Report: 374-2015

DUNDEE CITY COUNCIL

ANNUAL ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2015

AUDITED

September 2015

DUNDEE CITY COUNCIL

ANNUAL ACCOUNTS 2014/2015

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MANAGEMENT COMMENTARY

Introduction

We are pleased to present the Unaudited Annual Accounts for Dundee City Council ("the Council") and its Group for the year ended 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/2015. This management commentary provides context for the annual accounts, an analysis of financial performance and an insight into the priorities and plans of the Council. The principal financial risks and uncertainties facing the Council are identified, together with the potential impact and actions being taken.

Review of the 2014/2015 Financial Year - Revenue Budget

The 2014/2015 General Services Revenue Budget was agreed at the meeting of the Policy & Resources Committee on 13 February 2014. A Council Tax freeze was delivered for the ninth consecutive year, after budget savings totalling £3.723m were approved. No amounts were taken from accumulated General Fund balances in setting the 2014/2015 budget. The 2014/2015 Housing Revenue Account Budget was agreed at the meeting of the Policy & Resources Committee on 27 January 2014 and the Housing Committee on that date agreed that rent levels would increase on average by 2.25%. The Policy & Resources Committee received monthly revenue monitoring reports during 2014/2015 in order to keep elected members fully appraised as to the projected outturn position. The final outturn position for the year is reflected in the Movement in Reserves Statement and in the Consolidated Income & Expenditure Statement.

The Movement in Reserves Statement on page 25 shows an actual increase in the General Fund and Housing Revenue Account balances over the year of £4.957m. This was against a budgeted reduction in General Fund balances of £2.191m (due to the carry forward of underspends from 2013/2014), i.e. this represents an overall net underspend of £7.148m against the 2014/2015 Revenue Budget. The main components of the net underspend are as follows:

	(Under)/ Over Spend
	£m
Net Underspend on Council Services	(8.480)
Reduced Joint Board Contributions	(0.012)
Additional Discretionary Non Domestic Rates Costs	0.124
Underspend on Cost of Services (per Comprehensive Income & Expenditure Statement)	(8.368)
Additional Tayside Contracts Surplus	(0.149)
Reduced Income from Investment Properties	0.614
Additional Local Taxation Income	(1.537)
Additional Revenue Support Grant / NNDR Contribution	(0.312)
Savings on Loan Charges	(0.614)
Additional CFCR Expenditure	0.623
Reduced Pension Contributions	(0.915)
Net Underspend Before Appropriations	(10.658)
Additional Contributions to Reserves:	
Surplus on Housing Revenue Account (transferred to Renewal & Repair Fund)	0.936
Renewal & Repair Fund	1.998
Insurance Fund	0.576
Net Underspend After Appropriations	(7.148)

The net underspend of £8.480m on Council services was due to a number of under and overspends within departmental budgets, with the main areas of variance against budget being:

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Underspends:

	£m
Lower level of residential and secure placements for children	1.122
In Adult services, payments to third sector bodies were lower than budget following delays in implementing various new service developments	3.850
Additional surplus on DCS Construction services due to increased productivity on major contracts	0.537
Net savings in staff costs across all departments	3.850
Savings in insurance costs due to lower number / cost of claims and reduced premiums	0.743
Savings in energy costs across departments reflecting a reduction in consumption levels	0.542
Additional income from planning applications and building warrants due to increased market activity	0.352
Higher than anticipated rental income and lower lost rents on Housing Revenue Account	0.999

Overspends:

Additional nursing and residential placements for older people and a continuing increase in demand for free personal care placements £0.440m
Income shortfall in commercial property rentals £0.512m
Income shortfall in car parking £0.338m
Income shortfall in environmental protection services due to the volatility in national and global commodity prices for the sale of recyclate materials such as glass, metals and paper £0.236m

The General Fund balance has increased over the year by £4.957m, to £13.027m at 31 March 2015 (including Devolved School Management balances of £0.967m). Within this overall total it is estimated that £5.1m is uncommitted, which is in line with the corresponding figure last year. This equates to 1.51% of annual budgeted net expenditure.

The Council manages its General Fund balances (and other cash-backed reserves) in accordance with proper accounting practice and the associated protocol that was agreed by the Policy & Resources Committee on 9 February 2004. The reserves protocol was reviewed in February 2013 as part of the budget setting process, and was considered to remain relevant and fit for purpose. In the 2014/2015 Revenue Budget report to the Policy & Resources Committee on 13 February 2014, the key aspects of a medium term financial strategy were set out. This included a statement that the uncommitted element of the General Fund balance will be maintained at a minimum level of the lower of £5m or 1.5% of budgeted revenue expenditure.

Review of the 2014/2015 Financial Year - Capital Budget

The 2014/2015 General Services Capital Budget was agreed at the meeting of the Policy & Resources Committee on 13 February 2014 and the 2014/2015 Housing Capital Budget was agreed at the meeting of the Policy & Resources Committee on 27 January 2014. The gross capital budget for 2014/2015 totalled £92.392m, including an allowance for slippage within the Housing Capital Budget. The Policy & Resources Committee received monthly capital monitoring reports during 2014/2015 to keep elected members appraised of expenditure-to-date and the projected outturn position. Actual gross capital expenditure for the year was £73.116m. The following table compares the actual outturn position with budget for capital expenditure and the associated funding.

	Budget £m	Actual £m	Variance £m
Gross Capital Expenditure	92.392	73.116	(19.276)
Funded by:			
Borrowing	34.511	17.113	(17.398)
Capital Grants & Receipts	56.128	54.243	(1.885)
CFCR	0	1.760	1.760
Slippage Allowance	1.753	0	(1.753)
	92.392	73.116	(19.276)

MANAGEMENT COMMENTARY

In-year gross spend on key projects in the capital programme included:

Harris Academy £13.309m
Central Waterfront £9.212m
Heating, Kitchens & Bathrooms in Council Housing £8.860m
External Insulation and Cavity Fill in Council Housing £2.564m
Seabraes Pedestrian Bridge £2.434m
Road Reconstructions £2.216m
Barnhill Primary School £1.874m
Street Lighting Renewal £1.874m
V & A at Dundee £1.802m
Dundee Railway Station Concourse £1.535m

There were no major asset disposals during the financial year.

In terms of the funding of capital expenditure, borrowing has the effect of increasing the Council's overall indebtedness and the level of principal repayments and loan interest charges each year. Capital expenditure met directly from revenue resources (CFCR) increases total net revenue expenditure in that particular year but does not result in an increase in overall indebtedness. The Council uses these methods of funding capital expenditure as part of its long and short term capital financing strategy. The Council has several sources available to it in terms of borrowing to fund capital expenditure. The most significant of these is the Public Works Loans Board, although the Council can also issue bonds and borrow from the money markets and the European Investment Bank. During 2014/2015 the Council's Capital Financing Requirement (CFR) decreased by £10.9m, from £562.7m to £551.8m. The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be financed in future years by charges against revenue. The figure includes outstanding financing liabilities under the Schools PPP contract. The Council manages its CFR level in line with the requirements of the Prudential Code. The Council's external debt was £521.4m at 31 March 2015 (£524.6m at 31 March 2014). The fact that this is significantly below the CFR confirms the Council is not borrowing for revenue purposes and is partly funding its capital expenditure from existing resources.

Pension Liability (International Accounting Standard 19)

Under International Accounting Standard 19 (Employee Benefits) the Council is required to include figures in its Annual Accounts relating to the assets, liabilities, income and expenditure of the pension scheme for its employees. It has been estimated that the Council had a net pension liability of £277.3m as at 31 March 2015 (£409.2m at 31 March 2014). The decrease was due largely to an increase in the fair value of fund assets, partly offset by an increase in the present value of the funded obligation of the scheme.

Material Assets, Liabilities, Charges and Credits

There were no material transactions in relation to assets, liabilities, charges or credits outwith the normal scale of activities of the Council during the 2014-2015 financial year.

Provisions, Write-offs and Contingencies

Provisions for the non-collection of various types of debt totalled £31.340m at 31 March 2015, a slight decrease of £0.158m from the previous year. The level of provisions is partly a reflection of the difficult economic climate and the resulting increased potential for debtors to default on payment. Full details of provisions are shown in note 42. There were no write-offs of uncollectable debt that were outwith the normal scale of activities of the Council during the 2014/2015 financial year. The Council includes a prudent level of contingencies within its annual revenue budget and also carries a prudent level of uncommitted reserves. These provide a cushion against any items of unforeseen or emergency expenditure or shortfalls in income or savings targets.

Contingent Assets & Liabilities

There were no contingent assets as at 31 March 2015. Contingent liabilities have been disclosed in respect of Holiday Pay and unsettled claims arising from the implementation of Single Status. Full details are shown in note 43.

Subsequent Events

There have been no events occurring after 31 March 2015 that would have a material impact on the figures shown in the 2014/2015 Annual Accounts.

MANAGEMENT COMMENTARY

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

The Accounting Policies set out the basis upon which the Annual Accounts have been prepared, and explains the accounting treatment of both general and specific items. There were no significant changes in accounting policies during 2014/2015.

Group Accounts

The Group Accounts on pages 98 to 106 bring together Dundee City Council and its interests in entities which would be regarded as its subsidiaries or associates or joint ventures if the local authority was subject to the Companies Act. The impact of consolidating group entities is shown on page 104.

Pension Fund Accounts

Dundee City Council is the administering authority for both the Tayside Pension Fund (Main Fund) and the Tayside Transport Pension Fund (Transport Fund). Further information can be found in the Tayside Pension Funds' Annual Report and Accounts which is available from Dundee City Council's website (www.dundeecity.gov.uk/pensions).

Financial Indicators

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

Category / Financial Indicator	2014/15	2013/14
Reserves		
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	1.51%	1.52%
Movement in the Uncommitted General Fund Balance	+£0.019m	+£0.021m
Council Tax		
In-year collection rate	93.3%	92.7%
Ratio of Council Tax Income to Overall Level of Funding	12.2%	12.5%
Financial Management		
Actual Outturn Net Service Expenditure compared to Budgeted Net Service Expenditure	97.8%	99.7%
Actual contribution to / from Unallocated General Fund Balance compared to Budget	-£0.019m	-£0.021m
Debt / Long Term Borrowing		
Capital Financing Requirement for the current year	£551.8m	£562.7m
External Debt Levels for the current year	£521.4m	£524.6m
Ratio of financing costs to net revenue stream – General Services Ratio of financing costs to net revenue stream – HRA	7.5% 44.6%	7.6% 42.4%
Impact of Capital Investment on Council Tax Impact of Capital Investment on Weekly Rents	£nil (£0.32)	£nil £0.76

Plans, Priorities & Performance

The Council's plans, priorities and performance are set out in a number of key documents which are available on the Council's website:

Council Plan 2012-2017
(www.dundeecity.gov.uk/dundeecity/uploaded_publications/publication_3480.pdf)

Council Plan 2012-2017 Review (review of performance against the 2012-2017 Council Plan)
(www.dundeecity.gov.uk/reports/reports/388-2014.pdf)

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Single Outcome Agreement 2013-2017
(www.dundeecity.gov.uk/sites/default/files/publications/SOA%20newsmall.pdf)

Performance Summary 2014
(www.dundeecity.gov.uk/sites/default/files/Summary_0.pdf)

Corporate Performance Self-Assessment 2014/15
(http://www.dundeecity.gov.uk/reports/agendas/sc240615.pdf)

Local Government Benchmarking Framework Performance Indicators 2013/14
(www.dundeecity.gov.uk/reports/reports/85-2015.pdf)

Annual Report on Complaints 2014/15
(http://www.dundeecity.gov.uk/reports/agendas/sc240615.pdf)

Annual Consumer Survey 2014
(www.dundeecity.gov.uk/reports/reports/20-2015.pdf)

Key Priorities

The 2012-2017 Council Plan identifies the following 3 key priorities:

1. Jobs through the waterfront, renewables, life sciences, creative industries and other sectors.
2. Social Inclusion through our Fairness Strategy, getting it right for every child, early intervention to help keep young people focussed on a positive destination and everyone seeking to improve their health.
3. Quality of life for all through building stronger communities, achieving the Scottish Housing Quality Standard and maintaining and improving our built and natural environment.

The Plan sets outs projects and performance targets designed to achieve these strategic outcomes. The Plan also describes actions and targets to ensure that our customers get the services they need in an efficient and customer focussed manner and to make maximum use of assets and reduce costs.

Dundee Fairness Commission

The Council adopted a Fairness Strategy in June 2012, including a detailed action plan with commitments against each of the outcomes which addressed Social Inclusion, Financial Inclusion, Health, Employability and Learning and Communities and Neighbourhoods. In September 2014, the Policy & Resources Committee considered a report which outlined the revised Child Poverty Strategy for Scotland and highlighted progress on the actions which respond to this in the Dundee Fairness Action Plan. It was reported that, despite considerable commitment by the Council and its partners, it was clear that the ongoing economic climate and welfare reform were increasing levels of deprivation in Dundee. To further drive forward the efforts to promote fairness, it was agreed that a Fairness Commission for Dundee should be established. The Commission will consider the nature and extent of poverty in the area, consider evidence of what has worked elsewhere to challenge poverty, assess the effectiveness of the Council and partners' existing action plan and make practical recommendations for policy and action to reduce poverty in Dundee. The membership, remit, work programme and reporting arrangements for the Commission were agreed by the Policy & Resources Committee in March 2015.

Climate Change and Sustainability

Each of Scotland's 32 local authorities signed Scotland's Climate Change Declaration in early 2007. The Declaration is a public statement wherein local authorities acknowledge the reality and implications of climate change and their responsibility to respond effectively. The Declaration also welcomes the actions of the UK and Scottish governments and the opportunities for local authorities to work in partnership with others in responding to climate change. Dundee City Council became a signatory to Scotland's Climate Change Declaration (SCCD) on 16 January 2007. In September 2008 the Dundee Partnership Forum signed and endorsed a 'Supporting Scotland's Climate Change Declaration' for the city.

The Council's Climate Change Board is responsible for overseeing progress on climate change activity and in turn reports to the Council's Policy & Resources Committee. The Board is chaired by the Chief Executive and comprises Directors from relevant departments, who are responsible for leading on aspects of climate change work as well as Elected Member representation. The Board meets every two months to discuss Energy, Transport and Waste

issues. Wider sustainability issues (e.g. policy, procurement, biodiversity) are considered when required and annual reports are provided on Adaptation and Air Quality. Support to the Board is provided in the form of advisors, officers involved in the day to day implementation of climate change related activities.

Climate change is addressed as part of the Council's Sustainable Development Framework with action supported through the Climate Change programme. Performance is reported via the Council's Online monitoring database. Dundee City Council's Annual Report for 2013/2014 on progress against Scotland's Climate Change Declaration is available on the Keep Scotland Beautiful website (www.keepscotlandbeautiful.org/media/635658/dundee-city-council-year-6-sccd-report.pdf). Dundee City Council's Sustainable Development Policy Statement is available on the Council's website (www.dundeecity.gov.uk/content/sustainable-development-governance-framework-report-253mb-ms-word-doc).

Service and Management Structures

Revised service delivery and senior management arrangements within the Council were approved by the Policy & Resources Committee on 8 June 2015. It is proposed to align Council services more closely with policy priorities, and to respond positively to the changing public services landscape both locally and nationally. The number of Directors will reduce from 7 to 6 and the number of Heads of Services will reduce from 24 to 14 or 15. Alongside the Chief Executive's departments, the 6 directorates will be: Children & Families Services, City Development, Corporate Services, Neighbourhood Resources, Leisure & Culture Dundee and the Integrated Health & Social Care Partnership. The introduction of the new arrangements will help maintain the City Council's reputation as a well-run and ambitious local authority, delivering best value for communities across Dundee.

As part of these changes, the Council has adopted a single pay and grading structure for all employees, other than those on SNCT conditions of service. The new pay and grading structure incorporates the Living Wage. There will also be a significant increase in support for young people in Dundee; by March 2015 the Council will provide at least 150 career development opportunities for under-25s.

The revised arrangements will be implemented over a 12-15 month period, following consultation with relevant Trade Unions and staff. It is anticipated that net savings in the region of £400,000 per annum will be achieved.

Integration of Health and Social Care

Since the implementation of the Public Bodies (Joint Working) (Scotland) Act 2014, the Council has worked effectively with NHS Tayside, communities and the voluntary sector to share resources, budgets and decision-making processes in relation to health and adult social care services. An integration scheme was submitted to the Scottish Government in March 2015, recruitment of a chief officer has recently taken place and a management team is expected to be in post by autumn, with a strategic service plan in place. Shortly thereafter, the Dundee Health and Social Care Integration Joint Board will be a key part of the Dundee Partnership, and the chief officer will be an integral member of the City Council's Corporate Management Team. Close working with Children and Families Services will be important to deliver better outcomes. The management team of the IJB will consist of senior officers from both the Council and NHS Tayside.

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

The medium-term financial outlook was set out in a report to the Policy & Resources Committee on 12 January 2015. The key conclusions drawn were as follows:

- Local Government in Scotland will experience funding cuts (in both cash and real terms) for the remainder of this decade
- the Council will continue to experience pressure on demand-led services in key areas such as Education and Social Work, due to demographic factors
- pay and prices inflation will require to be provided for and the updating of grant distribution factors will likely continue to work against the Council
- the Westminster Government's intention to withdraw the contracting-out rebate on employers national insurance contributions will add around £4.0 million to the Council's annual pay bill, from 2016/17 onwards

Following the General Election in May 2015, the Westminster Government is expected to announce the outcome of its Spending Review in October 2015. It is likely that the Scottish Government will follow suit, with a Spending Review announcement in November 2015. The Chancellor of the Exchequer has announced that there will also be a summer budget on 8 July 2015.

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It is anticipated that the Westminster Government's on-going austerity measures will result in overall funding levels for Scotland that reduce in cash terms on a year-on-year basis. The current debate around fiscal autonomy for Scotland and the possible protection of some priority services introduce an additional element of uncertainty in terms of the impact on funding for local government in Scotland. For planning purposes, however, it is assumed that the Council's grant funding levels will reduce in cash terms and that further significant savings will require to be identified in order to deliver a balanced budget.

The Council's budget strategy continues to be driven through the Changing for the Future programme with transformational change projects being taken forward under four broad themes: Service Prioritisation, Reshaping Service Delivery Models, Assets and Enabling the Change. A number of projects have now been completed and implemented, and are delivering significant budget savings. In addition, the voluntary early retirement and voluntary redundancy schemes have helped facilitate the transformational change.

The economic downturn has had other consequences for Council services: some have experienced significant increases in demand whilst income in some areas (e.g. industrial units, car parking) has reduced. The Westminster Government's Welfare Reforms are also impacting in various ways on Council services.

Welfare Reform

The Council has responded positively to the many challenges presented by welfare reform. All affected tenants impacted by the under occupancy reform have been contacted as part of an ongoing communications campaign and Discretionary Housing Payments awarded through additional funding provided by the Scottish Government. To assist those affected by the welfare reforms, community based projects have been established. The Support and Connect Team funded by the Big Lottery works within local communities to address the key issues people face. The team work with and support existing welfare and benefit advice staff within the Council and the voluntary sector.

The demand for support for people to be able to develop the skills for job search and benefit claiming online has increased. The Council was successful for a second year in its bid for funding from the Department for Work and Pension's Flexible Support Fund, to develop the delivery of digital employability inclusion skills targeted to individuals who are not IT literate and have restricted internet access. The IT 4 Work project is being delivered in local community venues to people who are in receipt of benefits and will result in them gaining the necessary IT competency to seek work and engage with the changing welfare system. The Council continues to administer Community Care Grants and Crisis Grants through the Scottish Welfare Fund with good and services being provided to individuals when an award is made. A holistic approach is being taken with all applications, with referrals being made to Welfare Rights and Dundee Energy Efficiency Advice Project (DEEAP) to further support and assist individuals.

The Council continues to monitor the UK Government's plans for the implementation of Universal Credit within the city. A working group including Council, DWP, Registered Social Landlords and the voluntary sector has been established to prepare for the introduction of Universal Credit.

Future Developments – Capital Plan

Despite the problematic macro-economic situation, the Council is confident that it is well placed to tackle the challenges that lie ahead. Early in 2015, the Policy & Resources Committee approved Capital Plans for General Services and Housing totalling £339m.

Harris Academy and Baldragon Academy are to be completely rebuilt on their existing sites, with the former due to re-open to pupils in autumn 2016. New primary schools and community facilities are planned for the Coldside and Menzieshill areas, together with new nursery facilities at the latter. New primary and nursery school facilities are also planned for the Strathmartine area, whilst a new primary school is planned for the Longhaugh area.

The redevelopment of the Central Waterfront continues apace, with the new grid pattern and street-scene starting to emerge. Work has commenced on the iconic V&A at Dundee building, whilst site clearance and preparation works are progressing to enable the re-building of the Rail Station. Dundee has also been chosen as the site for a Regional Sports Performance Centre.

The V&A building was approved at Committee in January, committing the Council to £80m of capital expenditure. As at 31st March, the Council had incurred £6.2m, funded from a grant from Scottish Government and Heritage Lottery Fund. The Council's capital commitment of £10.5m will be required from 2015/16 to 2017/18.

MANAGEMENT COMMENTARY

Sickness Absence

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

2014/2015	10.83 days
2013/2014	10.45 days

Acknowledgements

We would like to thank Bailie Willie Sawers, the Senior Councillor with responsibility for Finance, all other elected members and officers of the Council for their active support and co-operation in the effective management of the Council's finances during another challenging year. Finally, we would conclude this report by thanking all the Corporate Finance Division staff who contributed to the management and control of the Council's finances and to the finalisation of the Council's 2014/2015 Annual Accounts.

Marjory Stewart, FCCA, CPFA
Director of Corporate Services
Dundee City Council
25 September 2015

David Martin
Chief Executive
Dundee City Council
25 September 2015

Councillor Ken Guild
Leader
Dundee City Council
25 September 2015

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Dundee City Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards. This is to ensure that public funds and assets at its disposal are safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty to make arrangements to secure continuous improvement in the way its functions are carried out.

In discharging these responsibilities elected members and senior officers are responsible for implementing effective arrangements for governing the Council's affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

To this end the Council has approved and adopted a local Code of Corporate Governance that is consistent with the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government. This statement explains how Dundee City Council delivers good governance and reviews the effectiveness of these arrangements.

In addition the Council is responsible for confirming effective corporate governance arrangements exist within its other group entities.

The Council's Governance Framework

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

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

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

The overall control arrangements include:

- Identifying the Council's objectives in the Council Plan, Community Plan and Single Outcome Agreement.
- Monitoring of objectives by the Council and senior officers.
- A systematic approach to monitoring service performance at elected member, senior officer and project level.
- Reporting performance regularly to Council committees.
- Clearly defined Standing Orders and Schemes of Administration covering Financial Regulations, Tender Procedures and Delegation of Powers.
- A Monitoring Officer to ensure compliance with laws and regulations.
- A Scrutiny Committee.
- Approved anti-fraud and corruption strategies including "whistle-blowing" arrangements under the Public Interest Disclosure Act 1998.
- Participating in National Fraud Initiative strategy for sharing and cross-matching data.
- Formal project appraisal techniques and project management disciplines.
- Setting targets to measure financial and service performance.
- Formal revenue and capital budgetary control systems and procedures.
- Clearly defined capital expenditure guidelines.
- The assurances provided by internal audit through their independent review work of the Council's internal control systems.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness

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

The effectiveness of the governance framework is reviewed annually by a working group of senior officers. Their regular review of the Local Code of Corporate Governance has identified the Council as being over 90% compliant with guidelines.

In addition Chief Officers from each department have made a self-assessment of their own arrangements. This involved the completion of a 31-point checklist covering four key governance areas of Service Planning and Performance Management, Internal Control Environment, Budgeting, Accounting and Financial Control and Risk Management and Business Continuity. This again indicated a high level of compliance, with an overall score above 92%.

The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards and reports to the Scrutiny Committee. Internal Audit undertakes an annual programme of work, which is reported to the Scrutiny Committee. The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control.

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

Continuous Improvement Agenda

The Council's Corporate Governance working group has identified the following areas for improvement, to be taken forward during 2015/16:

- Implement Dundee Performs internet project.
- Full implementation of new performance system – Covalent.
- Implement performance training for Elected Members.
- Introduce Integrated Impact Assessment Tool.
- Further develop Business Continuity Plan strategy.
- Roll out e-learning course on risk management.
- Implement new Internet and Intranet sites.
- Re-launch Whistleblowing policy

In addition, the following areas were identified by Chief Officers in the self-assessment checklists completed as part of the Council's assurance gathering process where further improvement could be made:

- Introduce a more corporate approach to employee induction.
- Embed the revised delivery mechanism and prioritisation for software applications.
- Finalise business continuity plans and expand their testing.

Group Entities

In respect of the Joint Boards, Joint Committee, Charities and Companies that fall within the Council's group boundary, the review of their internal financial control systems is informed by:

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

ANNUAL GOVERNANCE STATEMENT

The annual review demonstrates sufficient evidence that the code's principles of delivering good governance in local government operated effectively and the Council complies with the Local Code of Corporate Governance in all significant respects. It is proposed over 2015/16 steps are taken to address the items identified in the Continuous Improvement Agenda to further enhance the Council's governance arrangements.

David Martin
Chief Executive, Dundee City Council
25 September 2015

Ken Guild
Leader of the Council
25 September 2015

ANNUAL REMUNERATION REPORT

INTRODUCTION

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

REMUNERATION ARRANGEMENTS

Senior Councillors

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

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2014/2015 the salary for the Leader of Dundee City Council was £33,123. The Regulations permit the Council to remunerate one Civic Head. The Regulations set out the maximum salary that may be paid to that Civic Head. The agreed policy of Dundee City Council is to pay the Civic Head (Lord Provost) the maximum salary set out in the Regulations (£24,842). The Regulations allow the Civic Head to incur expenditure of £3,000 on expenses associated with the position. Dundee City Council's Lord Provost does not claim any expenditure under this heading.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors that the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors (including the Leader and Civic Head) shall not exceed £327,088 and the number of Senior Councillors shall not exceed 15. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. Following the Local Government elections on 3 May 2012 the Council's arrangements in this area were agreed, for 2012/2013 onwards, at the meeting of the Policy & Resources Committee on 25 June 2012 and were to be effective from 21 May 2012.

With effect from 21 May 2012, Dundee City Council had 15 Senior Councillors (including the Leader and Civic Head) and the remuneration payable to these Councillors in a full financial year totals £327,088 (incorporating the effect of the 1% pay increases from 1 April 2013 and 1 April 2014). The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become Councillor members of the pension scheme.

In addition to the Senior Councillors of the Council, the Regulations also set out the remuneration payable to Councillors with the responsibility of a Convener or Vice Convener of a Joint Board. The Regulations require the remuneration to be paid by the Council of which the Convener or Vice Convener is a member. The Council is also required to pay pension contributions arising from the Convener or Vice Convener being a member of the Local Government Pension Scheme.

The Members Salaries scheme for 2012/2013 onwards, which encompasses the salaries of all elected members including the Leader, Civic Head (Lord Provost) and Senior Councillors was agreed at a meeting of the Policy & Resources Committee on 25 June 2012. A copy of the scheme is available on the Council's website. (www.dundeecity.gov.uk/reports/reports/183-2012.pdf).The remuneration details for the Leader of the Council, the Civic Head (Lord Provost for Dundee City Council) and Senior Councillors are set out in Table 1a. The remuneration details for Councillors with the responsibility of a Convener or Vice Convener of a Joint Board are set out in Table 1b. The salaries, allowances and expenses for all Councillors (including Senior Councillors) are set out below.

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	2014/2015	2013/2014
	£	£
Salaries	565,098	559,087
Mileage, Travel & Subsistence etc	5,212	4,591
Training & Conferences	925	2,389
Telephone Expenses	5,163	5,711
	576,398	571,778
Provision of Council Cars	37,581	35,176
	613,979	606,954

The full Annual Return of Councillors Salaries & Expenses for 2014/2015 is available on the Council's website. (www.dundeecity.gov.uk/sites/default/files/publications/membersreturn15.pdf).

Senior Employees of the Council
The salary of Senior Employees is set by reference to national agreements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/144 sets the amount of salary for the Chief Executive of Dundee City Council for the period 2008 to 2011 and continued to apply in the 2014/2015 financial year. The salaries of the Directors and Heads of Service are determined with reference to the Chief Executive's salary taking into account the duties and responsibilities of their posts. The Council's Policy & Resources Committee is responsible for agreeing the salaries of Directors and Heads of Service. Senior Employees are entitled to participate in the Council's Contract Car Hire Scheme, subject to meeting certain criteria. The Council's Policy & Resources Committee is also responsible for agreeing the terms of the Contract Car Hire Scheme.

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

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

The Council has determined that 9 employees (8 posts) meet the criteria for designation as a Senior Employee in 2014/2015, with all 9 employees falling into either category (i) and / or (ii) above. The remuneration details for the Senior Employees of the Council are set out in Table 2a.

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

ANNUAL REMUNERATION REPORT

Remuneration Bands	No of Employees 2014/2015	No of Employees 2013/2014
£50,000 - £54,999	73	65
£55,000 - £59,999	35	36
£60,000 - £64,999	20	10
£65,000 - £69,999	8	10
£70,000 - £74,999	7	7
£75,000 - £79,999	11	11
£80,000 - £84,999	2	-
£85,000 - £89,999	-	-
£90,000 - £94,999	3	3
£95,000 - £99,999	3	1
£100,000 - £104,999	3	4
£105,000 - £109,999	1	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	1
£135,000 - £139,999	-	-
Total	166	148

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

ACCRUED PENSION BENEFITS

Pension benefits for Councillors and Local Government Employees are provided through the Local Government Pension Scheme (LGPS).

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

For Local Government Employees this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that the person has been a member of the scheme. The scheme's normal retirement age for both Councillors and Local Government Employees is 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009, contribution rates were set at 6% for all non-manual employees. The members contribution rates for 2014/2015 remain at the 2009/2010 rates, although the pay bandings have again been adjusted for 2014/2015. The tiers and contribution rates are as follows:

Whole Time Pay	Contribution Rate 2014/2015	Whole Time Pay	Contribution Rate 2013/2014
On earnings up to and including £20,335	5.5%	up to and including £19,800	5.5%
On earnings above £20,335 and up to £24,853	7.25%	above £19,800 and up to £24,200	7.25%
On earnings above £24,853 and up to £34,096	8.5%	above £24,200 and up to £33,200	8.5%
On earnings above £34,096 and up to £45,393	9.5%	above £33,200 and up to £44,200	9.5%
On earnings above £45,393	12%	above £44,200	12%

ANNUAL REMUNERATION REPORT

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

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service.

A new Local Government Pension Scheme (Scotland) came into effect on 1 April 2015, based on career average related earnings (CARE Scheme).

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

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

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

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

(i) the figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.

(ii) the accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time. In 2014/2015, the scheme member contribution rate for Senior Councillors was in the range of 5.5% to 6.5% (2013/2014 5.5% to 6.5%) of pensionable pay and for Senior Employees was in the range of 9.6% to 10.4% (2013/2014 9.7% to 10.4%) of pensionable pay. In 2014/2015, the employer contribution rate was 18.0% (2013/2014 18.0%) of pensionable pay for both Senior Councillors and Senior Employees.

The Council's Subsidiary Bodies
The employees of DERL participate in a pension scheme that is a money purchase scheme. For the purposes of the Remuneration Report, the Regulations specify that the information to be disclosed is limited to the amount of pension contributions made to that scheme by the company. The relevant details for the most senior manager of DERL are set out in Table 4b.

TERMINATION BENEFITS & EXIT PACKAGES

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

David Martin
Chief Executive, Dundee City Council
25 September 2015

Ken Guild
Leader of the Council
25 September 2015

ANNUAL REMUNERATION REPORT

TABLE 1a – REMUNERATION OF SENIOR COUNCILLORS

Councillor Name	Responsibility	Salary, Fees & Allowances	Taxable Expenses	Non-cash Expenses & Benefits-in-Kind	Total Remuneration 2014/2015	Total Remuneration 2013/2014
		£	£	£	£	£
Ken Guild	Leader	33,123	0	0	33,123	32,795
Will Dawson	Convener, City Development	21,996	0	0	21,996	21,778
Bob Duncan	Lord Provost	24,842	0	0	24,842	24,596
Willie Sawers	Depute Convener, Policy & Resources	21,996	0	0	21,996	21,778
Stewart Hunter	Convener, Education	21,996	0	0	21,996	21,778
Craig Melville	Convener, Environment	21,996	0	0	21,996	21,778
David Bowes	Convener, Development Management	21,996	0	0	21,996	21,778
Kevin Keenan	Convener, Scrutiny and Leader of the Opposition	21,996	0	0	21,996	21,778
Christina Roberts	Depute Lord Provost	18,631	0	0	18,631	18,447
Ken Lynn	Convener, Social Work & Health	21,996	0	0	21,996	21,778
Gregor Murray	Depute Convener, Education	18,631	0	0	18,631	18,447
Vari McDonald	Depute Convener, Environment	18,631	0	0	18,631	18,447
John Alexander	Convener, Housing	21,996	0	0	21,996	21,778
Bill Campbell	Depute Convener, City Development	18,631	0	0	18,631	18,447
Kevin Cordell	Depute Convener, Housing	18,631	0	0	18,631	18,447
Total		327,088	0	0	327,088	323,850

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

Councillor Name	Responsibility	Salary, Fees & Allowances	Taxable Expenses	Non-cash Expenses & Benefits-in-Kind	Total Remuneration 2014/2015	Total Remuneration 2013/2014
		£	£	£	£	£
Helen Wright	Convener, Tayside Community Justice Authority	20,742	0	0	20,742	20,456
Jimmy Black	Depute Chairperson, Tay Road Bridge Joint Board (wef 17/6/13)	19,667	0	0	19,667	18,801
Total		40,409	0	0	40,409	39,257

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

	2014/2015	2013/2014
	£	£
Tayside Community Justice Authority	4,182	4,060
Tay Road Bridge Joint Board	3,107	2,405
	7,289	6,465

TABLE 1b NOTES

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

ANNUAL REMUNERATION REPORT

TABLE 2a – REMUNERATION OF SENIOR EMPLOYEES OF THE COUNCIL

Employee Name	Post Title	Salary, Fees & Allowances	Bonuses	Taxable Expenses	Compensation for Loss of Employment	Benefits Other Than in Cash	Total Remuneration 2014/2015	Total Remuneration 2013/2014
		£	£	£	£	£	£	£
David K Dorward	Chief Executive (retired 30/11/14) (see note 1)	97,789	0	0	0	0	97,789	134,067
David Martin	Chief Executive (from 1/12/14)	45,136	0	0	0	0	45,136	n/a
Marjory Stewart	Director of Corporate Services (see note 2)	105,251	0	0	0	0	105,251	103,982
Michael Wood	Director of Education	103,251	0	0	0	0	103,251	102,228
Jenni Tocher	Director of Social Work	103,251	0	0	0	0	103,251	102,228
Elaine Zwirlein	Director of Housing	94,488	0	0	0	0	94,488	93,552
Michael P Galloway	Director of City Development	103,251	0	0	0	0	103,251	102,228
Ken Laing	Director of Environment	94,488	0	0	0	1,254	95,742	95,490
Stewart Murdoch	Director of Leisure & Communities	90,981	0	0	0	0	90,981	90,081
Total		837,886	0	0	0	1,254	839,140	823,856

TABLE 2a NOTES

1. The Total Remuneration 2014/2015 figure for David K Dorward, Chief Executive, includes £3,750 Returning Officer fee in respect of the European Parliament Elections in May 2014 and £3,767 Returning Officer fee in respect of the Scottish Independence Referendum in September 2014.

2. The Total Remuneration 2014/2015 figure for Marjory Stewart, Director of Corporate Services, includes £1,000 Assistant Returning Officer fee in respect of the European Parliament Elections in May 2014 and £1,000 Assistant Returning Officer fee in respect of the Scottish Independence Referendum in September 2014.

3. Figures for Benefits Other Than in Cash relate to participation in the Council's Contract Car Hire Scheme. The equivalent figures for 2013/2014 are included within Total Remuneration for that year.

ANNUAL REMUNERATION REPORT

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

Employee Name	Post Title	Salary, Fees & Allowances	Bonuses	Taxable Expenses	Compensation for Loss of Employment	Benefits Other Than in Cash	Total Remuneration 2014/2015	Total Remuneration 2013/2014
		£	£	£	£	£	£	£
Alan Jones	Managing Director, Dundee Energy Recycling Limited (DERL) (until 24/12/14)	71,225	0	0	0	0	71,225	41,055
Rodger McMullan	Managing Director, Dundee Energy Recycling Limited (DERL) (from 9/10/14)	41,667	0	0	0	0	41,667	0
Total		112,892	0	0	0	0	112,892	41,055

TABLE 2b NOTES

1. Dundee City Council increased its shareholding in Dundee Energy Recycling Limited (DERL) from 40% to 100% on 21 October 2013. The company therefore became a Subsidiary of the Council on that date. The above figures for 2013/2014 represent the part-year period from 21 October 2013 to 31 March 2014.

ANNUAL REMUNERATION REPORT

TABLE 3 – SENIOR COUNCILLORS ACCRUED PENSION BENEFITS

Councillor Name	Responsibility	Pension as at 31 March 2015	Pension Difference from 31 March 2014	Lump Sum as at 31 March 2015	Lump Sum Difference from 31 March 2014	Pension Contribution 2014/2015	Pension Contribution 2013/2014
		£000	£000	£000	£000	£	£
Ken Guild	Leader	5.0	1.0	2.5	0.0	5,962	5,903
Will Dawson	Convener, City Development	2.7	0.4	1.6	0.1	3,959	3,920
Bob Duncan	Lord Provost	3.5	0.8	1.8	0.1	4,472	4,427
Willie Sawers	Depute Convener, Policy & Resources	2.7	0.4	1.6	0.1	3,959	3,920
Stewart Hunter	Convener, Education	2.5	0.3	1.4	0.0	3,959	3,920
Craig Melville	Convener, Environment	2.2	0.4	0.0	0.0	3,959	3,920
Kevin Keenan	Convener, Scrutiny and Leader of the Opposition	3.3	0.4	2.0	0.0	3,959	3,920
Christina Roberts	Depute Lord Provost	2.4	0.3	1.4	0.0	3,354	3,320
John Alexander	Convener, Housing	1.0	0.4	0.0	0.0	3,959	3,920
Gregor Murray	Depute Convener, Education	0.9	0.3	0.0	0.0	3,354	3,320
Kevin Cordell	Depute Convener, Housing	0.9	0.3	0.0	0.0	3,354	3,320
Vari McDonald	Depute Convener, Environment	0.9	0.3	0.0	0.0	3,354	3,320
Bill Campbell	Depute Convener, City Development	0.9	0.3	0.0	0.0	3,354	3,320
Total		28.9	5.6	12.3	0.3	50,958	50,450

TABLE 3 NOTES

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

ANNUAL REMUNERATION REPORT

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

Employee Name	Post Title	Pension as at 31 March 2015	Pension Difference from 31 March 2014	Lump Sum as at 31 March 2015	Lump Sum Difference from 31 March 2014	Pension Contribution 2014/2015	Pension Contribution 2013/2014
		£000	£000	£000	£000	£	£
David Martin	Chief Executive (from 1/12/14)	55	n/a	123	n/a	8,124	n/a
Marjory Stewart	Director of Corporate Services	43	2	98	1	18,585	18,401
Michael Wood	Director of Education	55	3	134	1	18,585	18,401
Jenni Tocher	Director of Social Work	44	2	101	1	18,585	18,401
Elaine Zwirlein	Director of Housing	36	2	80	1	17,008	16,839
Michael P Galloway	Director of City Development	39	2	85	1	18,585	18,401
Ken Laing	Director of Environment	35	2	75	0	17,008	16,839
Stewart Murdoch	Director of Leisure & Communities	45	2	108	1	16,377	16,215
Total		352	15	804	6	132,857	123,497

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

Employee Name	Post Title	Pension as at 31 March 2015	Pension Difference from 31 March 2014	Lump Sum as at 31 March 2015	Lump Sum Difference from 31 March 2014	Pension Contribution 2014/2015	Pension Contribution 2013/2014
		£000	£000	£000	£000	£	£
Alan Jones	Managing Director, Dundee Energy Recycling Limited (DERL) (until 24/12/14)	n/a	n/a	n/a	n/a	4,274	2,463
Rodger McMullan	Managing Director, Dundee Energy Recycling Limited (DERL) (from 9/10/14)	n/a	n/a	n/a	n/a	1,969	n/a
Total		n/a	n/a	n/a	n/a	6,243	2,463

TABLE 4b NOTES

1. Dundee City Council increased its shareholding in Dundee Energy Recycling Limited (DERL) from 40% to 100% on 21 October 2013. The company therefore became a Subsidiary of the Council on that date. The above figures for 2013/2014 represent the part-year period from 21 October 2013 to 31 March 2014.

2. The employees of DERL participate in a pension scheme that is a money purchase scheme. In line with the Remuneration Report regulations, the information disclosed is limited to the amount of pension contributions made to that scheme by the company.

ANNUAL REMUNERATION REPORT

TABLE 5 – TERMINATION BENEFITS & EXIT PACKAGES

Exit Package Cost Band	Number of Compulsory Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£000)	
	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015
£0 - £20,000	-	-	36	36	36	36	458	420
£20,001 - £40,000	-	-	13	21	13	21	369	664
£40,001 - £60,000	-	-	7	9	7	9	324	439
£60,001 - £80,000	-	-	2	5	2	5	147	354
£80,001 - £100,000	-	-	5	8	5	8	443	718
£100,001 - £150,000	-	-	4	3	4	3	439	353
£150,001 - £250,000	-	-	2	4	2	4	355	732
Total	**-**	**-**	**69**	**86**	**69**	**86**	**2,535**	**3,680**

TABLE 5 NOTES

1. The above table includes costs of termination benefits associated with the voluntary redundancy scheme for employees that left during 2014/15. Under the terms of this scheme, employees accepted for voluntary redundancy are allowed to leave in advance of their normal retirement age, in exchange for a statutory redundancy payment. During 2014/2015, a total of 21 employees accepted voluntary redundancy (2013/2014 17 employees) for which the Council incurred one-off redundancy costs of £219,000 (2013/2014 £163,000).

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The Council's Responsibilities

The Council is required to:

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

I confirm that these Annual Accounts were approved for signature by the Scrutiny Committee at its meeting on 23 September 2015.

Signed on behalf of Dundee City Council

Councillor Ken Guild
Leader of the Council
25 September 2015

The Responsibilities of the Director of Corporate Services

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

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

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

The Director of Corporate Services has also:

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

I certify that the financial statements give a true and fair view of the financial position of the local authority (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2015.

Marjory Stewart, FCCA, CPFA
Director of Corporate Services
Dundee City Council
25 September2015

MOVEMENT IN RESERVES STATEMENT 2013/2014

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and Dwellings Rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £000	Housing Revenue Account £000	Capital Grants Unapplied Account £000	Capital Fund £000	Renewal & Repair Fund £000	Insurance Fund £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Council Reserves £000**
Balance at 31 March 2013	**(9,695)**	**-**	**(7,320)**	**(2,205)**	**(5,838)**	**(439)**	**(25,497)**	**(475,758)**	**(501,255)**
Movement in Reserves During 2013/2014									
(Surplus) or Deficit on Provision of Services	20,261	21,896	-	-	-	-	**42,157**	-	**42,157**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	**-**	29,391	**29,391**
Total Comprehensive Income & Expenditure	**20,261**	**21,896**	**-**	-	-	-	**42,157**	**29,391**	**71,548**
Adjustments Between Accounting Basis & Funding Basis Under Regulations (note 5)	(18,600)	(22,560)	376	1,484	-	-	**(39,300)**	39,300	**-**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**1,661**	**(664)**	**376**	**1,484**	**-**	**-**	**2,857**	**68,691**	**71,548**
Transfers to/(from) Earmarked Reserves	(36)	664	-	48	(415)	(261)	**-**	-	**-**
(Increase)/Decrease in 2013/2014	**1,625**	**-**	**376**	**1,532**	**(415)**	**(261)**	**2,857**	**68,691**	**71,548**

MOVEMENT IN RESERVES STATEMENT 2014/2015

	General Fund Balance £000	Housing Revenue Account £000	Capital Grants Unapplied Account £000	Capital Fund £000	Renewal & Repair Fund £000	Insurance Fund £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Council Reserves £000**
Balance at 31 March 2014 Carried Forward	**(8,070)**	**-**	**(6,944)**	**(673)**	**(6,253)**	**(700)**	**(22,640)**	**(407,067)**	**(429,707)**
Movement in Reserves During 2014/15									
(Surplus) or Deficit on Provision of Services	15,608	20,812	-	-	-	-	**36,420**	-	**36,420**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	(169,961)	**(169,961)**
Total Comprehensive Income & Expenditure	**15,608**	**20,812**	**-**	**-**	**-**	**-**	**36,420**	**(169,961)**	**(133,541)**
Adjustments Between Accounting Basis & Funding Basis Under Regulations (note 5)	(21,675)	(21,748)	5,451	-	-	-	**(37,972)**	37,972	**-**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(6,067)**	**(936)**	**5,451**	**-**	**-**	**-**	**(1,552)**	**(131,989)**	**(133,541)**
Transfers to/(from) Earmarked Reserves	1,110	936	-	(3)	(1,817)	(226)	-	-	-
(Increase)/Decrease in 2014/2015	**(4,957)**	**-**	**5,451**	**(3)**	**(1,817)**	**(226)**	**(1,552)**	**(131,989)**	**(133,541)**
Balance at 31 March 2015 carried forward	**(13,027)**	**-**	**(1,493)**	**(676)**	**(8,070)**	**(926)**	**(24,192)**	**(539,056)**	**(563,248)**

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

2013/14				2014/2015			Unaudited 2014/2015
Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000		Gross Expenditure £000	Gross Income £000	Net Expenditure/ (Income) £000	Budgeted Net Expenditure / (Income) £000
149,429	(6,031)	143,398	Education Services	149,786	(5,439)	144,347	146,653
92,125	(74,820)	17,305	General Fund Housing	92,638	(74,975)	17,663	17,679
68,387	(54,461)	13,926	Housing Revenue Account	65,714	(54,596)	11,118	12,623
29,101	(3,362)	25,739	Cultural & Related Services	36,875	(3,678)	33,197	33,052
21,446	(3,067)	18,379	Environmental Services	21,775	(4,495)	17,280	17,976
20,776	(6,045)	14,731	Roads & Transport Services	22,068	(5,937)	16,131	15,995
20,275	(9,824)	10,451	Planning & Development Services	24,558	(10,155)	14,403	14,472
129,293	(24,879)	104,414	Social Work	135,289	(29,199)	106,090	109,845
4,888	(95)	4,793	Corporate & Democratic Core	4,107	(95)	4,012	3,800
1,600	-	1,600	Non Distributed Costs	2,455	0	2,455	2,175
14,015	(5,317)	8,698	Central Services to the Public	13,199	(5,362)	7,837	8,619
57	-	57	Police Services (Requisition)	-	-	-	-
953	-	953	Valuation Services (Requisition)	941	-	941	953
552,345	**(187,901)**	**364,444**	**Cost Of Services**	**569,405**	**(193,931)**	**375,474**	**383,842**
		1,897	Other Operating Expenditure (note 7)			1,140	1,140
		39,613	Financing and Investment Income and Expenditure (note 8)			43,933	46,522
		(363,797)	Taxation and Non-Specific Grant Income (note 9)			(384,127)	(382,278)
		42,157	**(Surplus) or Deficit on Provision of Services (note 17)**			**36,420**	**49,226**
		(65,340)	(Surplus) or Deficit on revaluation of non-current assets			(6,200)	(6,200)
		357	(Surplus) or Deficit on revaluation of available-for-sale financial assets			(157)	(157)
		94,374	Remeasurements of the net defined benefit liability (asset)			(163,604)	(163,604)
		29,391	**Other Comprehensive Income & Expenditure**			**(169,961)**	**(169,961)**
		71,548	**Total Comprehensive Income & Expenditure**			**(133,541)**	**(120,735)**

BALANCE SHEET

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

31 March 2014 £000		Note	31 March 2015 £000
1,363,832	Property, Plant & Equipment	34	1,354,894
8,114	Heritage Assets	50	8,114
16,908	Investment Property	31	15,226
29	Long Term Investments	46	29
10,394	Long Term Debtors	46	10,715
1,399,277	**Long Term Assets**		**1,388,978**
1,007	Short Term Investments	46	5,615
660	Inventories	38	1,029
40,835	Short Term Debtors	40	42,001
5,366	Cash and Cash Equivalents	16	-
2,400	Assets held for sale	37	1,888
50,268	**Current Assets**		**50,533**
(62,908)	Short Term Borrowing	46	(58,485)
(70,915)	Short Term Creditors	41/46	(62,787)
-	Cash and Cash Equivalents	16	(2,094)
(133,823)	**Current Liabilities**		**(123,366)**
(4,283)	Provisions	42	(3,858)
(393,452)	Long Term Borrowing	46	(394,980)
(487,905)	Other Long Term Liabilities	53	(354,059)
(375)	Grants Receipts in Advance	45	-
(886,015)	**Long Term Liabilities**		**(752,897)**
429,707	**Net Assets**		**563,248**
22,640	Usable reserves	11	24,192
407,067	Unusable Reserves	12	539,056
429,707	**Total Reserves**		**563,248**

Marjory Stewart, FCCA, CPFA
Director of Corporate Services
Dundee City Council

The unaudited accounts were issued on 24 June 2015 and the audited accounts were authorised for issue on 25 September 2015.

CASHFLOW STATEMENT

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

2013/2014 £000		2014/2015 £000
42,157	Net (surplus) or deficit on the provision of services	36,420
(108,811)	Adjust net (surplus) or deficit on the provision of services for non cash movements	(109,170)
3,913	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	5,107
(62,741)	Net cash flows from Operating Activities (note 13)	(67,643)
79,212	Investing Activities (note 14)	70,135
(21,675)	Financing Activities (note 15)	4,968
(5,204)	Net (increase) or decrease in cash and cash equivalents	7,460
162	Cash and cash equivalents at the beginning of the reporting period	5,366
5,366	**Cash and cash equivalents at the end of the reporting period (note 16)**	**(2,094)**

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NOTES TO THE CORE FINANCIAL STATEMENTS

1 Accounting Policies

A General Principles

The Annual Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare Annual Accounts by The Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires that they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

B Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

C Cash and Cash Equivalents

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

D Changes in Accounting Policies and Estimates and Errors

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

NOTES TO THE CORE FINANCIAL STATEMENTS

E Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

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

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

F Construction Contracts

Work in progress under construction contracts is accounted for using the percentage of completion method. Contract revenue is matched with contract costs incurred in reaching the state of completion at the balance sheet date.

G Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Termination Benefits

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

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

  The assets of the Tayside Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into the following components:

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

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

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

Discretionary Benefits

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

NOTES TO THE CORE FINANCIAL STATEMENTS

H Events After the Reporting Period

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

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

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

I Financial Liabilities

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

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

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

J Financial Assets

Financial assets are mainly classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

The Council has made a small number of loans to local external parties at less than market rates (soft loans). When soft loans are made, a loss is recorded in the appropriate service line of the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the

Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at the prevailing rate of interest rather than the rate receivable from these external parties, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited or credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the de-recognition of an asset are credited or debited accordingly to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available-for–Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation). Any gains and losses that arise on the de-recognition of the asset are credited or debited accordingly to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

K Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue

grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

L Heritage Assets

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

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

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

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

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

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

M Interests in Companies and Other Entities

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

N Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is generally assigned using the weighted average costing formula. Where inventories are acquired through a non-exchange transaction, they are included in the Balance Sheet at their fair value at the date of acquisition. Where inventories are held for distribution at no charge or for a nominal charge, or for consumption in the production process of such goods, then their value is measured at the lower of cost or current replacement cost.

NOTES TO THE CORE FINANCIAL STATEMENTS

O Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

P Leases

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

The Council as Lessee

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

The Council as Lessor

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

Q Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2014/15* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

R Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on

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

Measurement

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

Impairment

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

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

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

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

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

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

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

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

Deprecation is calculated on the following bases:

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

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

S Private Finance Initiative (PFI) and Similar Contracts

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

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

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

T Provisions, Contingent Liabilities and Contingent Assets

Provisions - General

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

Provisions - Carbon Reduction Commitment

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

Contingent Liabilities

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

Contingent Assets

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

U Reserves

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

V VAT

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

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

The following accounting standards have been issued but are not yet adopted in the 2014/2015 Code of Practice on Local Authority Accounting in the United Kingdom:

IFRS 13 Fair Value Measurement (May 2011)

Annual Improvements to IFRSs (2011 – 2013 Cycle)

IFRIC 21 Levies

These accounting standards will be adopted in the 2015/2016 Code of Practice on Local Authority Accounting in the United Kingdom and the Council will be required to reflect them, as necessary, in its 2015/2016 Annual Accounts. It is not anticipated that any of these accounting standards will have a significant impact on the Council, however the provisions of IFRS 13 will impact on the valuation of surplus assets held within property, plant and equipment. These surplus assets are current assigned an existing use value but will require to be held at market value under IFRS 13. The current balance sheet value of surplus assets is £3.0m. Also, under IFRS 13 additional disclosures will be required where fair value is not used e.g. schools valued at depreciated replacement cost.

3 **Critical Judgements in Applying Accounting Policies**

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

- There is a continuing high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council is deemed to control the services provided under the PPP contract with Discovery Education PLC to construct, maintain and facilities-manage six new primary schools and two new secondary schools in the city. The Council is also deemed to control the residual value of the schools at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the schools (valued at £99.0m) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

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

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

The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £1.5m for every year that useful lives had to be reduced.
Provisions	The Council has made provisions for certain liabilities where there is a degree of uncertainty as to the amount and / or timing of settlement. Detailed information on provisions is provided in note 42.	The total value of provisions in the Council's balance sheet at 31 March 2015 is £3.858m. If eventual settlement of the related liabilities is higher than the amounts currently provided for, then an additional charge would require to be made.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £22.7m. However, the assumptions interact in complex ways. During 2014/2015, the Council's actuaries advised that the net pensions liability had decreased by £131.9m due largely to an increase in the fair value of fund assets, partly offset by an increase in the present value of the funded obligation of the scheme
Debtors / Non-collection Provisions	At 31 March 2015, the Council has a gross balance for short-term sundry debtors of £70.691m, including local taxation and housing rent debtors. A review of the different categories of debt has concluded that an overall allowance for doubtful debts of £28.690m is appropriate. In addition, a provision of £2.650m has been made against the gross long-term debtors balance of £13.365m. However, while representing our best estimate, in the current economic climate it is not certain that these allowances would be sufficient. Detailed information on bad debt provisions is provided in note 42.	If collection rates were to deteriorate, an increase in the amount provided for doubtful debts would require to be charged.

NOTES TO THE CORE FINANCIAL STATEMENTS

5. **Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations**
This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	Usable Reserves						
2013/2014	**General Fund Balance £000**	**Housing Revenue Account £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied Account £000**	**Capital Fund £000**	**Movement in Unusable Reserves £000**	**Total 2013/2014 £000**
Adjustments involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non current assets	(39,448)	(33,425)	-	-	-	72,873	-
Movements in the market value of Investment Properties & Assets Held for Sale	(2,339)	(187)	-	-	-	2,526	-
Capital grants and contributions that have been applied to capital financing	30,370	705	-	-	-	(31,075)	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(3,044)	(2,579)	-	-	-	5,623	-
Provision against long-term debtor where advance from Consolidated Loans Fund has already been repaid to the value of the provision.	(195)	-	-	-	-	195	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	14,676	11,386	-	-	-	(26,062)	-
Capital expenditure charged against the General Fund and HRA balances	1,099	-	-	-	-	(1,099)	-
Adjustments involving the Capital Receipts Reserve:							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	888	3,025	(5,397)	-	1,484	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	5,397	-	-	(5,397)	-

	Usable Reserves						
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Movement in Unusable Reserves £000	Total 2013/2014 £000
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants applied for capital funding purposes	-	-	-	376	-	(376)	-
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	111	53	-	-	-	(164)	-
Adjustments involving the Pensions Reserve:							
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 27)	(41,975)	(2,980)	-	-	-	44,955	-
Employer's pensions contributions and direct payments to pensioners payable in the year	21,257	1,442	-	-	-	(22,699)	-
Adjustment involving the Accumulating Compensated Absences Adjustment Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	-
Total Adjustments 2013/2014	**(18,600)**	**(22,560)**	**-**	**376**	**1,484**	**39,300**	**-**

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/2015	Usable Reserves						
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Movement in Unusable Reserves £000	Total 2014/2015 £000
Adjustments involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non current assets	(50,659)	(31,875)	-	-	-	82,534	-
Movements in the market value of Investment Properties & Assets Held for Sale	(1,248)	51	-	-	-	1,197	-
Capital grants and contributions that have been applied to capital financing	43,285	3	-	-	-	(43,288)	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,483)	(4,680)	-	-	-	6,163	-
Provision against long-term debtor where advance from Consolidated Loans Fund has already been repaid to the value of the provision.	(115)	-	-	-	-	115	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	15,261	12,758	-	-	-	(28,019)	-
Capital expenditure charged against the General Fund and HRA balances	1,760	-	-	-	-	(1,760)	-
Adjustments involving the Capital Receipts Reserve and Capital Fund:							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,052	4,055	(5,107)	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	5,107	-	-	(5,107)	-

	Usable Reserves						
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Movement in Unusable Reserves £000	Total 2014/2015 £000
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants applied for capital funding purposes	-	-	-	5,451	-	(5,451)	-
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	76	53	-	-	-	(129)	-
Adjustments involving the Pensions Reserve:							
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 27)	(51,435)	(3,439)	-	-	-	54,874	-
Employer's pensions contributions and direct payments to pensioners payable in the year	21,831	1,326	-	-	-	(23,157)	-
Adjustment involving the Accumulating Compensated Absences Adjustment Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	-
Total Adjustments 2014/2015	**(21,675)**	**(21,748)**	**-**	**5,451**	**-**	**37,972**	**-**

NOTES TO THE CORE FINANCIAL STATEMENTS

6. **Movement in Reserves Statement – Transfers to/from Earmarked Reserves**

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

2014/2015	Balance at 1 April 2014 £000	Transfers Out 2014/2015 £000	Transfers In 2014/2015 £000	Balance at 31 March 2015 £000	Purpose of the Earmarked Reserve
General Fund:					
Schools' DSM Balances	(1,043)	76	-	(967)	Balance of funds devolved to schools
Car Parking Balances	(195)	177	-	(18)	To fund future car parking projects
Total - Earmarked Balances	**(1,238)**	**253**	**-**	**(985)**	
Other General Fund Balances	(6,832)	-	(5,210)	(12,042)	
Total - General Fund Balances	**(8,070)**	**253**	**(5,210)**	**(13,027)**	

2013/2014	Balance at 1 April 2013 £000	Transfers Out 2013/2014 £000	Transfers In 2013/2014 £000	Balance at 31 March 2014 £000	Purpose of the Earmarked Reserve
General Fund:					
Schools' DSM Balances	(1,258)	215	-	(1,043)	Balance of funds devolved to schools
Car Parking Balances	23	-	(218)	(195)	To fund future car parking projects
Total - Earmarked Balances	**(1,235)**	**215**	**(218)**	**(1,238)**	
Other General Fund Balances	(8,460)	1,628	-	(6,832)	
Total - General Fund Balances	**(9,695)**	**1,843**	**(218)**	**(8,070)**	

NOTES TO THE CORE FINANCIAL STATEMENTS

7 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2013/2014 £000		2014/2015 £000
1,710	(Gains) / losses on the disposal of non current assets	1,056
187	Impairment of Assets Held for Sale	84
1,897	**Total**	**1,140**

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

2013/2014 £000		2014/2015 £000
25,743	Interest payable and similar charges	25,479
13,135	Net interest on the net defined benefit liability (asset)	18,257
(848)	Interest receivable and similar income	(466)
2,339	Changes in the fair value of investment properties	1,113
(389)	Net income from investment properties	(53)
(367)	Share of Tayside Contracts surplus	(397)
39,613	**Total**	**43,933**

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

2013/2014 £000		2014/2015 £000
(45,626)	Council Tax income	(46,700)
(36)	Residual Community Charge (income) / expenditure	22
(53,951)	Contribution from national non domestic rates pool	(58,704)
(233,109)	Non-ring-fenced government grants	(235,457)
(31,075)	Capital grants and contributions	(43,288)
(363,797)	**Total**	**(384,127)**

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

There were no material items of income or expense in 2014/2015 that are not already disclosed on the face of the Comprehensive Income and Expenditure Statement or elsewhere in the notes to the accounts.

11 Balance Sheet – Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 5 and 6 above.

NOTES TO THE CORE FINANCIAL STATEMENTS

12 **Balance Sheet – Unusable Reserves**

31 March 2014 £000		31 March 2015 £000
(569,910)	Revaluation Reserve	(551,447)
(8)	Available for Sale Financial Instruments Reserve	(165)
(262,274)	Capital Adjustment Account	(280,553)
5,611	Financial Instruments Adjustment Account	5,482
409,199	Pensions Reserve	277,312,
10,315	Accumulating Compensated Absences Adjustment Account	10,315
(407,067)	**Total Unusable Reserves**	**(539,056)**

Revaluation Reserve

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

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

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

2013/2014 £000			2014/2015 £000
(520,957)	**Balance at 1 April**		**(569,910)**
(99,184)	Upward revaluation of assets	(20,733)	
33,844	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	14,533	
(65,340)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(6,200)
11,528	Difference between fair value depreciation and historical cost depreciation	20,502	
153	Depreciation adjustment on previously impaired assets	96	
4,706	Accumulated gains on assets sold or scrapped	4,065	
16,387	Amount written off to the Capital Adjustment Account		24,663
(569,910)	**Balance at 31 March**		**(551,447)**

Available for Sale Financial Instruments Reserve

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

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

2013/2014 £000			2014/2015 £000
(365)	**Balance at 1 April**		**(8)**
(51)	Upward revaluation of investments	(157)	
-	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-	
(51)			(157)
408	Accumulated gains on assets sold and maturing written out to the Comprehensive Income & Expenditure Statement as part of Other Investment Income		-
(8)	**Balance at 31 March**		**(165)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

NOTES TO THE CORE FINANCIAL STATEMENTS

2013/2014 £000			2014/2015 £000
(263,095)	**Balance at 1 April**		**(262,274)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
72,873	• Charges for depreciation and impairment of non current assets	82,534	
5,623	• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	6,163	
78,496		88,697	
(16,387)	Adjusting amounts written out of the Revaluation Reserve	(24,663)	
62,109	Net written out amount of the cost of non current assets consumed in the year		64,034
	Capital financing applied in the year:		
(5,397)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(5,107)	
(31,075)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(43,288)	
(376)	• Application of grants to capital financing from the Capital Grants Unapplied Account	(5,451)	
(26,062)	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(28,019)	
(1,099)	• Capital expenditure charged against the General Fund and HRA balances	(1,760)	
(64,009)			(83,625)
2,526	Movements in the market value of Investment Properties and Assets Held for Sale debited or credited to the Comprehensive Income and Expenditure Statement		1,197
195	Provision against long-term debtor where advance from Consolidated Loans Fund has already been repaid to the value of the provision		115
(262,274)	**Balance at 31 March**		**(280,553)**

Financial Instruments Adjustment Account

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

2013/2014 £000			2014/2015 £000
5,775	**Balance at 1 April**		**5,611**
(128)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(128)	
(11)	Difference in interest on stepped rate loans (existing at 31 March 2007)	(11)	
(13)	Difference in interest on soft loans (existing at 31 March 2007)	(5)	
(12)	Adjustment to opening amortised cost of soft loans	15	
(164)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(129)
5,611	**Balance at 31 March**		**5,482**

Pensions Reserve

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

2013/2014 £000		2014/2015 £000
292,569	**Balance at 1 April**	**409,199**
94,320	Actuarial (gains) or losses on pensions assets and liabilities	(164,111)
54	Difference between actuarial pensions contribution figure and actual pensions contribution figure	507
44,955	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	54,874
(22,699)	Employer's pensions contributions and direct payments to pensioners payable in the year	(23,157)
409,199	**Balance at 31 March**	**277,312**

NOTES TO THE CORE FINANCIAL STATEMENTS

Accumulating Compensated Absences Adjustment Account

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

2013/2014 £000			2014/2015 £000
10,315	**Balance at 1 April**		**10,315**
(10,315)	Settlement or cancellation of accrual made at the end of the preceding year	(10,315)	
10,315	Amounts accrued at the end of the current year	10,315	
-	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		-
10,315	**Balance at 31 March**		**10,315**

13 **Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

2013/2014 £000		2014/2015 £000
(559)	Interest received	(549)
26,823	Interest paid	25,637
(21)	Dividends received	(62)

14 **Cash Flow Statement – Investing Activities**

2013/2014 £000		2014/2015 £000
82,295	Purchase of property, plant and equipment, investment property and intangible assets	74,737
2,171	Other payments for investing activities	1,868
(3,913)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,107)
(1,341)	Other receipts from investing activities	(1,363)
79,212	**Net cash flows from investing activities**	**70,135**

15 **Cash Flow Statement – Financing Activities**

2013/2014 £000		2014/2015 £000
(33,682)	Cash receipts of short- and long-term borrowing	(12,500)
2,244	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,161
9,763	Repayments of short- and long-term borrowing	15,307
(21,675)	**Net cash flows from financing activities**	**4,968**

NOTES TO THE CORE FINANCIAL STATEMENTS

16 Cash Flow Statement – Cash and Cash Equivalents

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

31 March 2014 £000		31 March 2015 £000
140	Cash held by officers	140
(4,103)	Bank current accounts	(4,619)
9,329	Short-term deposits with building societies	2,385
5,366	**Total cash and cash equivalents**	**(2,094)**

17 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Policy & Resources Committee on the basis of budget reports analysed across Council departments and other budget heads. These reports are prepared on the basis of the amounts that require to be charged or credited against General Fund balances. This is a different basis from the accounting policies used in the preparation of the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation and impairment losses are charged to services in the Comprehensive Income and Expenditure Account)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on Central Support Services and Central Buildings is budgeted for centrally and not recharged to departments

The Council's Policy & Resources Committee receives monthly revenue monitoring reports during the course of the financial year, with budgets and outturn projections shown for Council departments and other budget heads. The actual outturn of income and expenditure of the Council departments and other budget heads shown in the monthly revenue monitoring reports is shown in the following table. The figures are, however, stated on the basis of the accounting policies used in the preparation of the financial statements. The adjustments required to restate these figures to the amounts that require to be charged or credited against General Fund balances are shown in note 5.

Departments / Budget Heads Reported to Policy & Resources Committee

Department / Budget Head	Actual Net Expenditure/ (Income) 2013/2014	Actual Net Expenditure/ (Income) 2014/2015
	£000	£000
Education	136,471	137,251
Social Work	103,603	104,860
City Development	24,345	29,594
Environment	27,347	27,316
Chief Executive	28,669	34,646
Corporate Services	10,737	11,491
Other Housing	2,894	2,456
Supporting People	11,844	11,291
Scottish Welfare Fund	1,156	1,942
Contribution to Tayside Joint Police Board	57	-
Contribution to Tayside Valuation Joint Board	953	941
Miscellaneous Income	(367)	(397)
Capital Financing Costs / IORB	50,957	53,032
Discretionary Non Domestic Rates Relief	230	271
Supplementary Superannuation Costs	3,016	3,333
Non Distributed Costs	62	281
Housing Revenue Account	13,926	11,118
Total Net Expenditure	**415,900**	**429,426**

NOTES TO THE CORE FINANCIAL STATEMENTS

There are some budget heads that are included within the cost of services in the Comprehensive Income & Expenditure Statement but which are not included in the monthly revenue monitoring reports that are submitted to the Policy & Resources Committee. Similarly, there are some budget heads that are included in the monthly revenue monitoring reports that are submitted to the Policy & Resources Committee but which are not included within the cost of services in the Comprehensive Income & Expenditure Statement (these items are included elsewhere in the Comprehensive Income & Expenditure Statement). The following table reconciles the total net expenditure shown in the table above to the cost of services shown in the Comprehensive Income & Expenditure Statement.

Reconciliation of Departments / Budget Heads Reported to the Policy & Resources Committee to Cost of Services in the Comprehensive Income & Expenditure Statement

	Actual Net Expenditure/ (Income) 2013/2014	Actual Net Expenditure/ (Income) 2014/2015
	£000	£000
Net Expenditure in Departments / Budget Heads Reported to Policy & Resources Committee (see table above)	415,900	429,426
Add amounts in the Comprehensive Income & Expenditure Statement but not reported to the Policy & Resources Committee:		
Net (surplus) / deficit on Insurance Account	612	(158)
Non Distributed Costs	1,538	2,174
	2,150	2,016
Less amounts reported to the Policy & Resources Committee but not included in the Cost of Services in the Comprehensive Income & Expenditure Statement:		
Share of Tayside Contracts surplus	367	397
Capital Financing Costs / IORB	(50,957)	(53,032)
Supplementary Superannuation Costs	(3,016)	(3,333)
	(53,606)	(55,968)
Cost of Services in the Comprehensive Income & Expenditure Statement	**364,444**	**375,474**

The monthly revenue monitoring reports that are submitted to the Policy & Resources Committee cover all departments and other budget heads that were included in the originally approved revenue budget, together with subsequently agreed budget adjustments. Income and expenditure is reported on a net basis. There is no analysis based on the type of income / expenditure and there is no reporting of assets / liabilities.

Subjective Analysis of Surplus or Deficit on the Provision of Services

Income / Cost Heading	2013/2014 £000	2014/2015 £000
Fees, charges & other service income	(116,200)	(122,772)
Interest & investment income	(1,237)	(519)
Income from Council Tax	(45,662)	(46,678)
Government grants & contributions	(390,203)	(409,005)
Employee expenses	232,253	234,431
Other service expenses	235,208	239,369
Support services recharges	26,467	31,470
Depreciation, impairment & amortisation	73,068	82,648
Interest payments	25,743	25,479
Joint Board contributions	1,010	941
(Gain) or loss on disposal of non-current assets	1,710	1,056
(Surplus) or Deficit on the Provision of Services	**42,157**	**36,420**

NOTES TO THE CORE FINANCIAL STATEMENTS

18 Acquired and Discontinued Operations

The Council had no acquired or discontinued operations in 2014/2015 (2013/2014 Nil).

19 Trading Operations

In June 2013 guidance was issued by CIPFA in respect of the identification of Significant Trading Operations. This states that statutory control over trading operations should only be applied to external trading operations, i.e. transactions outwith the Council single entity as used for the group accounts.

Using this guidance the Council has no significant trading operations in the last three financial years which require to be disclosed in a Statutory Trading Account.

20 Agency Services

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

	2013/2014 (Income) £000	2013/2014 Expenditure £000	2014/2015 (Income) £000	2014/2015 Expenditure £000
Special Education services to Various Local Authorities	(881)	881	(668)	668
Provision of Social Work Services to NHS Tayside	(10,364)	10,364	(12,037)	12,037
Various Social Work Services to Perth & Kinross Council	(25)	25	(18)	18
Various Social Work Services to Angus Council	(335)	335	(344)	344
Total	(11,605)	11,605	(13,067)	13,067

21 Pooled Budgets

The Council has had a pooled budget arrangement with NHS Tayside since August 2007 for the provision of a Community Equipment Centre. The Centre provides a comprehensive equipment loan service for disabled people and people with health issues in the Dundee area, covering equipment issued by both health staff (nursing, rehabilitation and mobility equipment) and social work staff (daily living equipment) to enable people to remain in their own homes. The Council and NHS Tayside have an agreement in place for funding this service, with the partners contributing funds to the agreed budget based on proportions agreed in 2007/08. The pooled budget is hosted and managed operationally by Dundee City Council. Strategic management is carried out through the Dundee Community Adult Services Management Team (CASMT). Equipment is purchased by and is owned by Dundee City Council.

	2013/2014 £000	2014/2015 £000
Funding provided to the pooled budget:	325	467
Dundee City Council (including brought forward)	351	356
NHS Tayside	34	18
Surplus carried forward	710	841
Expenditure met from the pooled budget:	676	823
Net surplus arising from the pooled budget during the year	34	18

NOTES TO THE CORE FINANCIAL STATEMENTS

22 Members' Allowances

The Council paid the following amounts to members of the Council during the year.

	2013/2014 £000	2014/2015 £000
Salaries	559	565
Allowances	35	38
Expenses	13	11
Total	607	614

23 Officers' Remuneration

The remuneration paid to the Council's senior employees is detailed in the remuneration report on page 13.

24 External Audit Costs

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

	2013/2014 £000	2014/2015 £000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	382	386
Total	**382**	**386**

25 Termination Benefits & Exit Packages

Termination benefits and exit package information are detailed in the remuneration report on page 13.

26 Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by The Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.
The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and The Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by Councils. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of these Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014/2015, the Council paid £12.8m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.3% of pensionable pay. The figures for 2013/2014 were £12.4m and 22.6%. There were no contributions remaining payable at the year-end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and included in note 27.

27 Defined Benefit Pension Schemes

Participation in pension schemes

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

The Council participates in the Local Government Pension Scheme (Tayside Pension Fund) - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

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

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

Transactions relating to post employment benefits

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme and Discretionary Benefits Arrangements	
	2013/2014 £000	2014/2015 £000
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service cost comprising:		
• current service cost	30,495	34,264
• past service costs	327	944
• (Gains)/Losses on settlements and curtailments	998	1,409
Financing and Investment Income and Expenditure		
• net interest on the defined liability	12,698	17,939
• administration expenses	437	318
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**44,955**	**54,874**
Other Post Employment Benefit Charged to the CIES		
Remeasurement gains or (losses) against net defined benefit liability comprising:		
• Return on plan assets (excluding the amount included in the net interest expense)	23,825	83,159
• Changes in demographic assumptions	(28,655)	38,745
• Changes in financial assumptions	(89,086)	(123,089)
• Other experienced gains or (losses) on defined benefit obligation	(404)	141,494
• Other actuarial gains or (losses)	-	23,802
• Difference between actuarial pensions contribution figure and actual pensions contribution figure	(54)	(507)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(49,419)**	**218,478**
Movement in Reserves Statement		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	44,955	54,874
Actual amount charged against the General Fund Balance for pensions in the year:		
• employers' contributions payable to scheme	**22,699**	**23,157**

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of opening and closing balances of the present value of the defined benefit obligation (scheme liabilities):

	Year to 31 March 2014 £000	Year to 31 March 2015 £000
Opening defined benefit obligation	1,100,586	1,271,162
Current service cost	30,495	34,264
Interest cost	48,932	56,566
Contributions by scheme participants	6,805	6,990
Remeasurement (gains) and losses:		
- Changes in demographic assumptions	28,655	(38,745)
- Changes in financial assumptions	89,086	123,089
- Experience loss / (gain) on defined benefit obligation	404	(141,494)
Settlements and curtailments	998	1,409
Benefits paid	(32,798)	(34,439)
Past service costs	327	944
Unfunded pension payments	(2,328)	(2,438)
Closing defined benefit obligation	**1,271,162**	**1,277,308**

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

	Year to 31 March 2014 £000	Year to 31 March 2015 £000
Opening fair value of fund assets	808,017	861,963
Interest	36,234	38,627
Remeasurement gains and (losses):		
- Return on plan assets, excluding the amount included in the net interest expense	23,825	83,159
- Other actuarial gains or (losses)	-	23,802
Employer contributions	22,645	22,650
Administration Expenses	(437)	(318)
Contributions by scheme participants	6,805	6,990
Benefits paid	(35,126)	(36,877)
Closing fair value of fund assets	**861,963**	**999,996**

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme Assets

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

	31 March 2014		31 March 2015	
	£000	%	£000	%
Equities				
Consumer	103,436	12	110,983	11
Financials	103,436	12	119,104	12
Industrials	68,957	8	72,473	7
Energy and Utilities	34,479	4	29,121	3
Materials	17,239	2	20,963	2
Healthcare	34,479	4	44,607	4
Information Technology	34,479	4	49,235	5
Telecommunications	8,620	1	14,347	1
Pooled Investments	206,869	24	247,307	26
	611,994	**71**	**708,140**	**71**
Gilts				
Government Bonds	43,098	5	54,794	5
	43,098	**5**	**54,794**	**5**
Other Bonds				
Corporate Bonds	103,435	12	122,196	13
Venture Capital / Partnerships	8,620	1	4,179	-
	112,055	**13**	**126,375**	**13**
Property				
Retail	25,859	3	35,887	4
Commercial	34,479	4	44,859	4
Alternatives and Cash	17,239	2	18,940	2
	77,577	**9**	**99,686**	**10**
Cash				
Cash and Cash Equivalents	-	-	11,001	1
Forward and Foreign Exchange Contracts	17,239	2	-	-
	17,239	**2**	**11,001**	**1**
Totals	**861,963**	**100**	**999,996**	**100**

The following table provides analysis of each category of the above assets that have a quoted market price in an active market and those that do not. Comparatives as at 31 March 2014 are not available.

	31 March 2015		
	Quoted %	Unquoted %	Total %
Equities	47	24	71
Gilts	5	-	5
Other Bonds	7	6	13
Property	10	-	10
Cash	1	-	1
Total	**70**	**30**	**100**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about life expectancy rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Tayside Pension Fund being based on the latest full valuation of the scheme as at 31 March 2014, rolled forward for various financial assumptions that comply with IAS 19. The significant assumptions used by the actuary for the purposes of IAS 19 calculations are as follows:

	31 March 2014	31 March 2015
Life expectancy (years) from age 65 for current pensioners i.e. those retiring today:		
Men	21.0	21.2
Women	23.3	23.2
Life expectancy (years) from age 65 for future pensioners i.e. those retiring in 20 years time:		
Men	23.2	23.4
Women	25.6	25.5
Rate of inflation (RPI)	3.7%	3.2%
Rate of inflation (CPI)	2.9%	2.4%
Rate of increase in salaries	5.1%	4.2%
Rate of increase in pensions	2.9%	2.4%
Rate for discounting scheme liabilities	4.5%	3.3%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

Sensitivity Analysis

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

	Increase in Assumption	Decrease in Assumption
	£000	£000
Life expectancy (increase or decrease by 1 year)	(47,450)	47,814
Rate of increase in salaries (increase or decrease by 0.1%)	4,224	(4,198)
Rate of increase in pensions (increase or decrease by 0.1%)	19,044	(18,677)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(22,655)	23,086

Impact on Future Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2017 and will set contributions for the period from 1 April 2018 and 31 March 2021. There are no minimum funding requirements in the Local Government Pension Scheme but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2016 is £18.401m.

Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2016 are £2.460m.

28 Events After the Reporting Period

There were no events that occurred between 1 April 2015 and 25 September 2015 that would require adjustment to the 2014/2015 financial statements. The latter date is the date on which the audited accounts were authorised for issue by the Director of Corporate Services.

29 Related Parties

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

Central Government
Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 17 on amounts reported to decision makers. Details of central government grants transactions are shown in note 45.

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid is provided in note 22. Further details of senior members' remuneration are included in the Remuneration Report (page 13). Under the Councillors' Code of Conduct, members are required to declare an interest in matters that directly or indirectly may influence, or be thought to influence, their actions as a Councillor. Membership of statutory Joint Boards or Committees, which are composed exclusively of elected members, does not raise any issue of declaration of interest in regard to Council business. In terms of any other relevant parties, those members with declarations of interest did not take part in any discussion or decisions relating to transactions with these parties. A copy of the Register of Members Interest can be obtained from the Council's website www.dundeecity.gov.uk .

Officers
Senior Officers have control over the Council's financial and operating policies. The total remuneration paid to senior officers is shown in the Remuneration Report (page 13). Officers have the responsibility to adhere to a Code of Conduct, which requires them to declare an interest in matters that directly or indirectly may influence, or be thought to influence their judgement or decisions taken during the course of their work. In terms of any relevant parties, officers with declarations of interest did not take part in any discussion or decisions relating to transactions with these parties.

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

During 2013/2014		As at 31 March 2014			During 2014/2015		As at 31 March 2015	
Charges To £000	Charges From £000	Amounts Due From £000	Amounts Due To £000		Charges To £000	Charges From £000	Amounts Due From £000	Amounts Due To £000
1,043	-	-	1,211	Tayside Pension Fund	1,012	-	-	2,675

NOTES TO THE CORE FINANCIAL STATEMENTS

Other Entities Controlled or Significantly Influenced by the Council

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

During 2013/2014		As at 31 March 2014			During 2014/2015		As at 31 March 2015	
Charges To £000	Charges From £000	Amounts Due From £000	Amounts Due To £000		Charges To £000	Charges From £000	Amounts Due From £000	Amounts Due To £000
1,395	4,213	3,229	65	Dundee Energy Recycling Ltd	3,065	6,359	1,582	300
14	144	7	-	Dundee City Developments Ltd	30	144	24	-
24	143	37	-	Dundee Ice Arena Ltd	1	10	-	-
11	289	113	-	Dundee Contemporary Arts Ltd	12	286	101	4
18	603	-	16	Dovetail Enterprises (1993) Ltd	18	978	1	69
2,367	24,903	7,278	1,367	Tayside Contracts	3,278	24,616	7,588	1,875
48	2	88	2	Tayside Valuation Joint Board	66	2	94	2
51	11	-	14	Tay Road Bridge Joint Board	277	12	15	107
372	7,848	391	61	Leisure and Culture Dundee	427	7,832	425	39
-	10,406	-	871	Discovery Education PLC	-	10,685	-	901
8	61	-	213	Tay Plan	26	1	-	169
4,847	-	95	663	Tayside Community Justice Authority	4,841	-	114	726

30 Leases

Council as Lessee

Finance Leases

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

Operating Leases

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

	31 March 2014 £000	31 March 2015 £000
Not later than one year	561	552
Later than one year and not later than five years	797	852
Later than five years	395	310
	1,753	1,714

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

	2013/2014 £000	2014/2015 £000
Minimum lease payments	916	921
Less Employers Contributions	(315)	(254)
	601	667

Council as Lessor

Finance Leases

There were no assets leased to third parties on finance lease during 2014/2015 (2013/2014 None).

Operating Leases

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

- commercial and industrial properties that are leased out for the policy objectives e.g. economic development purposes to provide suitable affordable accommodation for local businesses
- ground leases for various sites including shopping centres, other commercial developments, telecommunications and advertising sites
- waste-to-energy plant that was purchased from and leased back to Dundee Energy Recycling Ltd following financial restructuring of company in March 2004

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

	2013/2014 £000	2014/2015 £000
Not later than one year	6,396	6,497
Later than one year and not later than five years	21,873	21,926
Later than five years	83,526	73,476
	111,795	101,899

31 **Investment Properties**

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement:

	2013/2014 £000	2014/2015 £000
Rental income from investment property	437	88
Direct operating expenses arising from investment property	(48)	(35)
Net gain/(loss)	389	53

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

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

	2013/2014 £000	2014/2015 £000
Balance at start of the year	17,849	16,908
Disposals	-	(100)
Net gains/(losses) from fair value adjustments	(2,339)	(1,113)
Transfers:		
- (to)/from Held for Sale	38	-
- (to)/from Property, Plant and Equipment	1,360	(469)
Balance at end of the year	16,908	15,226

32 **Intangible Assets**

The Council held no Intangible Assets as at 31 March 2015 (31 March 2014 Nil).

33 **Impairment Losses**

Impairment losses charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement during 2014/2015 totalled £24.719m (2013/2014 £28.258m).

Of this total, £19.944m (2013/2014 £26.341m) relates to expenditure in the year which did not add value to assets. £14.082m (2013/2014 £19.801m) relates to expenditure on Council Houses, £0.564m (2013/2014 £0.970m) relates to expenditure on schools and the remaining £5.298m (2013/2014 £5.570m) relates to expenditure on other Council land & buildings.

The remaining £4.775m (2013/2014 £1.917m) relates to impairment charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as a result of revaluation losses relating to land and buildings.

NOTES TO THE CORE FINANCIAL STATEMENTS

34. Property, Plant and Equipment

Movements on Balances

Movements in 2014/2015:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2014	556,268	652,521	100,839	184,979	3,338	90	26,872	**1,524,907**	104,553
Additions	14,082	11,251	4,126	22,763	143	-	20,196	**72,561**	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(838)	543	-	-	-	27	-	**(268)**	-
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(14,137)	(15,211)	-	(249)	-	94	-	**(29,503)**	-
Disposals	(4,228)	(815)	(1,509)	-	-	-	(66)	**(6,618)**	-
Other movements in Cost or Valuation	-	561	-	3,163	1,002	2,771	(7,602)	**(105)**	-
At 31 March 2015	**551,147**	**648,850**	**103,456**	**210,656**	**4,483**	**2,982**	**39,400**	**1,560,974**	**104,553**

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment									
At 1 April 2014	-	(22,998)	(71,848)	(66,229)	-	-	-	**(161,075)**	(2,782)
Depreciation charge	(17,330)	(26,992)	(6,402)	(6,987)	-	(6)	-	**(57,717)**	(2,782)
Depreciation written out to the Revaluation Reserve	25	6,346	-	-	-	-	-	**6,371**	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	2	4,776	-	-	-	6	-	**4,784**	-
Disposals	145	-	1,412	-	-	-	-	**1,557**	-
At 31 March 2015	**(17,158)**	**(38,868)**	**(76,838)**	**(73,216)**	**-**	**-**	**-**	**(206,080)**	**(5,564)**
Net Book Value									
At 31 March 2015	**533,989**	**609,982**	**26,618**	**137,440**	**4,483**	**2,982**	**39,400**	**1,354,894**	**98,989**
At 31 March 2014	**556,268**	**629,523**	**28,991**	**118,750**	**3,338**	**90**	**26,872**	**1,363,832**	**101,771**

NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative Movements in 2013/2014:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2013	580,166	593,475	90,536	170,423	1,530	1,440	55,220	**1,492,790**	104,553
Additions	19,801	9,933	3,372	15,051	-	-	37,348	**85,505**	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(19,344)	10,482	-	-	-	80	-	**(8,782)**	-
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(22,112)	(7,594)	-	(495)	-	-	(241)	**(30,442)**	-
Disposals	(2,758)	(2,824)	(1,009)	-	-	-	-	**(6,591)**	-
Other movements in Cost or Valuation	515	49,049	7,940	-	1,808	(1,430)	(65,455)	**(7,573)**	-
At 31 March 2014	**556,268**	**652,521**	**100,839**	**184,979**	**3,338**	**90**	**26,872**	**1,524,907**	**104,553**

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment									
At 1 April 2013	(47,043)	(25,580)	(67,784)	(59,669)	-	-	-	**(200,076)**	-
Depreciation charge	(11,430)	(21,615)	(4,853)	(6,560)	-	(5)	-	**(44,463)**	(2,782)
Depreciation written out to the Revaluation Reserve	56,851	17,118	-	-	-	-	-	**73,969**	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	211	1,968	-	-	-	5	-	**2,184**	-
Disposals	309	-	789	-	-	-	-	**1,098**	-
Other Movements in Depreciation and Impairment	1,102	5,111	-	-	-	-	-	**6,213**	-
At 31 March 2014	**-**	**(22,998)**	**(71,848)**	**(66,229)**	**-**	**-**	**-**	**(161,075)**	**(2,782)**
Net Book Value									
At 31 March 2014	**556,268**	**629,523**	**28,991**	**118,750**	**3,338**	**90**	**26,872**	**1,363,832**	**101,771**

Depreciation

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

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

Capital Commitments

At 31 March 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/2016 and future years budgeted to cost £62m. Similar commitments at 31 March 2014 were £33m. The major commitments are:

- V & A (net of grant) - £23.1m
- National Housing Trust - £10.0m
- Capitalisation of PPP Charges - £12.0m
- Harris Academy (net of grant) - £11.3m

Effects of Changes in Estimates

In 2014/2015, the Council did not make any material changes to its accounting estimates for Property, Plant and Equipment:

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Financial year 2014/2015 is the third year of the current revaluation programme. The effective date for the 2014/2015 revaluations is 31st March 2015.

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

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Surplus Assets £000	Total £000
Carried at historical cost	-	-	4,126	-	4,126
Valued at fair value as at:					
31 March 2015	-	8,484	-	33	8,517
31 March 2014	23,145	30,920	-	85	54,150
31 March 2013	-	25,133	-	782	25,915
Total Cost or Valuation	23,145	64,537	4,126	900	92,708

35 Capital Expenditure and Capital Financing

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

	2013/2014 £000	2014/2015 £000
Opening Capital Financing Requirement	540,978	562,683
Capital investment		
Property, Plant and Equipment	85,505	72,561
Other Capital Expenditure	706	555
Sources of finance:		
Capital receipts	(5,397)	(5,107)
Government grants and other contributions	(31,451)	(48,740)
Sums set aside from revenue:		
• Direct revenue contributions	(1,099)	(1,760)
• Loans fund principal	(26,062)	(28,019)
Other Capital Income	(497)	(396)
Closing Capital Financing Requirement	562,683	551,777
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	23,949	(8,745)
Assets acquired under finance leases	(93)	-
Assets acquired under PFI/PPP contracts	(2,151)	(2,161)
Increase/(decrease) in Capital Financing Requirement	21,705	(10,906)

36 Private Finance Initiatives and Similar Contracts

Education Services PFI Scheme

2014/15 was the seventh year of a 30 year PFI contract with Discovery Education PLC to construct, maintain and facilities-manage six new primary schools and two new secondary schools in the city. The Council has rights under the contract to specify the services provided with the priority being the provision of an Education Service during the school day, followed by Community use . The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and provide a facilities management service. At the end of the contract the schools will be transferred back to the Local Authority for nil consideration.

Property Plant and Equipment

The schools have been recognised on the Council's' Balance Sheet as tangible fixed assets. Movements in their value over the year are detailed in the analysis of the movement on the property, plant and equipment balance in note 34.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and will be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2015 (excluding any estimation of inflation and availability/performance deductions) are as follows :-

	Payment for Services £000	Repayment of Liability £000	Interest £000	Lifecycle Maintenance £000	Total £000
Payable in 2015-16	3,005	2,115	5,013	976	**11,109**
Payable within 2-5 years	12,791	8,024	20,427	6,042	**47,284**
Payable within 6 - 10 years	17,872	12,607	27,711	7,878	**66,068**
Payable within 11 - 15 years	20,220	17,033	30,088	7,408	**74,749**
Payable within 16 - 20 years	22,877	19,930	31,128	10,636	**84,571**
Payable within 21 - 25 Years	15,339	16,504	21,654	3,214	**56,711**
TOTAL	**92,104**	**76,213**	**136,021**	**36,154**	**340,492**

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

	2013/2014 £000	2014/2015 £000
Balance outstanding at the start of the year	**80,525**	**78,374**
Payments during the year	(2,151)	(2,161)
Capital expenditure incurred in the year	-	-
Balance outstanding at year end	**78,374**	**76,213**

37 Assets Held for Sale

	Current Assets	
	2013/2014 £000	2014/2015 £000
Balance at start of year	**2,754**	**2,400**
Additions	-	-
Assets newly classified as held for sale:		
• Property, Plant and Equipment	-	575
• Investment Property	167	-
Revaluation losses	(186)	(84)
Assets declassified as held for sale:		
• Investment Property	(205)	-
Assets sold	(130)	(1,003)
Balance at year-end	**2,400**	**1,888**

38 Inventories

	Consumable Stores		Maintenance Materials		Client Services Work in Progress		Total	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Balance outstanding at start of year	**835**	**652**	**12**	**2**	**57**	**6**	**904**	**660**
Purchases	2,644	2,596	-	-	-	-	**2,644**	**2,596**
Recognised as an expense in the year	(2,824)	(2,581)	-	1	-	-	**(2,824)**	**(2,580)**
Written Off Balances	-	(7)-	-		-	-	**-**	**(7)**
Other Adjustments	(3)	335	(10)	-	(51)	25	**(64)**	**360**
Balance outstanding at year-end	**652**	**995**	**2**	**3**	**6**	**31**	**660**	**1,029**

39 **Construction Contracts**

At 31 March 2015 the Council had various minor construction contracts in progress totalling £31,299. The value of work completed at 31 March 2015 has been established using a stage of completion methodology based on the internal billing system's valuation of work carried out but not yet charged to the client at the year-end.

40 **Short Term Debtors**

	31 March 2014 £000	31 March 2015 £000
Central government bodies	6,676	11,147
Other local authorities	6,223	3,128
NHS bodies	1,759	2,195
Other entities and individuals	26,177	25,531
Total	**40,835**	**42,001**

41 **Short Term Creditors**

	31 March 2014 £000	31 March 2015 £000
Central government bodies	11,331	10,204
Other local authorities	2,238	3,964
NHS bodies	216	307
Public corporations and trading funds	1,362	1,066
Other entities and individuals	55,768	47,246
Total	**70,915**	**62,787**

42 **Provisions**

	Council Tax Income– Exemptions/ Discounts £000	Self-Insured / Uninsured Losses– Dundee City Council £000	Self-Insured/ Uninsured Losses– Tayside Regional Council £000	Self-Insured/ Uninsured Losses– Dundee District Council £000	Total £000
Balance at 1 April 2014	**400**	**2,634**	**693**	**556**	**4,283**
Additional provisions made in 2014/2015	-	1,480	-	-	1,480
Amounts used in 2014/2015	-	(1,447)	(54)	(77)	(1,578)
Unused amounts reserved in 2014/2015		(327)			(327)
Balance at 31 March 2015	**400**	**2,340**	**639**	**479**	**3,858**

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 arise every year 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. Provision is made with reference to the value of such transactions arising during the current financial year and is anticipated to cover the value of transactions which will arise in the subsequent financial year. The value of the provision is reviewed each year.

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 provision disclosed

above has been made taking into account all known liabilities likely to be incurred by the Council in respect of self-insured and uninsured losses. There is no set pattern for settlement of outstanding claims or provisions made for future claims. Settlement profiles are established by the happening of the event, the inclination of the potential claimant and the availability of Court time. The Council has no control over these factors. 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.

Bad Debt Provisions

The above items are shown as Provisions in the Council's Long Term Liabilities section of the Council's Balance Sheet. In addition, there are a number of Bad Debt Provisions that are netted-off against Short Term Debtors in the Current Assets section of the Council's Balance Sheet. These are as follows:

- Council Tax - the provision of £17.496m 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 £3.557m has been calculated by applying the overall percentage relating to the charge elements (i.e. Non Domestic Rates and Council Tax) to which the Statutory Addition was applied.
- Miscellaneous Invoiced and Other Debt - the provision of £3.681m 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 £2.004m 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 £1.952m has been calculated by applying an anticipated non-collection rate to the total debt.

Also, a provision of £2.650m has been made against the gross Long-Term Debtors balance of £13.365m.

43 Contingent Liabilities

Equal Pay / Single Status

Further claims have also been made in respect of perceived inequalities in the implementation of Single Status in 2008. It is estimated that the potential liability to the Council could be £1.0m.

Holiday Pay

In light of decisions given in European case law in 2014 the Council has considered the relevant elements to be included within the calculation of an employee's holiday pay. In relation to certain elements, changes to existing arrangements are being implemented following consultation with trade unions. The overall cost to the Council (including any element of back-dating) has still to be fully quantified and no provision has been made in the financial statements in this regard.

44 Contingent Assets

There were no Contingent Assets at 31 March 2015 (31 March 2014 Nil).

45 Grant Income

The Council credited grants and contributions to the Comprehensive Income and Expenditure Statement in 2014/2015. These included the following grants and contributions:

	2013/2014 £000	2014/2015 £000
Credited to Taxation and Non Specific Grant Income		
RSG & Non-Specific Grants	(233,109)	(235,457)
Contribution from NNDR Pool	(53,951)	(58,704)
Capital Grant	(31,075)	(43,288)
Council Tax / Community Charge Income	(45,662)	(46,678)
Total	**(363,797)**	**(384,127)**

NOTES TO THE CORE FINANCIAL STATEMENTS

	2013/2014	2014/2015
	£000	£000
Credited to Services:		
General Capital Grant: Central Waterfront Development	(2,844)	(640)
General Capital Grant: Whitetop Centre	-	(190)
ERDF Grants	(1,017)	(493)
Air Quality Grant	(195)	(153)
General Capital Grant: Elmgrove House	(486)	-
Scottish Government: Youth Employment Grant	(72)	(293)
Scottish Government: Child & Adolescent mental Health Facility	-	(486)
NHS Tayside: The Crescent	-	(114)
Scottish Government: Smart Ticketing	-	(80)
Private Sector Housing Grant	(428)	(1,083)
NHS Tayside Resource Transfer	(8,244)	(8,401)
Supporting People Grant	(2,748)	(3,356)
Criminal Justice Grant	(4,818)	(4,904)
Scottish Government: Self Directed Support Grant	(54)	(88)
NHS Tayside: Community Equipment	(351)	(356)
NHS Tayside: Alcohol & Drugs Project Team	(459)	(459)
Macmillan Cancer Care: Welfare Rights Grant	(34)	(34)
NHS Tayside: Change Fund	(1,371)	(2,759)
NHS Tayside: Drug & Alcohol Grant	(114)	(109)
Scottish Government: Opportunities for All Grant	(199)	(171)
Scottish Government: Tayside GIRFEC	(51)	(80)
NHS Tayside: Integrated Children's Services	(51)	-
Scottish Government: Autism Grant	(60)	(63)
Sports Council Contribution to Sports Co-ordinators	(386)	(343)
Arts Council Grants	(224)	(165)
Scottish Government: WRAP Major Service Change Support Grant	(119)	(137)
Improvement Service: National Entitlement Card	(1,347)	(1,526)
SportScotland: National Performance Centre for Sport Grant	(96)	-
Scottish Government: Skills Development Grant	-	(53)
DWP: Digital Literacies Project	-	(60)
DWP: Rent Allowances/Rebate Subsidies (previously Housing Benefit Subsidy)	(72,068)	(71,557)
DWP: HB/CTB Administration	(1,715)	(1,301)
DWP: Individual Electoral Registration Funding	-	(129)
Big Lottery Fund: Welfare Reform	-	(284)
Scottish Government : Resilience Fund	-	(80)
Big Lottery Funding / Wish Project	(72)	(75)
Anti-Social Behaviour Contribution	(240)	(281)
Total	**(99,863)**	**(100,303)**

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

	31 March 2014 £000	31 March 2015 £000
Capital Grants Receipts in Advance:		
Section 75 Contributions	(375)	(488)
Scottish Government: VDLF	-	(695)
Scottish Government: Harris Academy	-	(181)
ERDF: Railway Station	-	(279)
Total	**(375)**	**(1,643)**

	31 March 2014 £000	31 March 2015 £000
Revenue Grants Receipts in Advance:		
Improvement Service: National Entitlement Card	(1,050)	(691)
Various: Film Liaison Project	(121)	(139)
Dundee European Programme	(590)	(354)
Scottish Government: Youth Employment Scotland	(155)	-
Scottish Government: Flood Risk Management	(49)	-
Various: Public Art	(61)	(53)
Various: Flexible Fund	(30)	-
Scottish Government: Youth Music Initiative	(10)	-
Scottish Government: Healthy Weight Project	(112)	-
Scottish Government: Self Directed Support	(477)	(576)
Scottish Government: Tayside GIRFEC	(125)	(45)
Scottish Government: Autism Grant	(110)	(88)
Total	**(2,890)**	**(1,946)**

46 Financial Instruments

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

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

Categories of financial assets and financial liabilities
The following categories of financial instrument are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000
Investments				
Available-for-sale financial assets	-	-	1,007	5,615
Unquoted equity investment at cost	29	29	-	-
Total investments	**29**	**29**	**1,007**	**5,615**
Debtors				
Loans and receivables:				
Cash and Bank	-	-	140	140
Other Short Term Deposits	-	-	9,329	2,385
Soft Loans	-	-	94	84
Other Loans at Market Rates	10,394	10,715	-	-
Financial assets carried at contract amounts:				
Sundry Debtors including trade receivables	-	-	40,741	41,917
Total Debtors	**10,394**	**10,715**	**50,304**	**44,526**
Borrowings				
Financial liabilities at amortised cost:				
Borrowing Repayable:				
Public Works Loan Board	(351,874)	(353,413)	(14,539)	(15,651)
Lender Option/Borrower Option	(41,578)	(41,567)	(407)	(411)
Other	-	-	(44,590)	(40,785)
Temporary Advances from Other Accounts	-	-	(3,372)	(1,638)
Bank Overdraft	-	-	(4,103)	(4,619)
Total borrowings	**(393,452)**	**(394,980)**	**(67,011)**	**(63,104)**
Creditors				
Financial liabilities carried at contract amount:				
Sundry creditors including trade payables	-	-	(70,915)	(62,787)
Total Creditors	**-**		**(70,915)**	**(62,787)**

NOTES TO THE CORE FINANCIAL STATEMENTS

Income, Expense, Gains and Losses

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

		2014/2015			
		Financial Liabilities	Financial Assets	Financial Assets	
2013/2014 Total £000		Liabilities measured at amortised cost £000	Loans and receivables £000	Available-for-sale assets £000	Total £000
25,743	Interest expense	25,479	-	-	25,479
25,743	**Total expense in Surplus or Deficit on the Provision of Services**	**25,479**	**-**	**-**	**25,479**
(848)	Interest income	-	(404)	(62)	(466)
(848)	**Total income in Surplus or Deficit on the Provision of Services**	**-**	**(404)**	**(62)**	**(466)**
(51)	Gains on revaluation	-	-	(157)	(157)
408	Losses on revaluation	-	-	-	-
357	**Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure**	**-**	**-**	**(157)**	**(157)**
25,252	**Net gain/(loss) for the year**	**25,479**	**(404)**	**(219)**	**24,856**

Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates at 31 March 2015 of 2.10% to 14.00% for loans from the PWLB and 0.25% to 4.95% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are as follows:

		31 March 2014		31 March 2015				
	Note	Carrying Amount £000	Fair Value £000	Principal Amount Outstanding £000	Add LOBO Accounting Adjustment £000	Add Accrued Interest £000	Carrying Amount £000	Fair Value £000
Financial liabilities:								
Borrowing Repayable:								
Public Works Loan Board	i	(366,413)	(423,319)	(364,406)	(4,658)	-	(369,064)	(495,929)
Lender Option / Borrower Option (LOBO)	i	(41,985)	(40,406)	(40,000)	(411)	(1,567)	(41,978)	(51,677)
Other	i	(44,590)	(44,603)	(40,758)	(27)	-	(40,785)	(40,813)
Temporary Advances from Other Accounts	ii	(3,372)	(3,372)	(1,638)	-	-	(1,638)	(1,638)
Bank Overdraft	iii	(4,103)	(4,103)	(4,619)	-	-	(4,619)	(4,619)

NOTES TO THE CORE FINANCIAL STATEMENTS

i Borrowing Repayable

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

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

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

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

Discount rates used in NPV calculation - The rates quoted in this valuation were obtained for the market on 31 March 2015, using bid prices where applicable.

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

ii Temporary Advances from Other Accounts

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

iii Bank Overdraft

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

		31 March 2014		31 March 2015	
	Note	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables:					
Cash and Bank	i	140	140	140	140
Other Short term Deposits	i	9,329	9,329	2,385	2,385
Soft Loans	ii	94	94	84	84
Long-term debtors:					
Other Loans at Market rates	iii	10,394	10,394	10,715	10,715

i Cash and Bank / Other Short term Deposits
The fair value is the same as the carrying amounts as these balances relate to short term lending or deposits held with the Council's bank.

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

iii Investments
This long-term investment relates to cash held on deposit with a building society. As this investment is held at market value the carrying value and fair value will not be materially different. The investment was transferred to cash and bank / other short term deposit accounts during financial year 2013/2014.

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

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

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

47. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

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

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

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

- F1+ £12m
- F1 £10m.
- UK Local Authorities £10m
- Debt Management Agency £10m

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building

societies of £12m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities in UK to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

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

	Amount at 31 March 2015 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2015 %	Estimated maximum exposure to default and uncollectability at 31 March 2015 £000	Estimated maximum exposure at 31 March 2014 £000
	A	B	C	(A x C)	
Bonds	-	-	-	-	-
Financial Institutions (F1)	2,385	-	100%	2,385	9,329
				2,385	9,329

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

Liquidity risk

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

	31 March 2014 £000	31 March 2015 £000
Less than one year	54,329	51,723
Between one and two years	10,966	10,495
Between two and five years	31,474	32,061
Between five and ten years	50,569	48,179
More than ten years	298,897	302,706
	446,235	445,164

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

Interest rate risk

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

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

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

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

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

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

According to this assessment strategy, at 31 March 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	400
Increase in interest receivable on variable rate investments	Nil
Impact on Surplus or Deficit on the Provision of Services	400
Share of overall impact debited to the HRA	151
Decrease in fair value of fixed rate investment assets	Nil
Impact on Other Comprehensive Income and Expenditure	Nil
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	73,322

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

Price risk

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

Foreign exchange risk

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

NOTES TO THE CORE FINANCIAL STATEMENTS

48 **Charitable Trust Funds Account (Registered Charities)**

The Council acts as Trustees for 29 Registered Charitable Trusts and Endowments. The Income & Expenditure Account below details the transactions in the year and the Balance Sheet summarises the assets and liabilities at the year end. An analysis of the assets and liabilities included within the Balance Sheet over the various trusts is also shown within the notes to the Charitable Trust Funds Account. These have been prepared in accordance with the Charities SORP (2005). Accordingly, no adjustment is made to reverse out the impact of depreciation on Fund Balances.

	Income & Expenditure Account	2014/2015				
2013/2014 Actual £000		Interest on Investments £000	Other Income £000	Total Income £000	Expenditure £000	(Surplus)/ Deficit £000
(9)	Hospital Fund	(3)	(46)	(49)	44	(5)
(1)	Dundee Festival Trust	-	(5)	(5)	7	2
1	A T Cathro Bequest	-	-	-	1	1
(1)	Other Various Smaller Trusts (26 in total)	(1)	(8)	(9)	9	0
(10)	Total	(4)	(59)	(63)	61	(2)

2014 £000	Balance Sheet as at 31 March	2015 £000
4,749	**Tangible Fixed Assets**	4,891
4,749		4,891
	Current Assets	
1,101	Short Term Investments	1,104
1	Bank	1
1,102		1,105
	Less Current Liabilities	
1	Sundry Creditors	1
1		1
1,101	**Net Current Assets**	1,104
5,850	**Total Assets Plus Net Current Assets**	5,995
5,850	**Net Assets**	5,995
	Financed By Fund Balances and Reserves	
	Not Available for Use:	
4,749	Revaluation Reserve	4,891
4,749		4,891
	Available for Use:	
1,101	Fund Balances	1,104
5,850		5,995

NOTES TO THE CORE FINANCIAL STATEMENTS

NATURE AND PURPOSE OF VARIOUS FUNDS

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

Hospital Fund
This Fund was established under the Dundee Churches and Hospital Act 1964, on behalf of the poor of the town. An annual payment of £80 is made from the Fund to local pensioners who require financial assistance. The balance on the Fund at 31 March 2015 was £1.161m (31 March 2014 £1.148m).

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 2015 was £41,000 (31 March 2014 £43,000).

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 2015 was £17,000 (31 March 2014 £18,000).

CHARITABLE TRUSTS REGISTERED WITH OFFICE OF THE SCOTTISH CHARITY AND REGULATOR

The following Charitable Trusts and Endowments are registered with the Office of the Scottish Charity and Regulator (OSCR):

Alexander Torrance Cathro Bequest (SC018898)
Charles Ower Bequest (SC018907)
Dundee Festival Trust (SC020365)
Charles Ower Mafeking Gift (SC018906)
John Hoggan Trust for the Poor of Alyth (SC018892)
Johnston Charity (SC018893)
Mortification for Scots Episcopal Clergymen (SC018919)
Halyburton Mortification (SC018903)
Admiral Duff Bequest (SC018304)
Saunders, Robert Bequest (SC018915)
Meritorious Service (Police) Fund (SC018916)
Public Libraries Art Fund (SC018917)
Curr Night Refuge (SC018901)
Belmont Estate Trust (SC018900)
McLean Bequest (SC018902)
Baxter Park Endowment Fund (SC018910)
Lochee Park Endowment Fund (SC018897)
Day Nurseries Fund (SC018911)
Law Hill Memorial Fund (SC018912)
Mills Observatory Endowment Fund (SC018913)
D W Crichton Trust (SC018914)
Gilroy Mausoleum (SC018921)
Lochee Day Nurseries (SC018918)
Camperdown Estate (SC018899)
William Dawson Trust (SC018920)
Thomas Cox Bequest (SC018909)
Alexander Wilson Bequest (SC018908)
Mrs Gibson Mortification (SC018904)
Hospital Fund (SC018896)

NOTES TO THE CORE FINANCIAL STATEMENTS

ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET

	Balance Sheet at 31 March 2014	Gross Income	Gross Expenditure	Capital Accounting	Balance Sheet at 31 March 2015
Hospital Fund	£000	£000	£000	£000	£000
Fixed Assets	456	-	-	8	464
Current Assets	692	49	(44)	-	697
Net Assets	1,148	49	(44)	8	1,161
Revaluation Reserve	456	-	-	8	464
Fund Balance	692	49	(44)	-	697
	1,148	49	(44)	8	1,161
Dundee Festival Trust	£000	£000	£000	£000	£000
Current Assets	43	5	(7)	-	41
Net Assets	43	5	(7)	-	41
Fund Balance	43	5	(7)	-	41
	43	5	(7)	-	41

NOTES TO THE CORE FINANCIAL STATEMENTS

ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET (CONTD)

	Balance Sheet at 31 March 2014	Gross Income	Gross Expenditure	Capital Accounting	Balance Sheet at 31 March 2015
AT Cathro Bequest	**£000**	**£000**	**£000**	**£000**	**£000**
Current Assets	19	-	(1)	-	18
Current Liabilities	(1)	-	-	-	(1)
Net Assets	18	-	(1)	-	17
Fund Balance	18	-	(1)	-	17
	18	-	(1)	-	17
Others	**£000**	**£000**	**£000**	**£000**	**£000**
Fixed Assets	4,293	-	-	134	4,427
Current Assets	348	9	(8)	-	349
Net Assets	4,641	9	(8)	134	4,776
Revaluation Reserve	4,293	-	-	134	4,427
Fund Balance	348	9	(8)	-	349
	4,641	9	(8)	134	4,776
Total	£000	£000	£000	£000	£000
Fixed Assets	4,749	-	-	142	4,891
Current Assets	1,102	63	(60)	-	1,105
Current Liabilities	(1)	-	-	-	(1)
Net Assets	5,850	63	(60)	142	5,995
Revaluation Reserve	4,749	-	-	142	4,891
Fund Balance	1,101	63	(60)	-	1,104
	5,850	63	(60)	142	5,995

NOTES TO THE CORE FINANCIAL STATEMENTS

49. **Charitable Trust Funds Account (Unregistered Charities)**

The Council acts as Trustees for 5 Charitable Trusts and Endowments. The Income & Expenditure Account below details the transactions in the year and the Balance Sheet summarises the assets and liabilities at the year end. An analysis of the assets and liabilities included within the Balance Sheet over the various trusts is also shown within the notes to the Charitable Trust Funds Account.

2013/2014 Actual £000	Income & Expenditure Account	2014/2015 Interest on Investments £000	Other Income £000	Total Income £000	Expenditure £000	(Surplus)/ Deficit £000
11	Fleming Trust	(2)	(316)	(318)	225	(93)
(1)	Other Various Smaller Trusts (4 in total)	(2)	-	(2)	-	(2)
10	Total	(4)	(316)	(320)	225	(95)

2014 £000	Balance Sheet as at 31 March	2015 £000
7,280	**Tangible Fixed Assets**	7,360
7,280		7,360
	Current Assets	
38	Sundry Debtors	73
842	Short Term Investments	1,043
295	Bank	190
1,175		1,306
	Less Current Liabilities	
(94)	Sundry Creditors	(131)
(94)		(131)
1,081	**Net Current Assets**	1,175
8,361	**Total Assets Plus Net Current Assets**	8,535
8,361	**Net Assets**	8,535
	Financed By Fund Balances and Reserves	
	Not Available for Use:	
7,280	Revaluation Reserve	7,360
7,280		7,360
	Available for Use:	
1,081	Fund Balances	1,175
8,361		8,535

NOTES TO THE CORE FINANCIAL STATEMENTS

FLEMING TRUST

Included in the expenditure shown above, the Fleming Trust incurred capital expenditure of £23,084 financed from revenue in 2014/2015 (2013/2014 £208,104). No capital receipts were received in 2014/2015 (2013/2014 £Nil).

NATURE AND PURPOSE OF VARIOUS FUNDS

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 2015 was £8.050m (31 March 2014 £7.877m).

ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET

	Balance Sheet at 31 March 2014	Gross Income	Gross Expenditure	Capital Expenditure/ Receipts & Transfers	Capital Accounting	Balance Sheet at 31 March 2015
Fleming Trust	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fixed Assets	7,280	-	-	-	80	7,360
Current Assets	691	318	(166)	(23)	-	820
Current Liabilities	(94)	-	(36)	-	-	(130)
Net Assets	7,877	318	(202)	(23)	80	8,050
Revaluation Reserve	7,280	-	-	-	80	7,360
Fund Balance	597	318	(202)	(23)	-	690
	7,877	318	(202)	(23)	80	8,050
Others	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Current Assets	484	1	-	-	-	485
Net Assets	484	1	-	-	-	485
Fund Balance	484	1	-	-	-	485
	484	1	-	-	-	485
Total	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fixed Assets	7,280	-	-	-	80	7,360
Current Assets	1,176	319	(166)	(23)	-	1,306
Current Liabilities	(95)	-	(36)	-	-	(131)
Net Assets	8,361	319	(202)	(23)	80	8,535
Revaluation Reserve	7,280	-	-	-	80	7,360
Fund Balance	1,081	319	(202)	(23)	-	1,175
	8,361	319	(202)	(23)	80	8,535

NOTES TO THE CORE FINANCIAL STATEMENTS

50 **Heritage Assets**

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

	Museum & Art Gallery Collections	Other Heritage Assets	Total Assets
	£000	£000	£000
1 April 2014	7,248	866	8,114
Additions	-	-	-
Disposals	-	-	-
Revaluations	-	-	-
31 March 2015	**7,248**	**866**	**8,114**

Museum and Art Gallery Collections

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

Other Heritage Assets

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

Additions & Disposals of Heritage Assets

There were no additions in 2014/2015 (2013/2014 - none)

There were no disposals in 2014/2015 (2013/2014 - none)

51 **Heritage Assets: Summary of Transactions**

There were no purchases, donations or disposals in 2014/2015 (2013/2014 – none).

52 **Heritage Assets: Further Information**

Museum and Art Gallery Collections

The Dundee Art Galleries and Museums Collection which is largely housed at the McManus Art Gallery & Museum in the City Centre, forms the major part of the heritage assets held by the Council.
The Art Gallery & Museum's major collection groups include Community History, Decorative Arts/Crafts, Early History, Fine Art, Natural History, Social History and World Cultures.

Community History

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

Decorative Arts / Crafts

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

Early History

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

Fine Art

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

Natural History

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

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

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

Further information about these and other collections can be found at:
www.mcmanus.co.uk

Library Collections of Rare Books, Manuscripts and Archives
The Rare Book Collections, Manuscripts and Archives are mainly held in the Central Library.
Among the collections and features are:

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

Further information about these and other collections can be found at:
www.leisureandculturedundee.com/library/local history

Preservation and Management

The Director, Leisure & Communities, is responsible for making arrangements for the proper administration of the Galleries and Museums Collections. Assets are collated, preserved and managed in accordance with The Council's policy on management, acquisitions and disposals, as detailed in the Collections Development Policy 2013 – 2018. The full policy document can be found at:
http://www.dundeecity.gov.uk/reports/reports/462-2013.pdf

53 Other Long Term Liabilities

	31 March 2014 £000	31 March 2015 £000
Pension Liability	409,199	277,312
PPP Schools Liability	76,213	74,098
Burial Grounds Perpetuity Fund	2,102	2,258
Public Open Spaces	391	391
Total	**487,905**	**354,059**

COUNCIL TAX INCOME ACCOUNT

Local authorities raise taxes from its residents through the Council Tax – which is a property taxed linked to property values. Each dwelling in a local authority area is placed into one of 8 valuation bands (A to H). The local authority determines the annual tax for a band D property and all other properties are charged a proportion of this, with lower valued properties (Bands A to C) paying less, and higher valued properties (Bands D to F) paying more.

2013/2014 £000		**2014/2015 £000**
75,949	Gross Council Tax levied and contributions in lieu	75,946
(86)	Adjustments for prior years Council Tax and Community Charge	(130)
75,863		75,816
	Adjusted for:	
(28,588)	Other discounts and reductions	(27,428)
(1,649)	Provision for Non-collection	(1,688)
45,626		**46,700**
36	Community Charge recovered	(22)
45,662	**Net Council Tax Income per the Comprehensive Income and Expenditure Account**	**46,678**

The calculation of the Council Tax Base 2014/2015:

	No of Dwellings	No of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	Total Dwellings	Ratio to Band D	Band D Equivalents
Band A	28,461	2,985	28	16,877	631	21,067	6/9	14,042
Band B	17,000	1,528	58	7,464	312	13,458	7/9	10,467
Band C	8,985	944	66	3,280	149	7,147	8/9	6,352
Band D	7,942	506	66	2,594	122	6,737	9/9	6,737
Band E	7,018	790	76	1,549	112	5,726	11/9	6,999
Band F	2,359	82	17	466	32	2,134	13/9	3,083
Band G	1,035	20	7	148	29	956	15/9	1,594
Band H	39	5	0	5	3	31	18/9	62
					TOTAL			49,336
					Provision for non-collection (3.2%)			(1,579)
					Council Tax Base			47,757

Dwellings fall within a valuation band between A to H which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to Dundee City Council, the band D charge for 2014/2015 was £1,211.

Dundee City Council £ per year for 2014/2015:

Band A	£807.33
Band B	£941.89
Band C	£1,076.44
Band D	£1,211.00
Band E	£1,480.11
Band F	£1,749.22
Band G	£2,018.33
Band H	£2,422.00

NON-DOMESTIC RATE INCOME ACCOUNT

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

The table below details the actual levels of NNDR collected by Dundee City Council, and the overall increase/decrease between the rates collected and the amount that the Council is entitled to receive under the National Pooling arrangement.

2013/2014 £000		**2014/2015 £000**
91,794	Gross rates levied and contributions in lieu	93,062
	Less:	
(23,851)	Reliefs and other deductions	(23,316)
-	Payments of interest	(8)
(1,638)	Write Off of uncollectable debt and allowance for impairment	(1,781)
66,305	**Net Non Domestic Rate Income**	**67,957**
10,584	Adjustment to Previous Years' Non-Domestic Rates	(885)
76,889	**Total Non Domestic Rate Income (before local authority retentions)**	**67,072**
76,889	**Contribution to Non-Domestic Rate Pool**	**67,072**

Net Rateable Value Calculation

The amount paid for NNDR is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £, which is determined each year by the Scottish Government. The NNDR poundage rate set by the Scottish Government for 2014/2015 was £0.471.

	2014/2015 £
Analyses of Rateable Values:	
Rateable Value at 1/4/2014	188,621,295
Running Roll (Full Year Rateable Value)	(1,028,215)
Rateable Value at 31/3/2015	187,593,080
Less: Wholly Exempt	5,823,451
Net Rateable Value at 31/03/2015	181,769,629
Dundee City Council's Rateable Values at 1 April 2014	**£000**
Commercial	96,096
Industrial and Freight Transport	37,390
Public Undertakings	6,817
Others	48,318
Total	188,621

HOUSING REVENUE ACCOUNT
MOVEMENT IN RESERVES STATEMENT

2013/2014 £000		Notes	2014/2015 £000
(21,896)	Surplus or (Deficit) for the Year on HRA Income and Expenditure Statement		(20,812)
22,560	Adjustments between Accounting Basis and Funding Basis Under Statute	1	21,748
664	Net Increase or (Decrease) Before Transfers to or from Reserves		936
(664)	Transfers (to) or from Reserves	2	(936)
-	Increase or (Decrease) in Year on the HRA		-
-	**Balance on the HRA at the end of the Current Year**		-

HOUSING REVENUE ACCOUNT
COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2013/2014 £000		Notes	2014/2015 £000
	Income		
44,885	Dwelling Rents		45,693
1,066	Non-dwelling Rents		900
391	Leasehold Service charges		376
2,776	Charges for Welfare Services		2,785
151	Hostels		90
1,693	Other Income		1,712
50,962	**Total Income**		**51,556**
	Expenditure		
(18,012)	Repairs and Maintenance		(17,169)
(11,975)	Supervision and Management		(12,729)
(33,425)	Depreciation and Impairment on Non-Current Assets		(31,874)
(1,476)	Movement in the Impairment of Debtors	5	(902)
(64,888)	**Total Expenditure**		**(62,674)**
(13,926)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(11,118)**
(276)	HRA Services' Share of Corporate and Democratic Core		(365)
(14,202)	**Net Cost for HRA Services**		(11,483)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
446	Gain or (Loss) on Sale of HRA Non-Current Assets		(625)
(7,833)	Interest Payable and Similar Charges		(7,642)
(213)	Impairment of Assets Held for Sale		(87)
45	Interest and Investment Income		45
(870)	Pension Interest Cost and Expected Return on Pension Assets		(1,161)
26	Change in Fair Value of Investment Property		138
705	Capital Grants and Contributions Receivable		3
(21,896)	**Surplus or (Deficit) for the Year on HRA Services**		**(20,812)**

HOUSING REVENUE ACCOUNT DISCLOSURES

1 **Adjustments between Accounting Basis and Funding Basis under Statute**

2013/2014 £000		2014/2015 £000
(446)	Gain or loss on sale of HRA non-current assets	625
213	Impairment of Assets Held for Sale	87
	Transfer to/from Capital Adjustment Account:	
33,425	Depreciation and Impairment	31,875
(705)	Capital Grants and Contributions	(3)
(11,386)	Repayment of Debt	(12,758)
(26)	Change in Fair Value of Investment Property	(138)
1,538	HRA share of contributions to or from the Pensions Reserve	2,113
(53)	HRA Share of Transfer to/from the Financial Instruments Adjustment Account	(53)
22,560	**Total**	**21,748**

2 **Transfers (to) or from Reserves**

2013/2014 £000		2014/2015 £000
(664)	Transfer (to)/from the Renewal & Repair Fund	(936)
(664)	**Total**	**(936)**

3 **Housing Stock**
The Council's housing stock at 31 March 2015 was as follows:

2013/2014 Number		2014/2015 Number
3,403	Houses	3,373
9,311	Flats	9,195
276	Maisonettes	274
12,990	**Total**	**12,842**

4 **Rent Arrears**
Rent Arrears at 31 March 2015 were £2,147,822 (£1,910,253 at 31 March 2014).

5 **Impairment of Debtors**
In 2014/2015 an impairment of £2,004,321 has been provided in the Balance Sheet for irrecoverable rents, a net increase of £194,298 from the provision in 2013/2014.

6 **Voids**
The total value of uncollectable void rents was £821,159 (2013/2014 £1,071,067). This has been netted against rental income.

GROUP MOVEMENT IN RESERVES STATEMENT 2013/2014

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

	General Fund Balance £000	Housing Revenue Account £000	Capital Grants Unapplied Account £000	Capital Fund £000	Renewal and Repair Fund £000	Insurance Fund £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Group Reserves £000**
Balance at 31 March 2013 Carried Forward	**(11,938)**	**-**	**(7,320)**	**(2,205)**	**(5,838)**	**(439)**	**(27,740)**	**(57,182)**	**(84,922)**
Less Police & Fire reserves balances Transferred on 1 April 2013	-	-	-	-	-	-	-	(410,220)	**(410,220)**
Adjusted Balance at 1 April 2013	**(11,938)**	**-**	**(7,320)**	**(2,205)**	**(5,838)**	**(439)**	**(27,740)**	**(467,402)**	**(495,142)**
Movement in reserves during 2013/14									
(Surplus) or Deficit on provision of services	17,927	21,896	-	-	-	-	**39,823**	-	**39,823**
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	27,500	**27,500**
Total Comprehensive Expenditure and Income	**17,927**	**21,896**	**-**	**-**	**-**	**-**	**39,823**	**27,500**	**67,323**
Adjustments between Group Accounts and Council Accounts	12,779	-	-	-	-	-	**12,779**	10,475	**23,254**
Net (Increase)/Decrease before Transfers	**30,706**	**21,896**	**-**	**-**	**-**	**-**	**52,602**	**37,975**	**90,577**
Adjustments between Accounting Basis and Funding Basis Under Regulations	(18,600)	(22,560)	376	1,484	-	-	**(39,300)**	39,300	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**12,106**	**(664)**	**376**	**1,484**	**-**	**-**	**13,302**	**77,275**	**90,577**
Transfers to/(from) Earmarked Reserves	(36)	664	-	48	(415)	(261)	**-**	-	**-**
(Increase)/Decrease in 2013/14	**12,070**	**-**	**376**	**1,532**	**(415)**	**(261)**	**13,302**	**77,275**	**90,577**
Balance at 31 March 2014	**132**	**-**	**(6,944)**	**(673)**	**(6,253)**	**(700)**	**(14,438)**	**(390,127)**	**(404,565)**

GROUP MOVEMENT IN RESERVES STATEMENT 2014/2015

	General Fund Balance £000	Housing Revenue Account £000	Capital Grants Unapplied Account £000	Capital Fund £000	Renewal and Repair Fund £000	Insurance Fund £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Group Reserves £000**
Balance at 31 March 2014	**132**	**-**	**(6,944)**	**(673)**	**(6,253)**	**(700)**	**(14,438)**	**(390,127)**	**(404,565)**
Movement in reserves during 2014/15									
(Surplus) or Deficit on provision of services	14,118	20,812	-	-	-	-	**34,930**	-	**34,930**
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	(171,803)	**(171,803)**
Total Comprehensive Expenditure and Income	**14,118**	**20,812**	**-**	-	-	-	**34,930**	**(171,803)**	**(136,873)**
Adjustments between Group Accounts and Council Accounts	(777)	-	-	-	-	-	**(777)**	(4,057)	**(4,834)**
Net (Increase)/Decrease before Transfers	**13,341**	**20,812**	**-**	**-**	**-**	**-**	**34,153**	**(175,860)**	**(141,707)**
Adjustments between Accounting Basis and Funding Basis Under Regulations	(21,675)	(21,748)	5,451	-	-	-	**(37,972)**	37,972	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(8,334)**	**(936)**	**5,451**	**-**	-	**-**	**(3,819)**	**(137,888)**	**(141,707)**
Transfers to/(from) Earmarked Reserves	1,110	936	-	(3)	(1,817)	(226)	**-**	-	**-**
(Increase)/Decrease in 2014/15	**(7,224)**	**-**	**5,451**	**(3)**	**(1,817)**	**(226)**	**(3,819)**	**(137,888)**	**(141,707)**
Balance at 31 March 2015	**(7,092)**	**-**	**(1,493)**	**(676)**	**(8,070)**	**(926)**	**(18,257)**	**(528,015)**	**(546,272)**

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

2013/2014				2014/2015		
Gross Expenditure	Gross Income	Net Expenditure / (Income)		Gross Expenditure	Gross Income	Net Expenditure/ (Income)
£000	£000	£000		£000	£000	£000
150,415	(6,031)	144,384	Education Services	149,786	(5,439)	144,347
91,461	(75,129)	16,332	General Fund Housing	92,806	(75,290)	17,516
68,387	(54,461)	13,926	Housing Revenue Account	65,714	(54,596)	11,118
29,101	(3,362)	25,739	Cultural & Related Services	36,875	(3,678)	33,197
22,522	(5,836)	16,686	Environmental Services	19,583	(4,700)	14,883
20,776	(6,045)	14,731	Roads & Transport Services	22,068	(5,937)	16,131
20,275	(9,824)	10,451	Planning & Development Services	24,558	(10,155)	14,403
129,293	(24,879)	104,414	Social Work	135,289	(29,199)	106,090
4,888	(95)	4,793	Corporate & Democratic Core	4,107	(95)	4,012
1,600	-	1,600	Non Distributed Costs	2,455	-	2,455
14,015	(5,317)	8,698	Central Services to the Public	13,199	(5,362)	7,837
1,010	-	1,010	Joint Boards	941	-	941
136	-	136	Common Good Fund	150	-	150
1,440	(2,031)	(591)	Associates Accounted for on an Equity Basis	1,468	(109)	1,359
555,319	**(193,010)**	**362,309**	**Cost Of Services**	**568,999**	**(194,560)**	**374,439**
		1,897	Other Operating Expenditure			1,140
		387	Share of Other Operating Expenditure (Associates)			(148)
		443	Share of Other Operating Expenditure (Subsidiaries)			-
		39,613	Financing and Investment Income and Expenditure			43,933
		109	Share of Financing and Investment Income and Expenditure (Associates)			171
		(162)	Share of Financing and Investment Income and Expenditure (Subsidiaries)			545
		(363,797)	Taxation and Non-Specific Grant Income			(384,127)
		(976)	Share of Taxation and Non-Specific Grant Income (Associates)			(1,023)
		39,823	**(Surplus) or Deficit on Provision of Services**			**34,930**
		(65,340)	(Surplus) or Deficit on revaluation of fixed assets			(6,200)
		357	(Surplus) or Deficit on revaluation of available for sale financial assets			(157)
		94,374	Remeasurements of the net defined benefit liability (asset)			(163,604)
		(1,891)	Share of Other Comprehensive Income and Expenditure (Associates)			(1,842)
		27,500	**Other Comprehensive Income and Expenditure**			**(171,803)**
		67,323	**Total Comprehensive Income and Expenditure**			**(136,873)**

GROUP BALANCE SHEET

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

Group 31 March 2014 £000		Group 31 March 2015 £000
1,374,150	Property, Plant & Equipment	1,362,254
8,114	Heritage Assets	8,114
16,908	Investment Property	15,226
29	Long Term Investments	29
418	Investments in Associates	686
4,338	Long Term Debtors	4,232
1,403,957	**Long Term Assets**	**1,390,541**
4,568	Short Term Investments	9,699
2,332	Inventories	1,997
40,296	Short Term Debtors	38,883
6,919	Cash and Cash Equivalents	-
2,400	Assets Held for Sale	1,888
56,515	**Current Assets**	**52,467**
(62,908)	Short Term Borrowing	(58,485)
(72,925)	Short Term Creditors	(63,321)
-	Cash and Cash Equivalents	(388)
(135,833)	**Current Liabilities**	**(122,194)**
(4,373)	Provisions	(3,858)
(393,452)	Long Term Borrowing	(394,980)
(7,837)	Liabilities in Associates	(15,095)
(514,037)	Other Long Term Liabilities	(360,609)
(375)	Capital Grants Receipts in Advance	-
(920,074)	**Long Term Liabilities**	**(774,542)**
404,565	**Net Assets**	**546,272**
14,438	Usable reserves	18,257
390,127	Unusable Reserves	528,015
404,565	**Total Reserves**	**546,272**

Marjory Stewart, FCCA, CPFA
Director of Corporate Services
Dundee City Council

The unaudited accounts were issued on 24 June 2015 and the audited accounts were authorised for issue on 25 September 2015.

GROUP CASH FLOW STATEMENT

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

2013/2014 £000		2014/2015 £000
40,632	Net (Surplus) or Deficit on the provision of services	34,930
(107,830)	Adjust net (Surplus) or Deficit on the provision of services for non cash movements	(110,598)
3,839	Adjust for items included in the net (Surplus) or Deficit on the provision of services that are investing and financing activities	5,795
(63,359)	Net cash flows from Operating Activities	(69,873)
80,817	Investing Activities	70,567
(24,947)	Financing Activities	6,613
(7,489)	Net (Increase) or Decrease in cash and cash equivalents	7,307
(570)	Cash and cash equivalents at the beginning of the reporting period	6,919
6,919	**Cash and cash equivalents at the end of the reporting period**	**(388)**

NOTES TO THE GROUP ACCOUNTS

1 Impact of Consolidation on Reserves

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

	As at 31 March 2015		
Group Entity	**Usable Reserves £000**	**Unusable Reserves £000**	**Total Reserves £000**
Dundee City Council (Single Entity)	24,192	539,056	563,248
Tayside Contracts Joint Committee	192	(11,543)	(11,351)
Common Good Fund	3,253	220	3,473
Charitable Trust Fund	690	7,360	8,050
Tayside Valuation Joint Board	34	(1,957)	(1,923)
Dundee City Developments Limited	499	187	686
Leisure & Culture Dundee	904	(5,308)	(4,404)
Dundee Energy Recycling Limited	(11,507)	-	(11,507)
Total per Group Balance Sheet	18,257	528,015	546,272

	As at 31 March 2014		
Group Entity	**Usable Reserves £000**	**Unusable Reserves £000**	**Total Reserves £000**
Dundee City Council (Single Entity)	22,640	407,067	429,707
Tayside Contracts Joint Committee	165	(15,589)	(15,424)
Common Good Fund	3,263	-	3,263
Charitable Trust Fund	597	7,280	7,877
Tayside Valuation Joint Board	34	(2,728)	(2,694)
Dundee City Developments Limited	443	(25)	418
Leisure & Culture Dundee	735	(5,878)	(5,143)
Dundee Energy Recycling Limited	(13,439)	-	(13,439)
Total per Group Balance Sheet	14,438	390,127	404,565

2 Impact of Consolidation on Cash and Cash Equivalents

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

Group Entity	**At 31 March 2014 £000**	**At 31 March 2015 £000**
Dundee City Council (Single Entity)	5,366	(2,094)
Tayside Contracts Joint Committee	(800)	-
Common Good Fund	80	(67)
Charitable Trust Fund	295	189
DERL	1,978	1,584
Total per Group Balance Sheet	6,919	(388)

3 Group Accounting Policies

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

NOTES TO THE GROUP ACCOUNTS

4 **Group Entities – Basis of Consolidation**

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

		2013/2014			2014/2015		
	Consolidation Basis	**Group Share %**	**Net Expenditure / (Income) £000**	**Net Assets / (Liabilities) £000**	**Group Share %**	**Net Expenditure / (Income) £000**	**Net Assets / (Liabilities) £000**
Subsidiaries:							
Common Good Fund	Sole Trustee	100.00	35	3,263	100.00	318	3,473
Fleming Trust	Sole Trustee	100.00	11	7,877	100.00	(458)	8,050
Dundee Energy Recycling Limited	Share Capital Owned	100.00	(2,879)	(13,439)	100.00	(1,709)	(11,507)
Associates:							
Tayside Valuation Joint Board	Requisition Share	33.28	809	(2,694)	33.28	(770)	(1,923)
Dundee City Developments Limited	Voting Rights	28.57	63	418	28.57	(68)	686
Leisure & Culture Dundee	Voting Rights	46.15	(2,264)	(5,143)	46.15	(645)	(4,404)
Tayside Contracts Joint Committee	Share of Business	33.00	-	(15,424)	38.40	-	(11,351)
Total Group Entities			**(4,225)**	**(25,142)**		**(3,332)**	**(16,976)**
Dundee City Council (Single Entity)			71,548	429,707		(133,541)	563,248
Dundee City Council (Group)			**67,323**	**404,565**		**(136,873)**	**546,272**

NOTES TO THE GROUP ACCOUNTS

Subsidiaries:

Common Good Fund and Fleming Trust

The Council administers the Common Good Fund for the former Burgh of Dundee. Whilst the Council does not have legal title over the assets of the Fund, they are legally vested in the Council and have therefore been included in the Group Accounts on the basis of applying the principle of faithful representation. Similarly, a charitable trust administered by the Council (the Fleming Trust) has also been included in the Group Accounts. The income, expenditure, assets and liabilities of the Common Good Fund and Fleming Trust have been consolidated as subsidiaries on a "line-by-line" basis in the Group Accounts. Separate details of the Common Good Fund are included on page 107. Separate details of the Fleming Trust are included on pages 89-90.

Dundee Energy Recycling Limited

Dundee Energy Recycling Limited (DERL) is a special purpose company, established in order to construct and operate a Waste-to-Energy Plant at Baldovie, Dundee. The project was originally developed under the Private Finance Initiative (PFI). The plant was taken over from the construction contractor on 31 March 2000. On the same date, a 20 year contract commenced between the Council and DERL for the disposal of domestic refuse. The company was then financially restructured in March 2004, as part of which the Council purchased the plant from DERL and leased it back at a commercial rate.

The Council became DERL's sole shareholder on 21 October 2013 when it acquired all remaining ordinary share capital from the other shareholders. As at 31 March 2015, a loan of £3.900m (31 March 2014 £3.900m) is also in place to provide working capital and assist with cash flow. Dundee City Council has two officers as Directors on the Board of DERL (maximum number of Directors is six).

There is a divergence of accounting policy between DERL and the Group that requires to be disclosed. This relates to the lease of Property, Plant & Equipment from the Council to the company that has been treated by DERL as a finance lease and capitalised in their Balance Sheet. The Council has treated this lease as an operating lease. As a result, adjustments are required on consolidation to align the accounting policies and the treatment of these items in the Group Accounts. Firstly, depreciation totalling £0.590m has been eliminated from DERL's adjusted accounts as a depreciation charge will already have been provided for these assets in the Council's single entity accounts. Secondly, the Group's share of DERL's fixed assets has been removed, to leave a net liability of £11.507m which is included in the Group Accounts. A further adjustment is made to eliminate any specific transactions and balances held with Dundee City Council. The company has been consolidated on a 'line by line' basis. For this purpose, the unaudited Statutory Accounts to 28 December 2014 were used.

Associates:

Tayside Valuation Joint Board

Tayside Valuation Joint Board was created in 1996 to take over from the local authorities in its area certain duties in relation to valuation for Rating and Council Tax. The Valuation Joint Boards (Scotland) Order 1995 provides the regulatory framework for the administration of the Board. Dundee City Council has accounted for it on a 'net equity' basis. For the purpose of consolidation and disclosure, unaudited statutory accounts to the year ended 31 March 2015 were used.

Dundee City Developments Limited

Dundee City Developments Limited (DCD) was established in 1999 as a company limited by guarantee to continue the process of economic regeneration and to maintain momentum across a range of economic development initiatives in the city. The company has been consolidated on a 'net equity' basis. For the purpose of consolidation and disclosure, unaudited Statutory Accounts to 30 April 2015 were used.

Leisure and Culture Dundee

Leisure and Culture Dundee (LACD) is a Scottish Charitable Incorporated Organisation (SCIO) that was established to manage the leisure and cultural facilities owned by the Council and has been in operation since 1 July 2011. The operational responsibility for Dundee Ice Arena was also transferred to LACD from 1 April 2014. The organisation has been consolidated on a "net equity" basis. For the purpose of consolidation and disclosure, unaudited accounts to the year ended 31 March 2015 were used.

Tayside Contracts Joint Committee

Tayside Contracts is a commercially based local authority contracting organisation providing catering, cleaning, roads maintenance, vehicle maintenance and winter maintenance throughout the Tayside area of Scotland. Tayside Contracts operates under a Joint Committee comprising of elected members from Dundee, Angus and Perth & Kinross Council. Tayside Contracts is accounted for as a "associate" and has been consolidated on a "net equity" basis. For the purpose of consolidation and disclosure, unaudited accounts to the year ended 31 March 2015 were used.

NOTES TO THE GROUP ACCOUNTS

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

5 Non-Material Interests in Other Entities

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

Discovery Education Companies (3 no)
Discovery Education PLC, Discovery Education (Holdings) Limited and Discovery Education (Nominee) Limited were established during financial year 2006/2007 to operate the Dundee Schools PPP Project. The Council has a contract with Discovery Education PLC to carry out the projects works and services. Dundee City Council has a 1.5% shareholding in Discovery Education (Holdings) Limited. The Council owns £7,500 Ordinary B shares of £1 each. These 'B' shares have no rights to participate in the profits of the Company and no distributions of any kind, nor do they carry any voting rights at any general meeting of the company. The Council has an officer appointed as a Director on the Board of the company (total number of directors is 5). The Council also has an officer appointed as a Director on the Board of both the other companies although the Council has no shareholding (total number of directors on both other companies is 5). The Council's interest in these companies is accounted for as an investment in the single entity and group accounts.

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

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

Dovetail Enterprises (1993) Limited
Dovetail Enterprises Limited was established to provide training and employment for persons with disabilities. The Council provides annual grant funding to this organisation. The Council has also provided an interest free loan of £400,000 and as a result has increased its share of the Standard Security to 33% of the company's liquidated assets. As at 31 March 2015, £300,000 of this loan has been repaid to the Council. The company is limited by guarantee and the members' liability is limited to £1. The Council has four elected members appointed as Directors to the Board (total number of Directors is 14).

Design Dundee Limited
Design Dundee Limited was established to organise the development and delivery of the V&A Museum of Design Dundee (V&A Dundee). The Council are one of the founder members of the company together with Universities of Dundee and Abertay, Scottish Enterprise and Victoria & Albert Museum. The company is limited by guarantee and a registered charity. The Council has one officer appointed as a Director to the Board (total number Directors is currently 9).

6 Related Entities Not Consolidated

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

COMMON GOOD FUND ACCOUNT

The Council administers the Common Good Fund for the former Burgh of Dundee. Common Good Funds came into existence in medieval times when the Crown gave lands to Burghs. The rents and feu-duties on these lands were to be used for the common good, which at that time was the minimal level of public service provided such as public lighting, street cleaning and repairs. Over time, as the level of public services increased, the rates system was introduced as the funding mechanism. The funds still held are to be used for purposes which promote "the general good of the inhabitants".

2013/2014 £000	Income & Expenditure Account	2014/2015 £000
	Income	
(101)	Dividends on Bonds / Shares	(140)
(101)		(140)
	Expenditure	
136	Other Expenditure	150
136		150
35	**(Surplus)/Deficit for Year**	10

2014 £000	Balance Sheet as at 31 March	2015 £000
	Current Assets	
3,283	Short Term Investments	3,459
-	Sundry Debtors	25
3,283		3,484
	Current Liabilities	
(20)	Sundry Creditors	(10)
(20)		(10)
3,263	**Net Assets**	3,474
	Financed By Fund Balances and Reserves	
	Not Available for Use:	
-	- Available-for-sale Financial Instruments Reserve	221
-		221
	Available for Use:	
3,263	- Common Good Balance	3,253
3,263		3,474

Marjory Stewart, FCCA, CPFA
Director of Corporate Services
Dundee City Council

The unaudited accounts were issued on 24 June 2015 and the audited accounts were authorised for issue on 25 September 2015

1 SHORT TERM INVESTMENTS

Included within the Short Term Investments figure of £3,459,000 are investments in Bonds to the value of £3,200,000.

GLOSSARY

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

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

Actuarial Gains and Losses (Pensions)
Changes in actuarial deficits or surpluses that arise because events have not coincided with previous actuarial assumptions or actuarial assumptions have changed.

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

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

Balance Sheet
This represents the overall financial position of the Council at 31 March 2014. All inter-departmental balances have been eliminated upon consolidation.

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

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

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

Capital Grants Unapplied Account
The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

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

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

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

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

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

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

GLOSSARY

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

Council Tax Income Account
Details the gross and net income from Council Tax.

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

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

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

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

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

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

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

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

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

Fair Value
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less any grants receivable towards the purchase of use of the asset.

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

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

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

Inventories
Items of raw materials and stock the Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.**Liability**
A liability is where the Council owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A long term liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

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

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

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

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

GLOSSARY

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

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

Notes to the Core Financial Statements and Other Various Accounts
These are intended to give the reader further information which is not separately detailed in the financial statements.

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

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

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

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

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

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

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

Public Works Loan Board (PWLB)
A Central Government Agency, which provides loans for one year and above to Councils at interest rates only based on those at which the Government can borrow itself

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

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

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

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

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

GLOSSARY

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

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

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

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

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

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

INDEPENDENT AUDITORS REPORT

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

We certify that we have audited the financial statements of Dundee City Council and its group for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the authority-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Accounts, and the Non-domestic Rate Account and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Director of Corporate Services and auditor

As explained more fully in the Statement of Responsibilities, the Director of Corporate Services is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the authority and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Corporate Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the group and of the local authority as at 31 March 2015 and of the income and expenditure of the group and the authority for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS REPORT

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Hugh Harvie, for and on behalf of KPMG LLP, Statutory Auditor

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

30 September 2015