pay increases		4.3% per annum
Rate of increases to pensions in payment		2.8% per annum
Valuation of assets		6 month smoothed market value

STATEMENT OF INVESTMENT PRINCIPLES

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

NOTES TO THE SUPERANNUATION FUNDS ACCOUNTS

ACTUARIAL VALUATION

TAYSIDE TRANSPORT SUPERANNUATION FUND

The valuation carried out as at 31 March 2005 showed that the actuarial value and market value of the Fund's assets stood at £34.5m, representing 89% 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 2006 were:-

£500,000 for 2006/2007
£700,000 for 2007/2008
£900,000 for 2008/2009

The contributions take into account the deficit at 31 March 2005. This deficit is spread over 10 years in line with the maximum period likely to be adopted in the private sector.

The contributions following the 31 March 2005 valuation were calculated using the attained age actuarial method and the main actuarial assumptions were as follows:-

Rate of return on investments	- equities	7.1% per annum
	- gilts	4.5% per annum
	- bonds and property	5.3% per annum
Rate of general pay increases		4.3% per annum
Rate of increases to pensions in payment		2.8% per annum
Valuation of assets		6 month smoothed market value

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).

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.

2004/2005 £000		2005/2006 £000
	<u>Income & Expenditure Account</u>	
	<u>Income</u>	
(3)	Rents and Feuduties	(29)
(119)	Interest on Loans	(122)
<u>(18)</u>	Dividends and Commission	<u>(21)</u>
<u>(140)</u>		<u>(172)</u>
	<u>Expenditure</u>	
34	Property Costs	34
20	Donations and Contributions	102
5	Other Expenditure	2
<u>-</u>	Loss on Sale of Shares	<u>-</u>
<u>59</u>		<u>138</u>
<u>(81)</u>	Surplus for Year	<u>(34)</u>
	<u>Balance Sheet as at 31 March</u>	
-	<u>Tangible Fixed Assets</u>	-
	<u>Current Assets</u>	
1	Debtors	-
368	Investments	358
<u>2,749</u>	Loans Fund Investment	<u>2,810</u>
<u>3,118</u>	Total Current Assets	<u>3,168</u>
	<u>Current Liabilities</u>	
<u>1</u>	Creditors and Accruals	<u>-</u>
<u>1</u>	Total Current Liabilities	<u>-</u>
<u>3,117</u>	Net Current Assets	<u>3,168</u>
<u>3,117</u>	Total Net Assets	<u>3,168</u>
	<u>Reserves</u>	
<u>3,117</u>	Capital	<u>3,168</u>
<u>3,117</u>		<u>3,168</u>

Notes

- 1 Included within the Investments figure of £358,000 shown above, £314,000 relates to marketable securities. These securities are valued at cost and their market value was £514,000 as at 31 March 2006.
- 2 Expenditure commitments totalling £25,000 have been carried forward from 2005/2006 into 2006/2007.

David K Dorward, CPFA
Depute Chief Executive (Finance)
Dundee City Council
22 June 2006

CHARITABLE TRUST FUNDS ACCOUNT

The Council acts as Trustees for 35 Charitable Trusts and Endowments. The Income & Expenditure Account below details the transactions in the year and the Balance Sheet summarises the assets and liabilities at the year end.

Income & Expenditure Account		2005/2006				
2004/2005 Actual £000		Interest on Investments £000	Other Income £000	Total Income £000	Expenditure £000	(Surplus)/ Deficit £000
(151)	Fleming Trust	(11)	(218)	(229)	61	(168)
2	Hospital Fund	(17)	(52)	(69)	13	(56)
4	Dundee Festival Trust	(2)	-	(2)	6	4
(79)	Burial Grounds Perpetuity Fund	(61)	(88)	(149)	61	(88)
-	A T Cathro Bequest	-	(1)	(1)	2	1
<u>17</u>	Other Various Smaller Trusts (30 no)	<u>(29)</u>	<u>(11)</u>	<u>(40)</u>	<u>34</u>	<u>(6)</u>
<u>(207)</u>	Total	<u>(120)</u>	<u>(370)</u>	<u>(490)</u>	<u>177</u>	<u>(313)</u>

2005 £000	Balance Sheet as at 31 March	2006 £000
5,118	Property	5,172
1,329	Revenue Deposits with Loans Fund	1,602
1,130	External Revenue Deposits	1,130
<u>33</u>	Sundry Debtors less Sundry Creditors	<u>19</u>
<u>7,610</u>	Total Assets	<u>7,923</u>
	Represented by:	
14	Long-Term Loans	13
<u>7,596</u>	Trust Fund Balances	<u>7,910</u>
<u>7,610</u>		<u>7,923</u>

David K Dorward, CPFA
Depute Chief Executive (Finance)
Dundee City Council
22 June 2006

Notes

- In addition to the expenditure shown above, the Fleming Trust incurred capital expenditure of £55,000 in 2005/2006 (2004/2005 £311,000). No capital receipts were received in 2005/2006 (2004/2005 £Nil).
- The nature and purpose of the Funds' detailed above is as follows:

Fleming Trust

This Trust was established with sums gifted in 1929 by Robert Fleming for the purchase of land and buildings and the provision of suitable accommodation for re-housing the displaced occupants of slum property in Dundee. The balance on the trust at 31 March 2006 was £4.907m (31 March 2005 £4.739m).

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 2006 was £424,000 (31 March 2005 £368,000).

Dundee Festival Trust

This Trust was created from the income that was received from events to mark the 800th anniversary of the foundation of Dundee as a Royal Burgh. The Trust is used to promote summer festival events. The balance on the Trust at 31 March 2006 was £43,000 (31 March 2005 £47,000).

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 2006 was £1.391m (31 March 2005 £1.303m).

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 2006 was £23,000 (31 March 2005 £24,000).

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the 2005/2006 Statement of Accounts for Dundee City Council. It does not extend to the wider Group Accounts. 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.

During the course of the financial year, the Council's external auditor issued reports on her reviews of Best Value & Community Planning and Financial Strategy. The Council have agreed action plans in respect of both these areas and are now progressing with the implementation of the recommendations included in these reports.

As part of the new prudential regime for controlling capital expenditure, the Council established a Corporate Asset Management Group to develop its asset management strategy and plan. The Group's work is currently ongoing and the Council are on target to have the final plan in place by the agreed deadline of 31 March 2007.

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 her 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
22 June 2006

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 2006.

David K Dorward, CPFA
Depute Chief Executive (Finance)
Dundee City Council
22 June 2006

Independent auditor's report

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

I certify that I have audited the financial statements of Dundee City Council and its group for the year ended 31 March 2006 under Part VII of the Local Government (Scotland) Act 1973. These comprise the Consolidated Revenue Account, the Council Tax Income Account, the Non-Domestic Rate Income Account, the Housing Revenue Account, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, the Group Accounts, the Tayside Superannuation Fund Accounts, the Common Good Fund Account and the Charitable Trust Funds Account and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and 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

The Depute Chief Executive (Finance)'s responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2005 - A Statement of Recommended Practice (the 2005 SORP) are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.

I report my opinion as to whether the financial statements present fairly the financial position of the local authority in accordance with applicable laws and regulations and the 2005 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the local authority 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 reflects the authority's compliance with the SORP. I report if, in my opinion, it does not comply with the SORP or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement covers all risk and controls. Neither am I required to form an opinion on the effectiveness of the local authority's corporate governance procedures or its risk and control procedures.

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. 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 local authority'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, in accordance with applicable laws and regulations and the 2005 SORP, the financial position of the Council and its group as at 31 March 2006 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

**Fiona Kordiak CPFA, Assistant Director
Audit Scotland – Audit Services
Osborne House, 1/5 Osborne Terrace
Edinburgh EH12 5HG**

29 September 2006