



DUNDEE CITY COUNCIL

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2003

AUDITED

SEPTEMBER 2003

DUNDEE CITY COUNCIL

STATEMENT OF ACCOUNTS 2002/2003

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FOREWORD BY THE DIRECTOR OF FINANCE

Introduction

This foreword is intended as a commentary on the City Council's financial position, as presented within the Statement of Accounts for the financial year 2002/2003.

Accounting Policies (see pages 5 to 8)

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

The Accounting Statements (see pages 9 to 45)

Consolidated Revenue Account:

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

Council Tax Income Account:

details the gross and net income from Council Tax.

Non-Domestic Rate Income Account:

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

Housing Revenue Account:

reflects the statutory requirement to separately account for local authority housing provision, as defined in the Housing (Scotland) Act 1987. It shows the major elements of housing revenue expenditure and capital financing costs, and how these are met by rents, housing support grant and other income. In 2002/2003 the Housing Revenue Account had a surplus of income over expenditure of £0.641m and this surplus was transferred to the Consolidated Revenue Account and then appropriated to the Renewal and Repair Fund. The main reason for the surplus was an underspend on loan charges due to lower than anticipated interest rates, partly offset by additional repairs and maintenance expenditure.

Direct Labour and Direct Service Organisations Revenue and Appropriation Accounts:

shows the expenditure and income of the Council's trading organisations, Dundee Contract Services and the three Direct Service Organisations. Details of surpluses and financial objectives are also given.

Consolidated Balance Sheet:

is a combination of the General Fund, Housing Revenue Account, Consolidated Loans Fund, Insurance Funds, Dundee Contract Services and the Direct Service Organisations (DSO's) Balance Sheets and represents the overall financial position of the Council at 31 March 2003. All inter-departmental balances have been eliminated upon consolidation.

Statement of Total Movements in Reserves:

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

Cash Flow Statement:

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

Group Accounts:

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

Superannuation Funds Accounts:

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

Common Good Fund and Charitable Trust Funds Accounts:

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

Notes to the Various Accounts, Balance Sheet and Statements:

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

Statement on the System of Internal Financial Control (see page 46)

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

Statement of Responsibilities for the Statement of Accounts (see page 47)

This statement sets out the main financial responsibilities of the Council and the Director of Finance.

Major Changes in Accounting Policy

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

There have been no major changes in accounting policy since the 2001/2002 Statement of Accounts was prepared.

Virement from Contingency/Fund Balances

The 2002/2003 Revenue Budget included a general contingency provision of £200,000 to allow for possible shortfalls in pay award provision, possible under achievement of savings and for unforeseen items of expenditure arising during the course of the financial year. An amount of £193,000 was vired from this contingency in 2002/2003 to offset additional expenditure incurred by departments. The budget also included a "New Monies" contingency of £3,174,000. This amount was transferred to Education (£58,000), Social Work (£2,540,000), Environmental and Consumer Protection (£6,000), Neighbourhood Resources and Development (£191,000) and Other Housing (£379,000) during 2002/2003, to fund new initiatives. During the course of the financial year, the Council received additional new monies totalling some £9m

FOREWORD BY THE DIRECTOR OF FINANCE

from the Scottish Executive to fund new initiatives and transfers of responsibility eg free personal and nursing care, care home fees, free concessionary travel, debt advice services, Quality of Life etc.

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

Revenue Expenditure

The Consolidated Revenue Account (see page 9) shows an actual surplus for the year of £2.833m, against a budgeted deficit of £1.037m ie this represents an overall net underspend of £3.870m against the approved 2002/2003 Revenue Budget. The main components of the net underspend are as follows:

	£000
Net underspend on General Fund services	(2.648)
Additional DLO/DSO surpluses (incl Tayside Contracts)	(0.272)
Savings on Loan Charges due to lower interest rates	(0.900)
Underspend on CFCR projects	(1.260)
Contribution to Renewal & Repair Fund	0.500
Other miscellaneous contributions to reserves	0.229
Adjustments to prior years' Council Tax charge and bad debt provision	1.601
Additional Revenue Support Grant from previous year	(0.802)
Other miscellaneous net underspends	(0.318)
TOTAL NET UNDERSPEND	<u>(3.870)</u>

The net underspend of £2.648m on General Fund services was due to a number of under and over spends within Council departments and within other corporate budgets.

In Education, there was a total underspend of £891,000, arising mainly from underspends in property costs and supplies and services across various sectors. These underspends were partly offset by lower than anticipated income for other local authorities for the provision of Special Education services.

In Social Work, the underspend of £1,822,000 was largely due the new monies that have been made available by the Scottish Executive. It was not possible to fully commit all the new funding and the resulting underspends will be carried forward and spent in 2003/2004. There was also an underspend on staff costs due to delays in filling vacant posts. Some of these delays were associated with the problems being experienced across the country in recruiting qualified social work staff.

In Planning & Transportation, higher than anticipated levels of standing charges and road gritting resulted in an overspend of £238,000 on Winter Maintenance. This was partly offset by savings of £194,000 on Road Maintenance.

Additional non-domestic rates and increased competition from other operators resulted in a shortfall in net income of £304,000 from On & Off Street Car Parking.

In Economic Development, there was an overspend of £273,000 at Dundee Airport due to additional staff costs and a shortfall in income.

In Leisure & Arts the overspend of £152,000 was mainly due to higher than anticipated property costs in respect of gas, electricity and water at the wet and dry sports facilities.

In Environmental & Consumer Protection, an underspend of £211,000 was achieved on Refuse Collection and Street Cleaning due to increased income from rechargeable services and savings on supplies and services budgets. There was also a saving of £198,000 in the Administration function as a result of savings across various budget heads.

In Neighbourhood Resources & Development, delays in filling vacant posts led to net savings in staff costs of £142,000. Slippage on projects produced third party payments savings of £262,000. The resultant reduction in Social Inclusion Partnership grant income was offset by additional Better Neighbourhood Services Fund income. Within Miscellaneous Services, there was additional income of £395,000 in Finance Revenues arising from statutory additions, DWP grants and recharges to the Scottish Water Authority.

In Other Housing, there was a saving of £250,000 in third party payments due to funded organisations accessing funding through the Supporting People initiative. This underspend was partly offset by overspends of £86,000 and £51,000 at the Lily Walker Centre and Travelling Peoples Site respectively.

During the financial year, the Scottish Executive made additional funding available to Councils to recognise the historic and on-going financial difficulties associated with the Firefighters pension arrangements. This, together with a general underspend on the Tayside Fire Board's budget, resulted in a saving to the Council of £379,000. The Council also received a refund of £123,000 from the Tayside Police Board due to an underspend on their non-grant earning budget. An adjustment to the 2001/2002 Housing and Council Tax Benefit subsidy claim contributed largely to the overspend of £835,000 on the budget for Net Cost of Housing & Council Tax Benefit. The overspend of £536,000 on Unapportionable Central Overheads was due to the early settlement of strain-on-fund liabilities for previous early retirements. This will produce budget savings in the financial year 2003/2004 and in later years.

General Fund Balances

The surplus of income over expenditure for the financial year 2002/2003 was £2.833m. When added to the opening General Fund balance of £3.598m, this gives a General Fund balances figure of £6.431m at 31 March 2003. It is, however, estimated that there are expenditure commitments amounting to £2.528m outstanding at 31 March 2003. These have arisen due mainly to underspends in 2002/2003 against the additional new monies that were received from the Scottish Executive during the financial year. These new

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monies will now be fully spent by the Council in 2003/2004. In addition, it was agreed that the sum of £1.5m be taken from balances in setting the 2003/2004 Council Tax and £0.207m is held as balances in respect of schools participating in the Devolved School Management Scheme. When these three items are taken into account, it is estimated that the Council has uncommitted balances of £2.196m as at 31 March 2003.

Principal Sources of Finance for Revenue Expenditure

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

	£m
Revenue Support Grant	150.7
Contributions from National Non-Domestic Pool	<u>47.9</u>
	<u>198.6</u>

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

Capital Expenditure & Borrowing Facilities

Gross capital expenditure in 2002/2003 was £37.0m, of which £14.8m was spent within the Housing Department Programmes. The remaining £22.2m was spent on the Council's other services including Education, Social Work, Planning & Transportation, Leisure & Arts and Economic Development.

The £37.0m of capital expenditure was funded through borrowing (£14.8m), various types of capital receipts (£22.0m) directly from the 2002/2003 Revenue Account (£2.3m) and by a net change in capital accruals (-£2.1m).

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

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

Direct Labour and Direct Service Organisations Revenue Accounts

A separate and full annual report and accounts is published for both the DLO and the DSO's in terms of the Local Government Planning and Land Act 1980 and the Local Government Act 1988. Total net operating surpluses amounting to £1.077m were generated during the year. In addition, a contribution of £0.315m was received from Tayside Contracts.

Control of Capital and Revenue Expenditure

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

Public Private Partnership (PPP)

In July 2002 the Council was made an indicative offer by the Scottish Executive of revenue support (level playing field support) of £5.73m per annum for a PPP project with a capital value of £80m for the replacement and refurbishment of school facilities within the City. The Council has resubmitted an update on the project to the Scottish Executive to allow the Council to take the project forward to the next stage.

Pension Liability (FRS 17)

Under Financial Reporting Standard 17 (Retirement Benefits) the Council is required to disclose certain information concerning the assets, liabilities, income and expenditure related to the pension scheme for its employees. It has been estimated that the Council had a net pension liability of £117.4m as at 31 March 2003. The significant increase in the net pension liability was largely due to the poor performance of world-wide stock markets during 2002/2003.

Departmental Restructuring

On 1 April 2002, the Arts & Heritage Department was merged with the Leisure & Parks Department to form the new Leisure & Arts Department. In addition, some of the responsibilities of the former Leisure & Parks Department, mainly those relating to open spaces and landscaped areas, were transferred to the Dundee Contract Services Ground Maintenance Client.

Acknowledgements

I would like to thank all Elected Members and officers of the Council for their active support and co-operation in the effective management of the Council's finances during another challenging year. Finally, I would conclude this report by thanking all the Finance Department staff who contributed to the management and control of the Council's finances and to the finalisation of the City Council's 2002/2003 Statement of Accounts.

David K Dorward CPFA
Director of Finance
Dundee City Council
23 June 2003

STATEMENT OF ACCOUNTING POLICIES

General

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

- the "Code of Practice on Local Authority Accounting in the United Kingdom 2002 - A Statement of Recommended Practice" (the SORP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LA(S)AAC),
- the Best Value Accounting Code of Practice 2002

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

Provisions

Provisions are made for the following:-

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

Reserves

The Council maintains a number of reserve funds for purposes outwith those classified as provisions. Full details are given in the Statement of Total Movements in Reserves on pages 30 and 31.

Fixed Assets - Basis of Valuation

Council houses are included in the Consolidated Balance Sheet at market value, based on the value of right-to-buy sales after applying the average discount factor. This value is then multiplied by the gross annual value of the remaining stock. Revaluation is carried out on an annual basis.

Other operational properties owned by the Council have been included in the Consolidated Balance Sheet at market value in existing use or, in the case of specialised assets for which there is no market value, at depreciated replacement cost. Non operational properties are included at open market value. All property related assets were revalued as at 1 April 1999 (the quinquennial revaluation) and require to be revalued again by 1 April 2004. The revaluation exercise is now being undertaken by means of a rolling programme, which will be completed by 31 March 2004.

Non-operational investment properties within all Council Departments are revalued annually. In 2002/03 the date of the revaluation was 31 March 2003.

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

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

Fixed Assets - Capital Charge to Revenue Accounts

The capital charges made to Service Revenue Accounts, Central Support Services and the DLO/DSOs Accounts, equate to the sum of depreciation (where applicable) and impairment plus a notional interest charge based on the revised net amount at which the fixed asset is included in the Consolidated Balance Sheet at 1 April 2002. The notional rate of interest used is 6% for those fixed assets included in the Consolidated Balance Sheet at current value and for infrastructure assets and community assets which are included in the Consolidated Balance Sheet at historical cost. The straight-line method of depreciation is used. Assets have been assigned various useful lives and residual values have been assumed where appropriate. No depreciation is charged in the year of acquisition but a full year's charge is made in the year of disposal.

Deferred Charges

Deferred charges represent capitalised expenditure which does not result in, or remain matched with, tangible fixed assets. Deferred charges are amortised to the revenue account over a period reflecting the continuing benefit which the Council receives as a result of the expenditure. Expenditure which is considered to represent no continuing benefit to the Council is charged to the revenue account in the year it is incurred.

Capital Receipts

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

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

Government and EC Grants

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

STATEMENT OF ACCOUNTING POLICIES

Basis of Funding and Charging for Capital

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

Repurchase of Borrowing

Gains or losses arising on the repurchase or early settlement of borrowing, where coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect, are recognised in the Consolidated Revenue Account over the life of the replacement borrowing.

Leases

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

Covenant Schemes

Assets which have been financed through Covenant schemes are included in the Consolidated Balance Sheet at a value arrived at in accordance with the accounting treatment for fixed assets. An amount is included in the Long Term Liabilities section as a Deferred Liability. The Deferred Liability represents the total indebtedness to the Development Company under Covenant schemes at 31 March 2003.

Revenue and Capital Transactions

Revenue and Capital transactions are recorded in the accounts on an income and expenditure basis, i.e. recognised as they are earned or incurred, not as money is received or paid. All specific and material sums payable to and due by the Council as at 31 March 2003 have been brought into account.

Stocks and Work in Progress

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

Statutory Addition

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

Pension Schemes

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

Teachers:

This is an unfunded scheme administered by the Scottish Public Pensions Agency. The pension cost charged to the accounts reflects the contribution rate set by the Scottish Executive on the basis of a notional fund.

Other Employees:

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The pension costs that are charged to the Council's accounts in respect of these employees are equal to the contributions paid to the funded pension scheme for these employees. In 2002/2003 the employer's contribution was equivalent to 240% of employees' contributions. This rate is based upon an independent actuarial valuation of the Tayside Superannuation Fund's assets and liabilities, carried out as at 31 March 1999.

The cost of inflationary increases in pension payments (Pension Increase Act payments) are met by the Superannuation Fund, except in respect of the enhanced elements of pension (due to redundancy or early retirement) for which the Pension Increase Act payments are met by the appropriate service accounts of the Council.

The pension costs included in the accounts in respect of these schemes have been determined in accordance with relevant Government regulations. As a result, the Council does not comply with the accounting requirements of Statement of Standard Accounting Practice 24 (Accounting for Pension Costs) and the liabilities included in the balance sheet are understated in respect of pension costs. However, in accordance with standard accounting practice for local authorities, the pension costs that it would have been necessary to provide for in the accounts for the period under SSAP 24 are disclosed by way of a note to the Consolidated Revenue Account.

The transitional disclosures required under Financial Reporting Standard 17 (Retirement Benefits) have been made by way of notes to the Consolidated Revenue Account and Consolidated Balance Sheet.

Relationships with Companies: Group Companies

Dundee Energy Recycling Limited (DERL)

The Council currently holds 40% of the £100 Ordinary Shares in Dundee Energy Recycling Limited (DERL), which took over a new Waste-to-Energy plant from the construction contractor on 31 March 2000. The Council has invested £5.063 million in the form of an interest free loan to DERL. The Council is now in the fourth year of a 20-year contract with DERL for the disposal of domestic, commercial and trade refuse. The Council's interest in DERL is considered to constitute a "joint venture" in terms of the Accounting Code of Practice. The DERL project was developed under the Private Finance Initiative (PFI).

STATEMENT OF ACCOUNTING POLICIES

Dundee Incubator Limited (DIL)

The Council currently holds 20.5% of the £300,000 Ordinary Share Capital of this company. Dundee Incubator Limited (DIL) was set up to provide accommodation and support to client companies. Dundee Incubator Limited is considered as an "associate company" of the Council in terms of the Accounting Code of Practice.

Tayside Cable Technologies Limited (TCTL)

The Council currently hold 19.9% of the £104,666 Ordinary Share Capital of this company. Tayside Cable Technologies Ltd (TCTL) is in business to develop and manufacture cabling for industrial and commercial use. As part of a support package the Council has provided a loan of £100,000 and has also acquired loan notes to the value of £129,200. The Council's interest in TCTL is considered to make it an "associate company" in terms of the Accounting Code of Practice.

The Accounting Code of Practice requires local authorities to prepare supplementary Group Accounts to incorporate the results of joint ventures and associates. DERL, DIL and TCTL are consolidated using the 'equity method' in the supplementary Group Accounts.

Relationships with Companies: Non Group Companies

Dundee City Developments Limited

The Council has provided Dundee City Developments Limited with an interest free loan of £500,000. This company was established to continue the process of economic regeneration and to maintain the momentum across a range of economic development initiatives. The company is limited by guarantee and the members' liability is limited to a maximum amount of £1. The Council has two elected members and two officers appointed as Directors to the Board (total number of Directors is 9).

Dundee Ice Arena Limited

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

Dundee Contemporary Arts Limited

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

Dundee Cultural Developments Limited

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

Dovetail Enterprises Limited

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

The above five companies are not consolidated in the Group Accounts due to the Council not being able to participate in their profits (as per their Memorandum and Articles of Association). These companies do not constitute a subsidiary, associate or joint venture, in terms of the Accounting Code of Practice.

Investments

Superannuation Fund investments are shown at market value (mid market price). Common Good, Charitable Trust and Insurance Funds investments are shown in the accounts at cost less any provision required for loss in value. The investments in Dundee Energy Recycling Limited, Dundee City Developments Limited, Dundee Incubator Limited and Tayside Cable Technologies Limited are shown at cost.

Central Support Services

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

Insurance

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

Public Private Partnership (PPP)

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

STATEMENT OF ACCOUNTING POLICIES

Exceptional Items

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

Significant Estimation Techniques

The Council's Consolidated Balance Sheet at 31 March 2003 includes various provisions totalling £31.116m. These provisions have been calculated using the undernoted estimation techniques.

Bad Debt Provisions

Non Domestic Rates – the provision of £1.392m has been calculated by applying a fixed percentage to each year's outstanding debt.

Community Charge – the provision of £5.269m has been calculated by projecting future collection levels based on the actual collection achieved in 2002/2003.

Council Tax - the provision of £11.384m (which also includes an abatement provision in respect of exemptions and discounts) has been calculated by projecting future collection levels based on the actual collection achieved in 2002/2003.

Statutory Additions - the provision of £2.021m has been calculated by applying the overall percentage relating to the various charge elements (ie Non Domestic Rates, Community Charge and Council Tax) to which the Statutory Addition was applied.

Miscellaneous Invoiced Debt – the provision of £1.318m has been calculated by applying non-collection rates to an aged debt analysis. The percentage increases according to the age of the debt. Higher percentages are also applied to types of debt which have proven difficult to collect.

Housing Rents - the provision of £0.616m 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 £0.987m has been calculated by applying an anticipated non-collection rate to the total debt.

Other Provisions

Non Domestic Rates – a provision is required for potential loss of income arising from the settlement of valuation appeals. The provision of £2.308m is based on the value of appeals outstanding and an estimate of the percentage that will be successful.

Insurance – a provision is required to meet self-insured losses. The provision of £5.721m is based on the outstanding value of unsettled claims, considered in conjunction with aggregate stop-loss arrangements within the Council's insurance cover.

Dundee Contract Services – a provision is required in respect of potential future losses on on-going contracts. The provision of £0.100m has been calculated by identifying projects for which interim valuations are received and then forecasting final values and costs. Where the forecast loss exceeds the loss already reflected in the accounts, a provision is made for the difference.

Prior Period Adjustments

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

CONSOLIDATED REVENUE ACCOUNT

2001/2002		2002/2003			
Actual Net Expenditure/ (Income) £000		Actual Gross Expenditure £000	Actual Income £000	Actual Net Expenditure/ (Income) £000	Budgeted Net Expenditure/ (Income) £000
Council Services					
88,407	Education	106,693	(8,659)	98,034	98,925
46,574	Social Work	73,005	(18,675)	54,330	56,152
14,202	Planning & Transportation (incl Car Parks)	23,638	(8,229)	15,409	15,075
7,843	Economic Development	17,197	(9,928)	7,269	6,858
-	Leisure & Arts	18,134	(3,566)	14,568	14,416
12,706	Leisure & Parks	-	-	-	-
13,476	Environmental & Consumer Protection	18,539	(4,129)	14,410	14,960
10,091	Neighbourhood Resources & Development	15,894	(5,422)	10,472	10,843
3,964	Arts & Heritage	-	-	-	-
(241)	Central Support Services	-	(310)	(310)	(255)
5,187	Miscellaneous Services	10,748	(5,644)	5,104	5,510
3,720	Other Housing	4,370	(1,187)	3,183	3,356
-	DCS Ground Maintenance Client	2,658	(658)	2,000	2,111
14,545	Contribution to Tayside Joint Police Board	14,874	-	14,874	14,997
10,605	Contribution to Tayside Fire Joint Board	11,051	-	11,051	11,430
842	Contribution to Tayside Valuation Joint Board	882	-	882	882
2,842	Net Cost of Housing/Council Tax Benefits	62,489	(58,572)	3,917	3,082
2,945	Corporate and Democratic Core	3,422	(464)	2,958	2,986
1,204	Unapportionable Central Overheads	1,912	(117)	1,795	1,259
-	Contingencies and Unforeseen Items	-	-	-	7
238,912	Net Cost of General Fund Services	385,506	(125,560)	259,946	262,594
479	Housing Revenue Account	41,416	(42,057)	(641)	-
239,391	Net Cost of Services	426,922	(167,617)	259,305	262,594
Ref					
Note No					
(804)	Net Surplus on Statutory DLOs and DSOs			(1,077)	(870)
(313)	Share of Tayside Contracts Surplus			(315)	(250)
(14,225)	Net Income on Asset Management Revenue Account		5	(19,446)	(17,399)
(134)	Interest and Investment Income			(303)	(270)
223,915	Net Operating Expenditure		18	238,164	243,805
Appropriations					
(84)	Contribution to/(from) Renewal & Repair Fund			957	(185)
(5,504)	Contribution to/(from) Capital Financing Reserve			4,214	4,633
139	Contribution to/(from) Car Park Reserve			175	52
-	Contribution to/(from) DCS Reserve			106	-
218,466	Amount to be met from Government Grants and Local Taxpayers			243,616	248,305
Principal Sources of Finance					
(47,835)	Income from Council Tax			(47,828)	(49,429)
(198)	Income from Community Charge		14	(55)	-
(127,280)	Revenue Support Grant			(150,705)	(149,903)
(43,763)	Contribution from National Non-Domestic Rate Pool			(47,861)	(47,936)
(219,076)				(246,449)	(247,268)
(610)	(Surplus)/Deficit for the Financial Year			(2,833)	1,037
Balances					
(2,988)	Balances at 1 April 2002 (including DSM Balances)			(3,598)	(3,598)
(610)	Add (Surplus)/Deficit for the financial year			(2,833)	1,037
(3,598)	General Fund Balance at 31 March 2003			(6,431)	(2,561)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1 ACQUIRED AND DISCONTINUED OPERATIONS

In 2002/2003 there were no acquired or discontinued operations (2001/2002 None).

2 EXCEPTIONAL ITEMS

In 2002/2003 there were no exceptional items (2001/2002 income of £1,400,000 from a private company in exchange for the renunciation of a lease of one of the Council's factory units. This income was included in the Net Cost of Services - Economic Development in the Consolidated Revenue Account.)

3 EXTRAORDINARY ITEMS

In 2002/2003 there were no extraordinary items (2001/2002 None).

4 PRIOR PERIOD ADJUSTMENTS

In 2002/2003 there were no prior period adjustments (2001/2002 None).

5 TRANSACTIONS ON THE ASSET MANAGEMENT REVENUE ACCOUNT

2001/2002		2002/2003	
£000	Income	£000	£000
	Capital Charges		
(35,613)	- General Fund Services		(33,210)
(12,292)	- Housing Revenue Account		(12,201)
(760)	- DLO/DSO's (including Notional Interest on Stock Balances)		(513)
	Transfer from Government Grants/Capital Contributions		
(450)	Deferred Account		(540)
(49,115)			(46,464)
	Expenditure		
16,386	Provision for Depreciation/Impairment	8,723	
18,337	External Interest Charges (including Interest on Revenue Balances)	18,124	
167	Consolidated Loans Fund Expenses	171	
34,890			27,018
(14,225)	Balance to Consolidated Revenue Account		(19,446)

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

6 FINANCE AND OPERATING LEASES

Finance lease rental payments of £4,000 were made during 2002/2003 (2001/2002 £5,000), with an undischarged liability at 31 March 2003 of £16,000 (31 March 2002 £17,000).

Operating lease rental payments of £1,296,000 were made during 2002/2003 (2001/2002 £971,000), with an undischarged liability at 31 March 2003 of £6,315,000 (31 March 2002 £5,562,000). In addition, the Council operates a contract car hire scheme for its employees. In the financial year 2002/2003, total payments of £739,000 (2001/2002 £593,000) were made by the Council to the lessor, offset by contributions of £285,000 (2001/2002 £272,000), from employees. The total undischarged liability at 31 March 2003 was £842,000 (31 March 2002 £572,000).

7 TRADING OPERATIONS

Car Parks

The Council owns and operates off-street car parks and on-street parking spaces throughout the City. Car parking income of £2,537,300 was generated in 2002/2003 (2001/2002 £2,303,600). The net surplus was £548,800 for the year and this is included in the Net Cost of Services (Planning & Transportation) in the Consolidated Revenue Account (2001/2002 £363,400).

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

7 TRADING OPERATIONS (Contd)

Airport

Dundee Airport is owned and operated by the Council. Income from landing and service charges and sale of fuel was £935,300 in 2002/2003 (2001/2002 £598,900). The net deficit was £1,803,900 for the year and this is included in the Net Cost of Services (Economic Development) in the Consolidated Revenue Account (2001/2002 £1,595,900).

Laundrette

The Council owns one laundrette which is rented as a going concern to a private individual. Rental income of £3,600 was received in 2002/2003 (2001/2002 £1,350). This income is reflected in the Net Cost of Services (Economic Development) in the Consolidated Revenue Account.

8 PUBLICITY ACCOUNT

Section 5 of the Local Government Act 1986 requires local authorities to keep a separate account of expenditure on publicity. During 2002/2003 the Council incurred the expenditure shown below on publicity.

2001/2002 £000		2002/2003 £000
265	Employment Advertising	224
103	General Advertising	91
15	Special Promotional Events	-
<u>68</u>	Others	<u>29</u>
<u>451</u>		<u>344</u>

9 AGENCY ARRANGEMENTS

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

	2002/2003	
	Income £000	Expenditure £000
Education		
Special Education services to Angus Council	541	541
Social Work:		
Provision of Social Work services to NHS Tayside	3,483	3,483
Provision of Day Care services to Angus Council	<u>125</u>	<u>125</u>
	<u>3,608</u>	<u>3,608</u>
Economic Development		
Scottish Enterprise Tayside in respect of Skillseekers Initiative	27	6
Chief Executive		
New Deal projects	181	181
Support Services		
Crown and Procurator Fiscal Offices	<u>396</u>	<u>396</u>
TOTAL	<u>4,753</u>	<u>4,732</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

10 LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. Detailed below is the income and related expenditure arising from work that has been carried out under the Local Authority (Goods and Services) Act 1970 during the financial year 2002/2003.

	2002/2003	
	Income £000	Expenditure £000
Education		
Purchasing services to Perth & Kinross Council	13	13
Purchasing services and instrument repair services to Angus Council	15	15
Payroll services to Dundee College	<u>13</u>	<u>13</u>
	<u>41</u>	<u>41</u>
Neighbourhood Resources & Development		
Administration services to Communities Scotland	89	105
Dundee Contract Services		
Repairs and maintenance services to Housing Associations	364	321
Ground maintenance services to Housing Associations	<u>14</u>	<u>14</u>
	<u>378</u>	<u>335</u>
Finance		
Billing and Collection of Water Charges for Scottish Water Authority	<u>432</u>	<u>432</u>
TOTAL	<u>940</u>	<u>913</u>

11 PENSION COSTS

Teachers

The employer's contribution rate for 2002/2003 in respect of teachers' pensions was 6.9% (2001/2002 6.9%). In 2002/2003 the Council paid £6.3m (2001/2002 £5.8m) to the Scottish Public Pensions Agency in respect of teachers' pension costs which represents 12.9% of teachers' pensionable pay including 6% employee contribution (2001/2002 12.9%). In addition the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2002/2003 these amounted to £0.04m representing 0.08% of pensionable pay (2001/2002 £0.03m, 0.06%).

Other Employees

In 2002/2003 the Council paid an employer's contribution of £12.5m (2001/2002 £10.2m) into the Tayside Superannuation Fund, representing 14% of pensionable pay (2001/2002 12.2%). The contribution rate was determined by the Fund's Actuary based on the triennial actuarial valuation at 31 March 1999 with the resultant revised contribution rates effective from 1 April 2000. This incorporated stepped increases over the three years to 2002/2003. Under Superannuation Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund.

In addition the Council is responsible for all pension payments relating to added years' benefits it has awarded, together with the related increases. In 2002/2003 these amounted to £0.7m representing 0.9% of pensionable pay (2001/2002 £1.3m, 1.6%).

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

- a awarded in 2002/2003 - £0.184m (2001/2002 £0.592m)
- b awarded prior to 2002/2003 for which payments are still being made - £16.396m (2001/2002 £21.853m)

12 SSAP24 REQUIREMENTS

Other Employees

The pension costs that it would have been necessary to provide for in the year in accordance with Statement of Standard Accounting Practice 24 (Accounting for Pension Costs) are £12.5m, representing 14% of pensionable pay (2001/2002 £10.2m, 12.2%).

The transitional disclosures required under Financial Reporting Standard 17 (Retirement Benefits) are shown at Note 19 to the Consolidated Revenue Account and at Note 18 to the Consolidated Balance Sheet.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

13 SECTION 83 EXPENDITURE

Section 83 of the Local Government (Scotland) Act 1973 (amended by the Local Government (Scotland) Act 1994) provides a local authority with power to incur expenditure which, in their opinion, is in the interests of and will bring direct benefit to their area, or any part of it or all or some of their inhabitants and for which they have no other specific legal power. The expenditure under this section in any financial year shall not exceed the amount produced by multiplying £3.80 by the relevant population of the authority's area. In 2002/2003 the limit on spending is approximately £0.55m. During 2002/2003 the Council did not incur any expenditure under Section 83 of the Act (2001/2002 Nil).

14 COMMUNITY CHARGE INCOME

2001/2002 Actual £000		2002/2003 Actual £000
	Adjustments for Previous Year:	
(9)	Gross Charge	(5)
(9)	Net Charge	(5)
207	Released from Provision for Bad Debts	60
198	Total Community Charge Income	55

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

15 OFFICERS EMOLUMENTS

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

Number of Employees 2001/2002	Salary Banding	Number of Employees 2002/2003
33	£40,000 - £49,999	47
24	£50,000 - £59,999	22
6	£60,000 - £69,999	9
1	£70,000 - £79,999	1
-	£80,000 - £89,999	-
1	£90,000 - £99,999	-
-	£100,000 - £109,999	1

16 MEMBERS ALLOWANCES

The total amount of members' allowances paid, under the Local Authorities Etc (Allowances) (Scotland) Regulations 1995, for the year to 31 March 2003, was £386,385 (2001/2002 £371,678)

17 RELATED PARTIES

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

2001/2002			2002/2003		
Charges To £000	Charges From £000	Revenue	Charges To £000	Charges From £000	
1,492	2,724	Dundee Energy Recycling Limited	1,261	1,784	
Nil	Nil	Dundee Incubator Limited	Nil	Nil	
28	Nil	Dundee City Developments Limited	88	94	
28	Nil	Dundee Ice Arena Limited	96	142	
50	307	Dundee Contemporary Arts Limited	20	349	
Nil	Nil	Dundee Cultural Developments Limited	Nil	Nil	
Nil	682	Dovetail Enterprises (1993) Limited	27	699	
4	Nil	Tayside Cable Technologies Limited	20	Nil	

In 2002/2003, there were no other material transactions with any other related parties that are not already disclosed elsewhere in the Statement of Accounts.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

18 REVISED SERVICE EXPENDITURE ANALYSIS

The CIPFA Best Value Accounting Code of Practice 2002 (BVACoP) sets out a revised service expenditure analysis that should be followed in the preparation of the Consolidated Revenue Account. Where, however, a Council's internal management structure differs from the revised service expenditure analysis, it is permissible to disclose this information by way of a note to the accounts. Accordingly, the Consolidated Revenue Account reflects the City Council's management/department structure and the actual "Net Operating Expenditure" of £238.164m has been re-classified in line with the BVACoP as follows:

2001/2002 Actual Net Expenditure £000		2002/2003 Actual Net Expenditure £000
19,917	Central Services	15,447
20,433	Cultural & Related Services	20,984
93,930	Education Services	103,510
13,868	Environmental Services	14,596
6,744	Housing Services	6,294
8,258	Planning & Development Services	7,532
12,491	Roads & Transport Services	13,549
46,680	Social Work Services	54,448
<u>1,594</u>	Trading Services	<u>1,804</u>
<u>223,915</u>	Total Net Operating Expenditure	<u>238,164</u>

19 PENSION ASSETS AND LIABILITIES

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

The movement in the Council's pension liability during 2002/2003 can be analysed as follows:

	£000
Deficit at 1 April 2002	(12,204)
Current Service Cost	(11,345)
Employer Contributions	12,428
Past Service Costs	(184)
Net Return on Assets	3,372
Actuarial Losses	<u>(109,427)</u>
Deficit at 31 March 2003	<u>(117,360)</u>

The notional net revenue account charge for 2002/2003 is calculated as follows:

Operating Costs	£000
Current Service Cost	11,345
Past Service Cost	184
Gains/(Losses) on curtailment and settlement	-
Decrease in Irrecoverable Surplus	<u>-</u>
Total Operating Charge (A)	<u>11,529</u>
Expected Returns	
Expected Return on Employer Assets	27,994
Interest on Pension Scheme Liabilities	<u>(24,622)</u>
Net Return (B)	<u>3,372</u>
Net Revenue Account Cost (A) - (B)	<u>8,157</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

19 PENSION ASSETS AND LIABILITIES (Contd)

The history of experienced gains and losses is as follows:

	£000
Difference between the expected and actual return on assets	(94,226)
Value of assets	326,010
Percentage of assets	<u>(28.9%)</u>
Experience gains/(losses) on liabilities	(37,008)
Present value of liabilities	426,790
Percentage of the present value of liabilities	<u>(8.7%)</u>
Actuarial gains/(losses)	(109,427)
Present value of liabilities	426,790
Percentage of the present value of liabilities	<u>(25.6%)</u>

The traditional disclosures required under Statement of Standard Accounting Practice 24 (Accounting for Pension Costs) are shown at Note 12 to the Consolidated Revenue Account.

20 CENTRAL SUPPORT SERVICES MEMORANDUM ACCOUNT

The table below shows the outturn position for the Council's various Central Support Services. The gross expenditure is shown for each service, together with the various internal and external sources of income and the resultant net surplus for the financial year. The overall net surplus of £310,000 is included in the Consolidated Revenue Account.

2001/2002 Net Surplus £000	Central Support Service	Gross Expenditure £000	Recharges to Council Departments £000	Recharge to C & DC £000	Other Internal Income £000	External Income £000	Total Income £000	Net Surplus £000
(19)	Chief Executive (incl Corporate Planning)	655	(4)	(655)	-	(8)	(667)	(12)
(2)	Press Office (incl Dundee.Com)	355	(232)	(40)	-	(84)	(356)	(1)
(1)	Helpline	27	(26)	(1)	-	-	(27)	-
(63)	Personnel & Management Services	1,769	(1,501)	(179)	-	(117)	(1,797)	(28)
(44)	Information Technology	5,029	(4,583)	(37)	(217)	(254)	(5,091)	(62)
(71)	Administration & Legal Services	4,200	(2,464)	(1,221)	(418)	(200)	(4,303)	(103)
15	Architectural Services	4,030	(4,061)	-	-	-	(4,061)	(31)
<u>(56)</u>	Finance General	<u>4,985</u>	<u>(2,315)</u>	<u>(1,289)</u>	<u>(399)</u>	<u>(1,055)</u>	<u>(5,058)</u>	<u>(73)</u>
<u>(241)</u>		<u>21,050</u>	<u>(15,186)</u>	<u>(3,422)</u>	<u>(1,034)</u>	<u>(1,718)</u>	<u>(21,360)</u>	<u>(310)</u>

COUNCIL TAX INCOME ACCOUNT

2001/2002 £000		2002/2003 £000 £000	
61,280	Gross Charge		63,914
(4,201)	Deduct - Exemptions	(4,881)	
(46)	- Disabled Relief	(49)	
(7,245)	- Discounts	(7,532)	
<u>(11,492)</u>			<u>(12,462)</u>
49,788	Net Council Tax		51,452
(12,109)	Deduct - Rebates	(12,322)	
	- Less: Transferred to Consolidated Revenue Account		
<u>12,109</u>		<u>12,322</u>	
-			-
(12)	- MOD Properties		(11)
10	- Contribution Received		11
<u>(1,742)</u>	Provision for Bad Debts/Exemptions/Discounts		<u>(1,823)</u>
<u>48,044</u>	Total Council Tax Income for Current Financial Year		<u>49,629</u>
(892)	Adjustment to Previous Years' Council Tax		(1,044)
<u>683</u>	Adjustment to Previous Years' Provision for Bad Debts		<u>(757)</u>
<u>(209)</u>	Total Adjustments for Previous Years		<u>(1,801)</u>
<u>47,835</u>	Total Council Tax Income		<u>47,828</u>

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

1 COUNCIL TAX INCOME

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

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

The valuation bands and the fractions used in calculating the Council Tax payable for each valuation band are set out below, together with details of the 2002/2003 charges levied. Details of the calculation of the Council Tax base are shown below at Note 2.

<u>Council Tax</u> <u>Charge</u> <u>2001/2002</u> <u>£</u>	<u>Valuation</u> <u>Band</u>	<u>Property</u> <u>Valuation</u> <u>Range</u>	<u>Fraction</u> <u>of</u> <u>Band D</u>	<u>Council Tax</u> <u>Charge</u> <u>2002/2003</u> <u>£</u>
697.33	A	Up to £27,000	6/9	719.33
813.56	B	£ 27,001 - £ 35,000	7/9	832.99
929.78	C	£ 35,001 - £ 45,000	8/9	959.11
1,046.00	D	£ 45,001 - £ 58,000	9/9	1,079.00
1,278.44	E	£ 58,001 - £ 80,000	11/9	1,318.78
1,510.89	F	£ 80,001 - £106,000	13/9	1,558.56
1,743.33	G	£106,001 - £212,000	15/9	1,798.33
2,092.00	H	Over £212,000	18/9	2,158.00

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

2 CALCULATION OF THE COUNCIL TAX BASE 2002/2003

2001/2002

	Council Tax Base	A	B	C	D	E	F	G	H	TOTAL
71,320	Total Number of Properties	32,471	16,255	7,109	7,331	5,224	1,617	750	49	70,806
4,903	<u>Less</u> Exemptions/Deductions	3,216	743	406	207	152	35	8	17	4,784
<u>9,104</u>	<u>Less</u> Adjustment for Single Chargepayers	5,482	1,989	710	574	299	77	32	5	9,168
57,313	Effective Number of Properties	23,773	13,523	5,993	6,550	4,773	1,505	710	27	56,854
	Band D Equivalent Factor (Ratio)	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
47,388	Band D Equivalent Number of Properties	15,849	10,518	5,327	6,550	5,833	2,174	1,183	54	47,488
<u>12</u>	<u>Add</u> Contribution in lieu in respect of Class 18 dwellings (Band D equivalent)									<u>12</u>
47,400	NOMINAL TAX YIELD									47,500
<u>1,659</u>	<u>Less</u> Provision for Non-Collection 3.5%									<u>(1,662)</u>
<u>45,741</u>										<u>45,838</u>
	COUNCIL TAX BASE 2002/2003 (equivalent to a Band D Council Tax of £1,079)									

NON-DOMESTIC RATE INCOME ACCOUNT

2001/2002 £000		2002/2003 £000
70,246	Gross Rate Levied	71,721
896	Transitional Surcharge	700
<u>(5,153)</u>	Transitional Relief	<u>(2,318)</u>
65,989		70,103
	Deduct:	
(3,535)	Exemptions, Voids and Partially Occupied Properties	(4,093)
(986)	Disabled Relief	(1,024)
(4,356)	Other Reliefs, Charities, etc	(4,556)
(1,660)	Relieved on Appeal	(3,387)
<u>(2,679)</u>	Provision for Bad Debts/Abatements	<u>(1,257)</u>
<u>52,773</u>		<u>55,786</u>
	Adjustments to Previous Years:	
(91)	Interest on Overpaid Rates	(93)
<u>(1,847)</u>	Bad Debts/Abatements	<u>(140)</u>
<u>50,835</u>		<u>55,553</u>
	Allocated as follows:	
50,914	Contribution to National Non-Domestic Rate Pool	55,628
<u>(79)</u>	City Council Non-Domestic Rates	<u>(75)</u>
<u>50,835</u>		<u>55,553</u>
	National Non-Domestic Rate Pool:	
50,915	Contribution to National Non-Domestic Rate Pool	55,628
<u>43,842</u>	Contribution from National Non-Domestic Rate Pool	<u>47,936</u>
<u>7,073</u>	Net Contribution to National Non-Domestic Rate Pool	<u>7,692</u>

NOTES TO THE NON-DOMESTIC RATE INCOME ACCOUNT

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

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

A common non-domestic rate poundage (The Uniform Business Rate) is set by the Minister for Finance and Public Services for Scotland for each financial year. The rate poundage for 2002/2003 was 47.8p for properties with a rateable value of £10,000 and over and 45.8p for properties with a rateable value of less than £10,000.

2 RATEABLE SUBJECTS AND VALUES

2001	<u>Non-Domestic Rateable Subjects at 1 April</u>	2002
2,913	Commercial	2,884
713	Industrial	708
7	Public Utilities	7
<u>2,073</u>	Miscellaneous	<u>2,068</u>
<u>5,706</u>		<u>5,667</u>
2001 £000	<u>Non-Domestic Rateable Values at 1 April</u>	2002 £000
62,352	Commercial	63,132
23,341	Industrial	23,066
4,399	Public Utilities	4,342
<u>58,117</u>	Miscellaneous	<u>58,452</u>
<u>148,209</u>		<u>148,992</u>

HOUSING REVENUE ACCOUNT

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

2001/2002		2002/2003	
Actual		Actual	Budget
£000		£000	£000
<u>INCOME</u>			
40,122	Gross Rent Income - Dwellings	38,564	38,992
816	- Non-Dwellings	810	894
199	Interest on Revenue Balances	145	230
129	Housing Support Grant	221	120
<u>2,237</u>	Other Income	<u>2,317</u>	<u>2,269</u>
<u>43,503</u>		<u>42,057</u>	<u>42,505</u>
<u>EXPENDITURE</u>			
18,677	Repairs and Maintenance	18,857	17,251
8,747	Supervision and Management	8,789	9,489
13,703	Capital Financing Costs	11,875	13,589
<u>2,855</u>	Bad Debts and Voids	<u>1,895</u>	<u>2,176</u>
<u>43,982</u>		<u>41,416</u>	<u>42,505</u>
<u>479</u>	(Surplus)/Deficit Transferred To Consolidated Revenue Account	<u>(641)</u>	<u>-</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1 GROSS RENT INCOME

This is the total rent income for the year. Average annual rents charged were £42.14 per week in 2002/2003 (2001/2002 £40.75).

2 HOUSING STOCK

The Council was responsible for managing 17,035 dwellings as at 31 March 2003 (31 March 2002 17,641). The stock was made up as follows:

2002			2003	
Number	%		Number	%
4,151	23	Houses	4,003	23
11,980	68	Flats	11,567	68
<u>1,510</u>	<u>9</u>	Maisonettes	<u>1,465</u>	<u>9</u>
<u>17,641</u>	<u>100</u>		<u>17,035</u>	<u>100</u>
The change in housing stock during the year can be summarised as follows:				
19,682		Stock at 1 April	17,641	
(235)		Less: Sales	(295)	
(341)		Less: Demolitions etc	(311)	
<u>(1,465)</u>		Less: Ardler Stock Transfer	<u>-</u>	
<u>17,641</u>		Stock at 31 March	<u>17,035</u>	

3 RENT ARREARS AND BAD DEBTS

The amount of rent arrears written off at 31 March 2003 was £524,184 (31 March 2002 £475,855) which is equivalent to 1.36% (2001/2002 1.17%) of rent collectable from tenants. The provision for doubtful debts was reduced to £615,653 (2001/2002 £755,697).

Rent arrears at 31 March 2003 were £1,100,573 or 2.85% (31 March 2002 £1,425,057 or 3.52%) of rent collectable and this equated to an average rent arrears per house of £64.61 (2001/2002 £80.78). These figures are net of prepaid rents as at 31 March 2003.

4 EXCEPTIONAL OR PRIOR YEAR ITEMS

There are no exceptional or prior year items in 2002/2003 (2001/2002 None).

DIRECT LABOUR AND DIRECT SERVICE ORGANISATIONS REVENUE AND APPROPRIATION ACCOUNTS

		2002/2003				
2001/2002						
Actual	Defined Activity	Total	Total	(Surplus)/	Transfer	Appropriations:-
£000		Income	Expenditure	Deficit	to DCS	Contribution to
		£000	£000	£000	Reserve	General Fund
					£000	£000
(409)	Maintenance Work	(13,372)	12,735	(637)	106	531
(28)	Construction Work - Below £50,000	(575)	536	(39)	-	39
(178)	Construction Work - Above £50,000	(4,449)	4,329	(120)	-	120
(12)	Leisure Management	(3,703)	3,703	-	-	-
(2)	Parks - Defined Work	(4,749)	4,647	(102)	-	102
(1)	Parks - Non Defined Work	(1,459)	1,312	(147)	-	147
(93)	Refuse Collection	(3,773)	3,763	(10)	-	10
(53)	Other Cleaning	(3,023)	3,015	(8)	-	8
(28)	Cleaning of Buildings	(206)	192	(14)	-	14
(804)	Total	(35,309)	34,232	(1,077)	106	971

NOTES TO THE DIRECT LABOUR AND DIRECT SERVICE ORGANISATIONS REVENUE AND APPROPRIATION ACCOUNTS

1 PRESCRIBED FINANCIAL OBJECTIVE

The Council is required to break even in each financial year and for each type of work/defined activity, after meeting the following charges:

- a a notional capital financing charge of 6% on the value of fixed assets used by the DLO/DSO, including all assets acquired under financing leases,
- b depreciation charges based on the current value of all such assets which are liable to depreciation, and
- c a financing charge of 6% on stock balances held for the DLO/DSO.

The Council has met the prescribed financial objective for 2002/2003 for each type of work/defined activity.

2 CASH POSITION

The surpluses shown above have been calculated on a Capital Accounting basis ie reflecting notional interest and depreciation charges for the use of assets but excluding CFCR and interest on revenue balances. When these entries are reversed to re-state the accounts on a Historical Cost basis, the total surpluses generated by the DLO and DSO's in 2002/2003 are £1.203m (2001/2002 £1.364m).

3 FURTHER FINANCIAL DETAIL

More detailed information is contained in the Annual Reports and Accounts 2002/2003 for Dundee Contract Services and the DSO's. Copies of these reports can be obtained from the Director of Finance, Dundee City Council, Floor 4, 28 Crichton Street, Dundee, DD1 3RF.

CONSOLIDATED BALANCE SHEET

2002 £000		Ref Note No	£000	2003 £000	£000
	FIXED ASSETS				
	Operational Assets:				
215,190	Council Dwellings	1,2,7,9		213,344	
296,058	Other Land and Buildings	1,2,7,9		305,692	
14,399	Vehicles, Plant and Equipment	1,2,7,9		13,604	
44,799	Infrastructure Assets	1,2,7,9		49,159	
1,606	Community Assets	1,2,7,9		1,659	
<u>73,809</u>	Non-Operational Assets	1,2,7,9		<u>72,271</u>	
645,861					655,729
	DEFERRED CHARGES	3			
6,576	Improvement Grants			4,192	
<u>4,949</u>	Others			<u>5,277</u>	
11,525					9,469
5,775	LONG TERM INVESTMENTS	4,11			5,775
<u>8,854</u>	LONG TERM DEBTORS	5			<u>9,367</u>
672,015					680,340
	CURRENT ASSETS				
598	Stores and Work in Progress			645	
	Sundry Debtors:				
13,259	Government and EC Grants			8,305	
5,243	Rates due and unpaid		3,921		
<u>(1,496)</u>	less provision for Bad Debts		<u>(1,392)</u>	2,529	
6,460	Community Charge due and unpaid		5,818		
<u>(5,581)</u>	less provision for Bad Debts		<u>(5,269)</u>	549	
17,424	Council Tax due and unpaid		18,795		
<u>(9,210)</u>	less provision for Bad Debts		<u>(11,384)</u>	7,411	
2,809	Statutory Additions due and unpaid		3,114		
<u>(1,676)</u>	less provision for Bad Debts		<u>(2,021)</u>	1,093	
23,423	General Debtors		28,268		
<u>(2,469)</u>	less provision for Bad Debts		<u>(2,921)</u>	25,347	
388	Short Term Investments			293	
-	Short Term Lending			13,100	
4	Girobank Account			4	
<u>81</u>	Advances for Petty Outlays			<u>84</u>	
<u>49,257</u>				<u>59,360</u>	
	LESS CURRENT LIABILITIES				
(4,470)	Sundry Creditors: Government Grants			(5,437)	
(4,548)	Loans Fund Interest etc			(4,437)	
(20,810)	General Creditors			(26,375)	
(30,516)	Borrowing Repayable on Demand or Within 12 Months	12		(19,290)	
<u>(15,864)</u>	Bank Overdraft			<u>(21,296)</u>	
<u>(76,208)</u>				<u>(76,835)</u>	
<u>(26,951)</u>					<u>(17,475)</u>
645,064	Total Assets Less Net Current Liabilities				662,865
(257,452)	Borrowing Repayable within a Period in Excess of 12 Months	12		(264,935)	
(1,826)	Deferred Liabilities	6/8		(1,531)	
(9,184)	Provisions	13		(8,129)	
<u>(29,430)</u>	Government Grants/Capital Contributions Deferred			<u>(33,046)</u>	
<u>(297,892)</u>					<u>(307,641)</u>
<u>347,172</u>	Net Assets	10			<u>355,224</u>
	Financed By				
3,279	Reserves: Renewal and Repair Fund			4,352	
126	Dundee Contracts Reserve			237	
915	Insurance Fund			399	
531	Car Park Reserve			721	
219,632	Fixed Asset Restatement Reserve			202,305	
<u>119,091</u>	Capital Financing Reserve			<u>140,779</u>	
343,574					348,793
<u>3,598</u>	Accumulated Surpluses: General Fund	15			<u>6,431</u>
<u>347,172</u>					<u>355,224</u>

David K Dorward, CPFA
Director of Finance
Dundee City Council
23 June 2003

NOTES TO THE CONSOLIDATED BALANCE SHEET

1 SUMMARY OF CAPITAL EXPENDITURE AND DISPOSALS

	Council Dwellings	Other Land & Buildings	Operational Equipment	Infrastructure Assets	Community Assets	Sub Total Operational Assets	Non Operational Assets	Grand Total
	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value at 31 March 2002	215,190	303,494	35,517	58,596	1,606	614,403	76,490	690,893
Accumulated Depreciation & Impairment	-	(7,436)	(21,118)	(13,797)	-	(42,351)	(2,681)	(45,032)
Net Book Value at 31 March 2002	215,190	296,058	14,399	44,799	1,606	572,052	73,809	645,861
Movements in 2002/2003:								
Expenditure	12,168	6,056	2,297	6,269	1,331	28,121	6,309	34,430
Disposals	(3,969)	(283)	(40)	-	-	(4,292)	(3,413)	(7,705)
Depreciation	-	(2,810)	(3,014)	(2,734)	-	(8,558)	(165)	(8,723)
Revaluations/Other Adjustments	(10,045)	6,671	(38)	825	(1,278)	(3,865)	(4,269)	(8,134)
Net Book Value at 31 March 2003	213,344	305,692	13,604	49,159	1,659	583,458	72,271	655,729
Analysis of Net Book Value at 31 March 2003:								
Gross Book Value	213,344	315,938	37,736	65,690	1,659	634,367	75,117	709,484
Less Accumulated Depreciation & Impairment	-	(10,246)	(24,132)	(16,531)	-	(50,909)	(2,846)	(53,755)
Net Book Value	213,344	305,692	13,604	49,159	1,659	583,458	72,271	655,729

2 SOURCES OF FINANCE FOR CAPITAL EXPENDITURE

2001/2002 £000		2002/2003 £000	2002/2003 £000
28,846	Capital Expenditure on Fixed Assets	34,430	
3,989	Deferred Charges	2,311	
150	Long-Term Investments	-	
<u>668</u>	Long-Term Debtors	<u>228</u>	
<u>33,653</u>	Capital to be Financed for the year		<u>36,969</u>
	Financed by:		
20,116	Loan	14,844	
6,545	Capital Receipts (incl Insurance)	12,819	
3,970	Government Grants/Capital Contributions	7,518	
1,223	Receipts in respect of Deferred Charges	1,151	
349	Receipts from Long-Term Debtors	493	
2,345	Revenue	2,290	
<u>(895)</u>	Net Change in Capital Accruals	<u>(2,146)</u>	
<u>33,653</u>	Total Capital Financing for the year		<u>36,969</u>

3 MOVEMENT IN DEFERRED CHARGES

2001/2002 £000		2002/2003 £000	2002/2003 £000
10,549	Value as at 1 April 2002		11,525
<u>4,565</u>	Add: Additions		<u>2,311</u>
15,114			13,836
(1,223)	Less: Receipts	(1,151)	
(2,366)	Write-Downs	(2,135)	
-	Adjustment re Ardler New Housing Partnership	<u>(1,081)</u>	
<u>(3,589)</u>			<u>(4,367)</u>
<u>11,525</u>	Value as at 31 March		<u>9,469</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

4 LONG TERM INVESTMENTS

As at 31 March 2002 £000		As at 31 March 2003 £000
5,063	Dundee Energy Recycling Limited (DERL) (Loan)	5,063
500	Dundee City Developments Limited (Loan)	500
62	Dundee Incubator Limited	62
<u>150</u>	Tayside Cable Technologies Limited	<u>150</u>
<u>5,775</u>		<u>5,775</u>

Marketable securities held by the Council's Insurance Fund have been re-classified as Short Term Investments in the Consolidated Balance Sheet. For consistency and comparison purposes the opening Balance Sheet has also been adjusted to reflect this re-classification. The value of these securities, after deducting a provision for loss in value, was £388,241 at 31 March 2002 and £293,124 at 31 March 2003.

5 LONG TERM DEBTORS

As at 31 March 2002 £000		As at 31 March 2003 £000
1,863	Mortgages/Repairs Notices	1,642
6,252	Joint Boards for Capital Expenditure	7,040
<u>739</u>	Other Loans	<u>685</u>
<u>8,854</u>		<u>9,367</u>

6 COMMITMENTS UNDER CAPITAL CONTRACTS

The Council has authorised for inclusion in its Capital Estimates some £61.0m of Capital Expenditure to be incurred in 2003/2004 and beyond. Of this expenditure £9.4m is legally committed under contract and a further £51.6m relates to schemes with committee approval to commence in 2003/2004 and beyond but for which contracts have not yet been entered into.

The Council has two "Covenant" arrangements with a consortium of banks. These Covenants were entered into to allow capital expenditure to be carried out on Council projects with funding provided by the Banks so that the expenditure did not require to count against the Council's Section 94 Capital Consent at the time of being incurred. The amounts required to count against the Council's Section 94 Consent are determined as being the amounts of principal repaid to the lenders in each year and as at 31 March 2003 an undischarged liability of £2.2m existed in respect of these Covenants (being £1.5m deferred liability and £0.7m loans outstanding).

7 INFORMATION ON ASSETS HELD

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

Number as at 31 March 2002		Number as at 31 March 2003
17,641	Council Dwellings	17,035
	Operational Land and Buildings	
46	Office Buildings	47
70	Schools	72
11	Sports Centres and Swimming Pools	11
30	Residential Homes and Care Centres	30
11	Neighbourhood Centres	11
57	Sports Pavilions	57
7	Airport Buildings	7
33	Off Street Car Parks	34
15	Public Conveniences	15
13	Libraries	13
7	Museums and Galleries	7
19	Cemetery Buildings	19
1	District Court	1
<u>155</u>	Miscellaneous Buildings	<u>154</u>
<u>475</u>		<u>478</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

7 INFORMATION ON ASSETS HELD (Contd)

Number as at 31 March 2002		Number as at 31 March 2003
	Community Assets	
21	Parks and Community Land	21
11	Cemeteries (Land only)	17
14	Museum/Library Collections	14
<u>1</u>	Monuments	<u>1</u>
<u>47</u>		<u>53</u>
	Non-Operational Assets	
481	Shops, Offices, Industrial Units and Commercial Property	487
227	Non-Operational Land	224
4	Assets Under Construction	8
<u>87</u>	Other Non-Operational Assets	<u>87</u>
<u>799</u>		<u>806</u>
476	Infrastructure Assets	528
1,505	Vehicles, Plant and Equipment	1,352

8 ASSETS HELD UNDER FINANCE LEASES

As at 31 March 2003 the gross book value of assets held under finance lease was £17,000 (31 March 2002 £17,000). Accumulated depreciation on these assets was £3,000 (31 March 2002 Nil). The undischarged liability relating to the principal element of the lease was £12,000 (31 March 2002 £13,000) and this is included as a deferred liability in the Consolidated Balance Sheet.

9 VALUATION OF THE COUNCIL'S ASSETS

Council houses are re-valued annually on the basis of right-to-buy sales values pertaining to that year.

The Council's other property related assets were re-valued as at 1 April 1999 (the quinquennial revaluation). The Council has adopted a rolling programme of revaluation and as a result all property related assets held on the following accounts were revalued as at 31 March 2003: Dundee Contract Services, Economic Development, Environmental & Consumer Protection, Housing, Neighbourhood Resources & Development, Other Housing, Support Services. The quinquennial revaluation exercise and the rolling programme of revaluation were carried out by a team of staff from the Council's Economic Development Department led by Mr John Rough MRICS and conducted in accordance with The Royal Institution of Chartered Surveyors Appraisal and Valuation Manual (the "Red Book"). Each valuer was either a Fellow or Professional Associate of the Royal Institution of Chartered Surveyors (RICS).

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

	Council Dwellings £000	Other Land & Buildings £000	Operational Equipment £000	Infrastructure Assets £000	Non Operational Assets £000	Grand Total £000
Valued at Historical Cost	-	-	14,389	44,018	-	58,407
Valued at Current Value in:						
2001/2002	-	830	3,591	1,750	-	6,171
2002/2003	213,344	12,578	3,176	-	47,602	276,700
Total	213,344	13,408	21,156	45,768	47,602	341,278

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

9 VALUATION OF THE COUNCIL'S ASSETS (Contd)

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

Since 1 April 2000, Dundee City Council has been required to comply with the requirements of Financial Reporting Standard 15 (Tangible Fixed Assets). One of the main requirements of FRS15 is that depreciation should be provided for all assets, which are considered to have a finite useful life, where this can be estimated with reasonable certainty at the time of acquisition/revaluation. Depreciation does not have to be provided for land, non-operational investment properties and assets under construction. The only legitimate grounds for not charging depreciation is that the depreciation charge would be immaterial. Depreciation may be immaterial because of very long useful economic lives (more than 50 years) or high residual values.

The straight-line method of depreciation is used by Dundee City Council and the total depreciation charge for 2002/2003 is £8,722,681. No depreciation is charged in the year of acquisition but a full year's charge is made in the year of disposal.

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

Investment properties are not subject to depreciation but are required to be re-valued annually. The decrease in balance sheet values in 2002/2003 due to the revaluation of investment properties is £2,967,641.

Dundee City Council is also required to comply with Financial Reporting Standards 11 (Impairment of Fixed Assets and Goodwill). One of the main requirements of FRS11 is that an impairment review of fixed assets should be carried out if events or changes in circumstances indicate that the carrying amount of the fixed assets may not be recoverable. During 2002/2003, there were no assets which were subject to impairment.

10 ANALYSIS OF NET ASSETS EMPLOYED

As at 31 March 2002 £000		As at 31 March 2002 £000	
226,439	General Fund	234,178	
117,865	Housing Revenue Account	118,201	
<u>2,868</u>	Dundee Contract Services/DSO's	<u>2,845</u>	
<u>347,172</u>	Total	<u>355,224</u>	

11 INVESTMENTS IN RELATED COMPANIES

Dundee Energy Recycling Limited

Dundee City Council has a sum of £5.063m invested in Dundee Energy Recycling Limited (DERL), a special purpose company established in order to build, own and operate a new Waste-to-Energy Plant at Baldovie, Dundee. This investment is in the form of an interest free loan which is repayable to the Council in 17 years time. The Council owned 40% of the £100 Ordinary Share Capital of DERL at 31 March 2003 (40% at 31 March 2002). The Company also has £150,000 Preference Share Capital as at 31 March 2003, none of which are held by the Council. Dundee City Council currently has two officers as Directors on the Board of DERL (the total number of Directors is six). The completed plant was taken over from the construction contractor on 31 March 2000. On the same date, a 20 year contract commenced between the Council and DERL for the disposal of domestic refuse. The DERL project was developed under the Private Finance Initiative (PFI).

NOTES TO THE CONSOLIDATED BALANCE SHEET

11 INVESTMENTS IN RELATED COMPANIES (Contd)

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

<u>31.12.2000</u>		<u>31.12.2001</u>
<u>(Audited)</u>		<u>(Audited)</u>
<u>£000</u>		<u>£000</u>
(2,541)	Profit/(Loss) Before Taxation	(5,178)
(2,541)	Profit/(Loss) After Taxation	(5,178)
-	Dividends Paid	-
(2,241)	Net Assets (Represented by Share Capital and Reserves)	(7,419)

DERL's accounts for the year ended 31 December 2001 have been audited and were given a qualified opinion arising from a limitation in audit scope. Copies of DERL's statutory audited accounts can be obtained from the Director of Finance, Dundee City Council, Floor 4, 28 Crichton Street, Dundee, DD1 3RF.

Dundee Incubator Limited

Dundee Incubator Limited was established in 1997, as a private limited company with share capital, to provide accommodation and support to client companies. The Council owned 20.5% of its £300,000 Ordinary Share Capital at 31 March 2003 (20.5% at 31 March 2002). The Board of the Company consists of six Directors and Dundee City Council currently has one officer on the Board. The investment of £61,500 is valued at cost in the Consolidated Balance Sheet.

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

<u>31.3.2002</u>		<u>31.3.2003</u>
<u>(Audited)</u>		<u>(Unaudited)</u>
<u>£000</u>		<u>£000</u>
(60)	Profit/(Loss) Before Taxation	(5)
(60)	Profit/(Loss) After Taxation	(5)
-	Dividends Paid	-
74	Net Assets (Represented by Share Capital and Reserves)	69

Copies of Dundee Incubator Limited's statutory audited accounts can be obtained from the Director of Finance, Dundee City Council, Floor 4, 28 Crichton Street, Dundee, DD1 3RF.

Tayside Cable Technologies Limited

Tayside Cable Technologies was established in 2001 as a private limited company with share capital in order to continue operation in Dundee developing and manufacturing data cabling for industrial and commercial use. The Council owned 19.9% of its £104,666 Ordinary Share Capital as at 31 March 2003 (19.9% at 31 March 2002). Dundee City Council has also invested £129,200 in unsecured loan notes of the company and has provided an additional loan of £100,000. Dundee City Council does not currently have any member or officer appointed to the board.

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

<u>30.09.2001</u>		<u>31.09.2002</u>
<u>(N/A)</u>		<u>(Unaudited)</u>
<u>£000</u>		<u>£000</u>
-	Profit/(Loss) Before Taxation	(332)
-	Profit/(Loss) After Taxation	(332)
-	Dividends Paid	-
-	Net Assets (Represented by Share Capital and Reserves)	(142)

Copies of Tayside Cable Technologies Limited audited accounts can be obtained when available from the Director of Finance, Dundee City Council, Floor 4, 28 Crichton Street, Dundee DD1 3RF.

Dundee City Developments Limited

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

11 INVESTMENTS IN RELATED COMPANIES (Contd)

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

<u>30.04.2001</u>		<u>30.04.2002</u>
<u>(Audited)</u>		<u>(Audited)</u>
<u>£000</u>		<u>£000</u>
18	Profit/(Loss) Before Taxation	42
17	Profit/(Loss) After Taxation	37
-	Dividends Paid	-
(7)	Net Assets (Represented by Share Capital and Reserves)	30

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

12 ANALYSIS OF BORROWING

Long Term Borrowing

Debt Outstanding at 31 March 2002 £000	Analysis of Loans by Source	Debt Outstanding at 31 March 2003 £000	Range of Interest Rates %
	Long Term:		
238,274	Public Works Loan Board	249,374	2.5 to 14.0
8,478	European Investment Bank	4,861	3.46 to 8.55
10,000	Market - Long Term	10,000	4.8125 to 5.0
<u>700</u>	Covenant - Parallel Loan	<u>700</u>	4.2155 to 8.7825
<u>257,452</u>		<u>264,935</u>	
	Analysis of Loans by Maturity:		
4,017	Between 1 - 2 years	1,157	
4,598	Between 2 - 5 years	4,755	
15,702	Between 5 - 10 years	17,541	
<u>233,135</u>	More than 10 years	<u>241,482</u>	
<u>257,452</u>		<u>264,935</u>	

Short Term Borrowing

Debt Outstanding at 31 March 2002 £000	Analysis of Loans by Source	Debt Outstanding at 31 March 2003 £000
	Long Term Loans Repayable Within One Year:	
2,557	Public Works Loan Board	400
<u>387</u>	European Investment Bank	<u>3,617</u>
2,944		4,017
	Short Term Loans:	
14,708	Temporary Market Loans	845
	Temporary Advances from Other Accounts:	
4,711	Common Good Fund & Charitable Trust Funds	4,832
<u>8,153</u>	Superannuation Funds	<u>9,596</u>
<u>12,864</u>		<u>14,428</u>
<u>30,516</u>		<u>19,290</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

13 PROVISIONS OTHER THAN BAD DEBTS

Rating Income

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

Self-Insured/Uninsured Losses

As part of the Council's Risk Management policy, certain categories of risk are not covered through a conventional insurance policy with an insurance company. In these circumstances the Council has a self-insurance arrangement which makes provision against potentially material risks. The Council has decided not to insure itself either through self-insurance or an insurance company against the theft of contents from Council premises.

The provision disclosed 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.

Dundee Contract Services

A provision has been made in respect of potential future losses on on-going contracts.

<u>Provision Movements 2002/2003</u>	Balance as at 1 April 2002 £000	Movements in Provisions 2002/2003 £000	Balance as at 31 March 2003 £000
Rating Income - Abatements	3,404	(1,096)	2,308
Self-Insured/Uninsured Losses - Tayside Regional Council	907	(17)	890
- Dundee District Council	1,891	5	1,896
- Dundee City Council	2,982	(47)	2,935
Dundee Contract Services - Potential Future Losses on Contracts	-	100	100
	<u>9,184</u>	<u>(1,055)</u>	<u>8,129</u>

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.

14 CONTINGENT ASSETS & LIABILITIES

No contingent assets or liabilities existed at 31 March 2003 (31 March 2002 Nil).

15 DSM SCHOOLS

Included in the General Fund Balance of £6.431m is £0.207m (31 March 2002 £0.186m) in respect of schools participating in the Devolved School Management Scheme. These surplus funds are earmarked for the individual schools where underspends occurred in previous financial years.

16 RELATED PARTIES

The following represents material indebtedness to/from the Council at 31 March 2003 with the following Companies:

2001/2002			2002/2003	
Charges To £000	Charges From £000	Revenue	Charges to £000	Charges From £000
55	41	Dundee Energy Recycling Limited	106	84
Nil	Nil	Dundee Incubator Limited	Nil	Nil
53	Nil	Dundee City Developments Limited	70	1
17	Nil	Dundee Ice Arena Limited	74	57
130	56	Dundee Contemporary Arts Limited	99	28
25	1	Dundee Cultural Developments Limited	Nil	Nil
400	Nil	Dovetail Enterprises (1993) Limited	401	61
104	Nil	Tayside Cable Technologies Limited	8	Nil

NOTES TO THE CONSOLIDATED BALANCE SHEET

17 EURO COSTS

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

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

18 PENSION ASSETS AND LIABILITIES

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

The Council's assets and liabilities amounted to:

31 March 2002		31 March 2003
£000		£000
394,956	Share of assets in Tayside Superannuation Fund	326,010
<u>(384,715)</u>	Estimated liabilities in Tayside Superannuation Fund	<u>(426,790)</u>
10,241	Net assets/(liabilities) in Tayside Superannuation Fund	(100,780)
<u>(22,445)</u>	Estimated liabilities for discretionary pensions	<u>(16,580)</u>
<u>(12,204)</u>	Net Pension Liabilities	<u>(117,360)</u>

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

31 March 2002		31 March 2003
£000		£000
317,957	Equity investments	219,441
34,884	Bonds	63,164
27,199	Property	31,559
<u>14,916</u>	Cash	<u>11,846</u>
<u>394,956</u>		<u>326,010</u>

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

2002/2003		2003/2004
7.5%	Equities	8.0%
5.5%	Bonds	4.8%
6.0%	Property	6.0%
4.0%	Cash	4.0%

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

2001/2002		2002/2003
2.8%	rate of inflation	2.5%
4.3%	rate of increase in salaries	4.0%
2.8%	rate of increase in pensions	2.5%
6.4%	rate of discounting scheme liabilities	6.1%

The traditional disclosures required under Statement of Standard Accounting Practice 24 (Accounting for Pension Costs) are shown at Note 12 to the Consolidated Revenue Account.

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	Fixed Asset Restatement Reserve			Capital Financing Reserve		
	General Fund £000	HRA £000	Total £000	General Fund £000	HRA £000	Total £000
CAPITAL RESERVES						
Balance as at 1 April 2002	195,012	24,620	219,632	26,750	92,341	119,091
Unrealised Gains/(Losses) on Revaluation of Fixed Assets	(1,540)	(8,082)	(9,622)	-	-	-
Disposal of Fixed Assets (Net Book Value)	(3,736)	(3,969)	(7,705)	-	-	-
Capital Receipts (Disposal Proceeds)	-	-	-	-	-	-
Transfer Capital Receipts Applied	-	-	-	4,491	4,096	8,587
Other Capital Receipts	-	-	-	6,505	1,788	8,293
Financing of Fixed Assets (CFCR)	-	-	-	1,696	594	2,290
Excess of Principal Repayments over Depreciation etc	-	-	-	(2,717)	5,235	2,518
Balance as at 31 March 2003	<u>189,736</u>	<u>12,569</u>	<u>202,305</u>	<u>36,725</u>	<u>104,054</u>	<u>140,779</u>

	Usable Capital Receipts Reserve			Total Capital Reserves £000
	General Fund £000	HRA £000	Total £000	
CAPITAL RESERVES Contd				
Balance as at 1 April 2002	-	-	-	338,723
Unrealised Gains/(Losses) on Revaluation of Fixed Assets	-	-	-	(9,622)
Disposal of Fixed Assets (Net Book Value)	-	-	-	(7,705)
Capital Receipts (Disposal Proceeds)	4,491	4,096	8,587	8,587
Transfer Capital Receipts Applied	(4,491)	(4,096)	(8,587)	-
Other Capital Receipts	-	-	-	8,293
Financing of Fixed Assets (CFCR)	-	-	-	2,290
Excess of Principal Repayments over Depreciation etc	-	-	-	2,518
Balance as at 31 March 2003	<u>-</u>	<u>-</u>	<u>-</u>	<u>343,084</u>

	Renewal & Repair Fund £000	Car Park Reserve £000	Dundee Contract Services Reserve £000	Insurance Fund Reserve £000	General Fund £000	Total Revenue Reserves £000
REVENUE RESERVES						
Balance as at 1 April 2002	3,279	531	126	915	3,598	8,449
Net Surplus/(Deficit) for Year	-	-	-	(644)	2,833	2,189
Interest on Revenue Balances	116	15	5	128	-	264
Transfer (to)/from Consolidated Revenue Account	<u>957</u>	<u>175</u>	<u>106</u>	<u>-</u>	<u>-</u>	<u>1,238</u>
Balance as at 31 March 2003	<u>4,352</u>	<u>721</u>	<u>237</u>	<u>399</u>	<u>6,431</u>	<u>12,140</u>

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

EXPLANATION OF RESERVES

Fixed Asset Restatement Reserve

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

Capital Financing Reserve

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

Usable Capital Receipts Reserve

Income from the sale of assets is credited initially to this reserve. Thereafter, the proportion applied to fund new capital expenditure, and thus reduce borrowing, is transferred to the Capital Financing Reserve.

Renewal and Repair Fund

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

Car Park Reserve

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

Dundee Contract Services Reserve

This reserve was inherited from the former Dundee District Council and is available to fund any future trading deficits of Dundee Contract Services.

Insurance Fund Reserve

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

General Fund

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

CASH FLOW STATEMENT

2001/2002 £000		2002/2003 £000 £000
	REVENUE ACTIVITIES	
	<i>Cash Outflows:</i>	
169,753	Cash Paid To and On Behalf of Employees	179,773
127,843	Other Operating Cash Payments	132,494
20,460	Housing Benefits Paid Out	24,624
<u>61,458</u>	Non-Domestic Rate Payments to National Pool	<u>54,487</u>
379,514		391,378
	<i>Cash Inflows:</i>	
(18,124)	Rents (After Rebates)	(18,125)
(34,928)	Council Tax Income	(36,469)
(633)	Community Charge Income	(385)
(43,763)	Non-Domestic Rate Receipts from National Pool	(47,936)
(51,312)	Non-Domestic Rate Receipts	(55,675)
(127,884)	Revenue Support Grant	(150,101)
(56,963)	DWP Grant (Benefits Subsidy)	(59,308)
(14,693)	Other Government Grants	(18,032)
(25,449)	Cash Received for Goods & Services	(27,292)
<u>(22,030)</u>	Other Operating Cash Receipts	<u>(25,022)</u>
<u>(395,779)</u>		<u>(438,345)</u>
(16,265)	<i>Net Cash (Inflow) From Revenue Activities</i>	(46,967)
	DIVIDENDS FROM JOINT VENTURES & ASSOCIATES	
	<i>Cash Inflows:</i>	
-	Dividends Received	-
	RETURNS ON INVESTMENTS & SERVICING OF FINANCE	
	<i>Cash Outflows:</i>	
19,090	Interest Paid	18,577
	<i>Cash Inflow:</i>	
<u>(837)</u>	Interest Received	<u>(931)</u>
18,253		17,646
	CAPITAL ACTIVITIES	
	<i>Cash Outflows:</i>	
26,421	Purchase of Fixed Assets (Non Revenue)	30,821
2,752	Purchase of Fixed Assets (From Revenue)	3,001
53	Purchase of Long Term Investments (From Revenue)	-
4,628	Creation of new Deferred Charges and Long-Term Debtors (Non Revenue)	3,665
<u>50</u>	Creation of new Deferred Charges and Long-Term Debtors (From Revenue)	<u>28</u>
33,904		<u>37,515</u>
	<i>Cash Inflows:</i>	
(6,565)	Sale of Fixed Assets and Insurance Receipts	(10,568)
(3,501)	Capital Grants/Contributions etc Received	(7,308)
<u>(1,572)</u>	Receipts in respect of Deferred Charges and Long-Term Debtors	<u>(1,732)</u>
<u>(11,638)</u>		<u>(19,608)</u>
22,266		17,907
	ACQUISITIONS & DISPOSALS	
	<i>Cash Outflows:</i>	
150	Investments in Associates or Joint Ventures	-
	<i>Cash Inflows:</i>	
<u>-</u>	Sale of Investments in Associates or Joint Ventures	<u>-</u>
150		-
	MANAGEMENT OF LIQUID RESOURCES	
-	Net Increase/Decrease in Short-Term Deposits	-
<u>(5,450)</u>	Net Increase/Decrease in Other Liquid Resources	<u>13,100</u>
<u>(5,450)</u>		<u>13,100</u>
18,954	<i>Net Cash Outflow Before Financing</i>	1,686
	FINANCING	
	<i>Cash Outflows:</i>	
96,951	Repayments of Amounts Borrowed	43,178
	<i>Cash Inflows:</i>	
(7,616)	New Long-Term Loans Raised	(11,500)
<u>(107,737)</u>	New Short Term Loans Raised	<u>(27,935)</u>
<u>(115,353)</u>		<u>(39,435)</u>
<u>(18,402)</u>		<u>3,743</u>
<u>552</u>	<i>Net Decrease in Cash</i>	<u>5,429</u>

NOTES TO THE CASH FLOW STATEMENT

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

2001/2002		2002/2003	
£000		£000	£000
610	Surplus/(Deficit) for the year		2,833
	<u>Non-cash Transactions</u>		
1,458	Other adjustments	839	
(892)	Contributions (from)/to reserves	857	
566			1,696
	<u>Items on an Accruals Basis</u>		
73	(Increase)/decrease in stores and work in progress	(47)	
(13,290)	(Increase)/decrease in debtors	4,024	
(3,835)	Increase/(decrease) in creditors	5,934	
(17,052)			9,911
	<u>Items Classified Elsewhere in the Cash Flow Statement</u>		
18,504	Add loans fund interest charges	18,295	
2,345	Add fixed asset purchases from revenue	2,290	
12,076	Add loans fund principal repayments	12,736	
(784)	Less interest on revenue balances	(794)	
32,141			32,527
16,265	Net Cash Flow from Revenue Activities		46,967

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

2001/2002		2002/2003	
£000		£000	£000
(552)	(Decrease) in Cash in the Period	(5,429)	
(5,450)	Movement in Liquid Resources	13,100	
(18,402)	Reduction/(Increase) in Borrowing	3,743	
294	Reduction in Long-Term Liability	294	
(24,110)	Change in Net Debt		11,708
(281,450)	Opening Net Debt at 1 April		(305,560)
(305,560)	Closing Net Debt at 31 March		(293,852)

Analysis of Movement in Net Debt

	1 April 2002 £000	Cash Flows £000	Non Cash Changes £000	31 March 2003 £000
<i>Cash</i>				
Girobank Account	4	-	-	4
Advances for Petty Outlays	81	3	-	84
Bank Overdraft	(15,864)	(5,432)	-	(21,296)
	(15,779)	(5,429)	-	(21,208)
Liquid Resources *	-	13,100	-	13,100
<i>Borrowing</i>				
Short-Term Advances from Other Accounts	(12,864)	(1,564)	-	(14,428)
Short-Term Loans	(16,708)	15,863	-	(845)
Long-Term Loans Repayable within One Year	(944)	944	(4,017)	(4,017)
Long-Term Loans	(257,452)	(11,500)	4,017	(264,935)
	(287,968)	3,743	-	(284,225)
Covenant Deferred Liability	(1,813)	294	-	(1,519)
TOTAL NET DEBT	(305,560)	11,708	-	(293,852)

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

3 ANALYSIS OF GOVERNMENT GRANTS

2001/2002		2002/2003	
Actual		Actual	
£000		£000	
127,884	Revenue Support Grant	150,101	
8,472	Specific Grants	5,731	
63,184	Other Government Grants (incl DWP Grant)	72,204	
199,540		228,036	

GROUP ACCOUNTS

INTRODUCTION

The Accounting Code of Practice (ACOP) requires local authorities with (in aggregate) material interests in subsidiary and associated companies and joint ventures to prepare summarised Group Accounts as supplementary information. The local authority group is defined as the local authority and its interests in entities which would be regarded as its subsidiaries or associates or joint ventures if the local authority was subject to the Companies Act. The local authority group does not, however, include other local authorities or similar bodies (as defined in Section 106 of the Local Government Scotland Act 1973). The group financial statements comprise a Group Revenue Account and Group Balance Sheet, together with relevant supporting information.

Dundee City Council's interest in Dundee Energy Recycling Limited is considered to constitute a "joint venture" in terms of the ACOP. A joint venture is defined as "an interest on a long term basis in an entity and that entity is jointly controlled by the local authority and one or more other public or private sector entities under a contractual arrangement". Dundee City Council also has an interest in Dundee Incubator Limited and in Tayside Cable Technologies Limited which are classified as "associated companies". An associate company is defined by the ACOP as "an entity in which another entity has a "participating interest" and over whose operating and financial policies the investor exercises a significant influence". Participating Interest is defined in the ACOP as "an interest held in the shares of another entity on a long term basis for the purpose of securing a contribution". Companies Act legislation provides that an entity holding 20% or more of another entity should be presumed to exercise a significant influence.

DUNDEE ENERGY RECYCLING LIMITED

Dundee City Council has a sum of £5.063m invested in Dundee Energy Recycling Limited (DERL), a special purpose company established in order to build, own and operate a new Waste-to-Energy Plant at Baldovie, Dundee. This investment is in the form of an interest free loan which is repayable to the Council in 17 years time. The Council does not have any other loan to or from the Company. The Council owned 40% of the £100 Ordinary Share Capital of DERL at 31 March 2003 (40% at 31 March 2002). The Company also has £150,000 Preference Share Capital as at 31 March 2003. Dundee City Council currently has two officers as Directors on the Board of DERL (the total number of Directors is six). The completed plant was taken over from the construction contractor on 31 March 2000. On the same date, a 20 year contract commenced between the Council and DERL for the disposal of domestic refuse. The DERL project was developed under the Private Finance Initiative (PFI).

DERL's accounting period is to 31 December. The consolidation of DERL's accounts could not be carried out in 2002/2003 due to up to date financial information not being available. The Council's share of DERL'S performance is therefore excluded from the 2002/2003 Group Revenue Account. The Council's 40% share of the accumulated losses to 31 March 2002 (£3,982,000) is carried in the Group Balance Sheet at 31 March 2003.

DUNDEE INCUBATOR LIMITED

Dundee Incubator Limited (DIL) was established in 1997, as a private limited company with share capital, to provide accommodation and support to client companies. The Council owned 20.5% of its £300,000 Ordinary Share Capital at 31 March 2003 (20.5% at 31 March 2002). The Board of the Company consists of six Directors and Dundee City Council currently has one officer on the Board. The accounting period for Dundee Incubator Limited is to 31 March. During the financial year 2002/2003 DIL has reported losses of £5,153. The Council's share of the loss reported by DIL for the period to 31 March 2003 was £1,056 (20.5%) and this is included in the Group Revenue Account in 2002/2003.

TAYSIDE CABLE TECHNOLOGIES LIMITED

Tayside Cable Technologies Limited (TCTL) was established in 2001 as a private limited company with share capital in order to continue operation in Dundee developing and manufacturing data cabling for industrial and commercial use. The Council owned 19.9% of its £104,666 Ordinary Share Capital as at 31 March 2003 (Nil at 31 March 2002). Dundee City Council has also invested £129,200 in unsecured loan notes of the company and has provided an additional loan of £100,000. The Council does not have any other loan to or from the Company. Dundee City Council does not currently have any member or officer appointed to the board. Considering the level of share ownership and other investments, TCTL is included in the Group Accounts as an "associate company". The accounting period for Tayside Cable Technologies Limited is to 30 September. For the purpose of disclosure, figures from TCTL's management accounts to 31 March 2003 have been used. The Council's share of TCTL's reported losses for the year was £48,956 (19.9%) and this is included in the Group Revenue Account in 2002/2003.

BASIS OF CONSOLIDATION

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

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

The revenue account shows a group surplus of £2,784,000, a reduction of £49,000 from the surplus of £2,833,000 shown in the Council's Consolidated Revenue Account. The position for DERL, DIL and TCTL is shown as a balance on the Joint Venture and Associate Companies Profit and Loss Account with the General Fund balance for the Council being maintained at £6,431,000.

The impact of consolidation on the Balance Sheet is to decrease the Group's net assets and reserves by £4,099,000 when compared to the Council's Balance Sheet. This reflects the Council's share of the losses carried forward by DERL, DIL and TCTL.

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

GROUP REVENUE ACCOUNT

2001/2002 Actual Net Expenditure /(Income) £000		2002/2003 Actual Net Expenditure /(Income) £000
239,391	Net Cost of Council Services	259,305
(1,117)	Net (Surplus)/Deficit DLO/DSOs (incl Tayside Contracts)	(1,392)
(14,225)	Asset Management Revenue Account	(19,446)
(134)	Interest and Investment Income	(303)
2,677	Share of Deficit in Joint Venture providing a Refuse Disposal Services	-
14	Share of Deficit in Associate providing Economic Development Services	1
20	Share of Deficit in Associate not providing a Service	48
<u>226,626</u>	Net Operating Expenditure	<u>238,213</u>
(5,449)	Net Contribution to/(from) Council Funds & Reserves	5,452
<u>221,177</u>	Amount to be met from Government Grants and Local Taxpayers	<u>243,665</u>
<u>(219,076)</u>	Income from Government Grants and Local Taxpayers	<u>(246,449)</u>
<u>2,101</u>	Group (Surplus)/Deficit for the Financial Year	<u>(2,784)</u>
	Per:	
(610)	DCC General Fund (Surplus) for the Year	(2,833)
<u>2,711</u>	Joint Venture and Associate Company Deficit for the Year	<u>49</u>
<u>2,101</u>		<u>(2,784)</u>
	Balances	
(2,988)	DCC General Fund balance at 1 April 2002 (including DSM Balances)	(3,598)
<u>(610)</u>	<u>Add</u> DCC General Fund (Surplus) for the Year	<u>(2,833)</u>
(3,598)	DCC General Fund at 31 March 2003	(6,431)
	<u>Add Joint Venture and Associate Companies Profit & Loss Account</u>	
1,339	Opening Balance	4,050
<u>2,711</u>	Joint Venture and Associate Companies Deficit for the Year	<u>49</u>
<u>4,050</u>		<u>4,099</u>
<u>452</u>	Group Fund Balance at 31 March 2003	<u>(2,332)</u>

GROUP BALANCE SHEET

At 31 March 2002 £000		£000	At 31 March 2003 £000
645,861	Fixed Assets		655,729
11,525	Deferred Charges		9,469
5,775	Long Term Investments		5,775
15,131	Investment in Joint Venture:		
(19,113)	Share of Gross Assets	15,131	
(3,982)	Share of Gross Liabilities	(19,113)	(3,982)
(68)	Net Investment in Associates		(117)
8,854	Long Term Debtors		9,367
49,257	Current Assets		59,360
(76,208)	Current Liabilities		(76,835)
<u>641,014</u>	Total Assets Less Net Current Assets/(Liabilities)		<u>658,766</u>
	<u>Long Term Liabilities/Provisions</u>		
(257,452)	Long Term Borrowing		(264,935)
(1,826)	Deferred Liabilities		(1,531)
(9,184)	Provisions		(8,129)
(29,430)	Government Grants/Capital Contributions Deferred		(33,046)
<u>(297,892)</u>			<u>(307,641)</u>
<u>343,122</u>	Net Assets		<u>351,125</u>
	Financed By		
	Capital Reserves:		
219,632	Fixed Asset Restatement Reserve	202,305	
<u>119,091</u>	Capital Financing Reserve	<u>140,779</u>	
338,723			343,084
	Revenue Reserves:		
3,279	Renewal and Repair Fund	4,352	
126	Dundee Contract Services	237	
915	Insurance Fund	399	
<u>531</u>	Car Park Reserve	<u>721</u>	
4,851			5,709
3,598	DCC General Fund	6,431	
<u>(4,050)</u>	Joint Venture and Associate Companies Profit & Loss Account	<u>(4,099)</u>	
<u>(452)</u>			<u>2,332</u>
<u>343,122</u>			<u>351,125</u>

David K Dorward
Director of Finance
Dundee City Council
23 June 2003

NOTES TO THE GROUP ACCOUNT BALANCE SHEET

- The following represents material indebtedness to/from the Council at 31 March 2003 with the following companies:

2001/2002			2002/2003	
Charges To £000	Charges From £000		Charges To £000	Charges From £000
55	41	Dundee Energy Recycling Limited	106	84
-	-	Dundee Incubator Limited	-	-
104	-	Tayside Cable Technologies	8	-

TAYSIDE SUPERANNUATION FUND ACCOUNTS

2001/2002 £000	FUND ACCOUNT	2002/2003 £000	£000
	CONTRIBUTIONS AND BENEFITS		
	Contributions receivable:		
(27,586)	From employers	(35,581)	
<u>(12,899)</u>	From employees	<u>(14,396)</u>	
(40,485)			(49,977)
(4,935)	Transfers in		(8,106)
	Benefits payable:		
30,272	Pensions	31,133	
<u>4,478</u>	Lump Sums	<u>4,702</u>	
34,750			35,835
	Payments to and on account of Leavers:		
211	Refunds of Contributions	226	
<u>3,596</u>	Transfers Out	<u>3,947</u>	
3,807			4,173
<u>900</u>	Administration Expenses		<u>1,026</u>
(5,963)	Net (Deposits) from dealings with Members		(17,049)
	RETURNS ON INVESTMENTS		
(26,918)	Investment Income	(26,471)	
28,501	Change in Market Value of Investments	210,484	
<u>2,766</u>	Investment Management Expenses	<u>1,299</u>	
<u>4,349</u>	Net Returns on Investments		<u>185,312</u>
(1,614)	NET (INCREASE)/DECREASE IN FUND DURING THE YEAR		168,263
<u>924,708</u>	OPENING NET ASSETS OF THE SCHEME		<u>926,322</u>
<u>926,322</u>	CLOSING NET ASSETS OF THE SCHEME		<u>758,059</u>
	NET ASSETS STATEMENT (AS AT 31 MARCH)		
2002		2003	
£000		£000	£000
	INVESTMENT ASSETS AT MARKET VALUE		
	Listed Investments		
427,545	- UK Equities	303,024	
28,499	- UK Fixed Interest - Public Sector	30,287	
12,201	- UK Fixed Interest - Other	6,031	
16,110	- UK Index Linked	17,116	
121,912	- Overseas Equities	89,076	
13,546	- Overseas Fixed Interest - Public Sector	-	
-	- Overseas Fixed Interest - Other	115	
-	- Overseas Index Linked	2,537	
	Unlisted Investments		
6,262	- UK Unit Trusts	3,606	
55,548	- UK Open Ended Investment Companies	59,074	
38,774	- Overseas Unit Trusts	28,744	
107,067	- Overseas Open Ended Investment Companies	89,619	
63,786	- Property Unit Trusts	68,922	
<u>21,819</u>	Cash Balances held by Managers	<u>31,574</u>	
913,069			729,725
	CURRENT ASSETS		
6,679	Sundry Debtors	10,983	
-	Short Term Lending	10,000	
<u>7,693</u>	Revenue Deposits with Dundee City Council Loans Fund	<u>9,348</u>	
14,372		30,331	
	LESS CURRENT LIABILITIES		
(369)	Sundry Creditors	<u>(1,781)</u>	
14,003	NET CURRENT ASSETS		28,550
	LESS LONG TERM LIABILITIES		
(750)	Creditors of more than 1 Year	<u>(216)</u>	<u>(216)</u>
<u>926,322</u>	NET ASSETS		<u>758,059</u>

David K Dorward CPFA
Director of Finance
Dundee City Council
23 June 2003

TAYSIDE TRANSPORT SUPERANNUATION FUND ACCOUNTS

2001/2002 £000	<u>FUND ACCOUNT</u>	2002/2003 £000	£000
	CONTRIBUTIONS AND BENEFITS		
	Contributions receivable:		
(109)	From employers	(133)	
<u>(136)</u>	From employees	<u>(132)</u>	
(245)			(265)
	Benefits payable:		
1,492	Pensions	1,427	
<u>38</u>	Lump Sums	<u>114</u>	
1,530			1,541
	Payments to and on account of Leavers:		
-	Transfers Out		49
<u>40</u>	Administration Expenses		<u>54</u>
1,325	Net Withdrawals from dealings with Members		1,379
	RETURNS ON INVESTMENTS		
(1,117)	Investment Income	(1,079)	
1,742	Change in Market Value of Investments	6,306	
<u>97</u>	Investment Management Expenses	<u>54</u>	
<u>722</u>	Net Returns on Investments		<u>5,281</u>
2,047	NET DECREASE IN FUND DURING THE YEAR		6,660
<u>38,215</u>	OPENING NET ASSETS OF THE SCHEME		<u>36,168</u>
<u>36,168</u>	CLOSING NET ASSETS OF THE SCHEME		<u>29,508</u>
	NET ASSETS STATEMENT (AS AT 31 MARCH)		
2002 £000		2003 £000	£000
	INVESTMENT ASSETS AT MARKET VALUE		
	Listed Investments		
13,804	- UK Equities	9,146	
5,875	- UK Fixed Interest - Public Sector	7,675	
2,375	- UK Fixed Interest - Other	474	
3,003	- UK Index Linked	3,989	
5,478	- Overseas Equities	2,663	
	Unlisted Investments		
674	- UK Unit Trusts	341	
4,015	- Overseas Unit Trusts	3,399	
<u>371</u>	Cash Balances held by Managers	<u>1,449</u>	
35,595			29,136
	CURRENT ASSETS		
132	Sundry Debtors	146	
<u>460</u>	Revenue Deposits with Dundee City Council Loans Fund	<u>247</u>	
592		393	
	LESS CURRENT LIABILITIES		
(19)	Sundry Creditors	<u>(21)</u>	
<u>573</u>	NET CURRENT ASSETS		<u>372</u>
<u>36,168</u>	NET ASSETS		<u>29,508</u>

David K Dorward CPFA
Director of Finance
Dundee City Council
23 June 2003

SUPERANNUATION FUNDS ACCOUNTS

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1 Basis of Preparation

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

The accounts summarise the transactions and net assets of the Funds' for the financial year to 31 March 2003. They do not take account of liabilities to pay pensions and other benefits in the future.

2 Investments

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

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

3 Debtors and Creditors

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

4 Investment Income

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

5 Foreign Currency Translation

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

6 Investment Management Expenses

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

7 Acquisition Costs

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

NOTES TO THE SUPERANNUATION FUNDS ACCOUNTS

TAYSIDE SUPERANNUATION FUND

Operations and Membership

Dundee City Council is the administering authority for the Tayside Superannuation Fund (previously Tayside Regional Council). The Tayside Superannuation Fund is a pension fund for employees of various public bodies and non-profit making organisations. As at 31 March 2003, 43 bodies were participants in the scheme being 11 "scheduled bodies" and 32 other organisations admitted at the discretion of the scheme administrators and known as "admitted bodies". The scheduled bodies were as follows:

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

Membership of the fund increased to 16,143 employees at 31 March 2003 from 15,410 employees at 31 March 2002. The number of pensioners on the roll at 31 March 2003 was 9,506 compared with 9,394 at 31 March 2002.

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

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

Contributions Receivable and Benefits Payable

The contributions receivable from and benefits payable on behalf of Contributing bodies in 2001/2002 and 2002/2003 were as follows:-

	Contributions Receivable		Benefits Payable	
	2001/2002	2002/2003	2001/2002	2002/2003
	£000	£000	£000	£000
Dundee City Council	14,937	18,476	13,891	14,665
Other Scheduled Bodies	22,393	25,607	17,927	18,905
Admitted Bodies	<u>3,155</u>	<u>5,894</u>	<u>2,932</u>	<u>2,265</u>
TOTAL	<u>40,485</u>	<u>49,977</u>	<u>34,750</u>	<u>35,835</u>

Investment Administration

During the year, Dundee City Council charged the Tayside Superannuation Fund £874,160 (2001/2002 £832,556) for administering the Fund. These are actual costs incurred for Salaries and Wages, Information Technology, Legal Services etc.

Market Value of Investments Managed Externally

The Fund's investment assets are under the management of four external fund managers. At 31 March 2003 the market value of these investment assets was £729.7m (31 March 2002 £913.0m), managed as follows:

	2002		2003	
	£m	%	£m	%
Schroder Investment Management Ltd	291.7	32.0	225.2	30.9
Baillie Gifford & Co	282.0	30.9	220.4	30.2
Fidelity Pensions Management	274.2	30.0	212.4	29.1
Schroder Properties Limited	<u>65.1</u>	<u>7.1</u>	<u>71.7</u>	<u>9.8</u>
	<u>913.0</u>	<u>100.0</u>	<u>729.7</u>	<u>100.0</u>

Purchases & Sales

Purchases and Sales in 2001/2002 and 2002/2003 amounted to:-

	2001/2002	2002/2003
	£m	£m
Purchases	536.9	360.0
Sales	492.9	340.9

NOTES TO THE SUPERANNUATION FUNDS ACCOUNTS

Long Term Liabilities

Creditors more than One Year

One of the Fund's investment managers has a performance element in their fee structure. This performance element is only paid at the end of fixed three year periods. £215,940 represents the level of fee relating to out-performance for the first two years (to 31 December 2002) of this period.

TAYSIDE TRANSPORT SUPERANNUATION FUND

Operations and Membership

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

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

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

At 31 March 2003 the number of contributing employees was 159 (170 at 31 March 2002) and the number of pensioners was 386 (382 at 31 March 2002). As with the Tayside Superannuation Fund an actuarial valuation is carried out every three years to ensure that the Fund can meet its future pension liabilities.

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

Investment Administration

During the year, Dundee City Council charged the Tayside Transport Fund £37,615 (2001/2002 £33,697) for administering the fund. These are actual costs incurred for Salaries and Wages, Information Technology, Legal Services etc.

Market Value of Investments Managed Externally

The market value of the Fund's investment assets at 31 March 2003 was £29.1m (31 March 2002 £35.6m) and these investment assets were wholly managed by Schroder Investment Management Ltd.

Purchases & Sales

Purchases and Sales in 2001/2002 and 2002/2003 amounted to:-

	2001/2002 £m	2002/2003 £m
Purchases	43.5	38.7
Sales	43.4	39.9

NOTES TO THE SUPERANNUATION FUNDS ACCOUNTS

ACTUARIAL VALUATION

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

TAYSIDE SUPERANNUATION FUND

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

250% of employees' contributions for 2003/2004

265% of employees' contributions for 2004/2005

275% of employees' contributions for 2005/2006

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

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

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

STATEMENT OF INVESTMENT PRINCIPLES

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

NOTES TO THE SUPERANNUATION FUNDS ACCOUNTS

ACTUARIAL VALUATION

TAYSIDE TRANSPORT SUPERANNUATION FUND

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

150% of employees' contributions for 2003/2004

195% of employees' contributions for 2004/2005

240% of employees' contributions for 2005/2006

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

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

STATEMENT OF INVESTMENT PRINCIPLES

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

COMMON GOOD FUND ACCOUNT

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

2001/2002 £000		2002/2003 £000
	<u>Income & Expenditure Account</u>	
	<u>Income</u>	
(3)	Rents and Feuduties	(6)
(124)	Interest on Loans	(94)
<u>(13)</u>	Dividends and Commission	<u>(16)</u>
<u>(140)</u>		<u>(116)</u>
	<u>Expenditure</u>	
151	Property Costs	39
5	Donations and Contributions	76
6	Other Expenditure	12
<u>-</u>	Loss on Sale of Shares	<u>5</u>
<u>162</u>		<u>132</u>
<u>22</u>	<u>(Surplus)/Deficit for Year</u>	<u>16</u>
	<u>Balance Sheet as at 31 March</u>	
2002 £000		2003 £000
<u>-</u>	<u>Fixed Assets</u>	<u>-</u>
	<u>Current Assets</u>	
1	Debtors	30
403	Investments	392
<u>2,652</u>	Loans Fund Investment	<u>2,648</u>
<u>3,056</u>	Total Current Assets	<u>3,070</u>
	<u>Current Liabilities</u>	
<u>-</u>	Creditors and Accruals	<u>30</u>
<u>-</u>	Total Current Liabilities	<u>30</u>
<u>3,056</u>	Net Current Assets	<u>3,040</u>
<u>3,056</u>	Total Net Assets	<u>3,040</u>
	<u>Reserves</u>	
<u>3,056</u>	Capital	<u>3,040</u>
<u>3,056</u>		<u>3,040</u>

Notes

- 1 Included within the Investments figure of £392,000 shown above, £349,000 relates to marketable securities. These securities are valued at cost and their market value was £355,000 as at 31 March 2003.

David K Dorward CPFA
Director of Finance
Dundee City Council
23 June 2003

CHARITABLE TRUST FUNDS ACCOUNT

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

<u>Income & Expenditure Account</u>		<u>2002/2003</u>				
2001/2002		Interest on	Other	Total	(Surplus)/	
Actual		Investments	Income	Income	Deficit	
£000		£000	£000	£000	£000	
(115)	Fleming Trust	(24)	(388)	(412)	111	(301)
(37)	Hospital Fund	(12)	(48)	(60)	28	(32)
9	Dundee Festival Trust	(2)	-	(2)	9	7
(77)	Burial Grounds Perpetuity Fund	(38)	(66)	(104)	38	(66)
-	A T Cathro Bequest	-	(1)	(1)	1	-
-	Other Various Smaller Trusts (30 no)	(22)	(9)	(31)	27	(4)
<u>(220)</u>	Total	<u>(98)</u>	<u>(512)</u>	<u>(610)</u>	<u>214</u>	<u>(396)</u>

2002	<u>Balance Sheet as at 31 March</u>	2003
£000		£000
4,013	Property	4,605
2,785	Revenue Deposits with Loans Fund	2,591
<u>1</u>	Sundry Debtors less Sundry Creditors	<u>(1)</u>
<u>6,799</u>	Total Assets	<u>7,195</u>
	Represented by:	
40	Long-Term Loans	34
<u>6,759</u>	Trust Fund Balances	<u>7,161</u>
<u>6,799</u>		<u>7,195</u>

David K Dorward CPFA
Director of Finance
Dundee City Council
23 June 2003

Notes

- 1 In addition to the expenditure shown above, the Fleming Trust incurred capital expenditure of £592,000 in 2002/2003 (2001/2002 £346,000) and a capital receipt of £180,000 was received (2001/2002 £160,000).
- 2 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 2003 was £4.455m (31 March 2002 £4.155m).

Hospital Fund

This Fund was established under the Dundee Churches and Hospital Act 1964, for behoof of the poor of the town. An annual payment of £50 is made from the Fund to local pensioners who require financial assistance. The balance on the Fund at 31 March 2003 was £374,000 (31 March 2002 £342,000).

Dundee Festival Trust

This Trust was created from the income that was received from events to mark the 800th anniversary of the foundation of Dundee as a Royal Burgh. The Trust is used to promote summer festival events. The balance on the Trust at 31 March 2003 was £54,000 (31 March 2002 £61,000).

Burial Grounds Perpetuity Fund

The income accruing on this Fund is used for the upkeep of Burial Grounds. The balance on the Fund at 31 March 2003 was £1.116m (31 March 2002 £1.050m).

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 2003 was £23,000 (31 March 2002 £23,000).

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the 2002/2003 Statement of Accounts for Dundee City Council. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

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

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

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

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

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

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

In conclusion, I am not aware of any significant weaknesses or failures in the Council's system of internal financial control that could have a material effect on the operations of the Council.

David K Dorward CPFA
Director of Finance
Dundee City Council
23 June 2003

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required to:

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

The Director of Finance's Responsibilities

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

In preparing this statement of accounts, the Director of Finance has:

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

The Director of Finance has also:

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

The Statement of Accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2003.

David K Dorward CPFA
Director of Finance
Dundee City Council
23 June 2003

