

ITEM No ...2.....

REPORT TO: POLICY AND RESOURCES COMMITTEE – 26 OCTOBER 2015

REPORT ON: DUNDEE COMMUNITY REGENERATION FUND 2015/16

REPORT BY: CHIEF EXECUTIVE

REPORT NO: 380-2015

1. PURPOSE OF REPORT

- 1.1 This report confirms the Community Regeneration Fund allocations for 2015/16 and makes recommendations for grants in 2015/16.

2. RECOMMENDATIONS

- 2.1 It is recommended that committee notes the Community Regeneration Fund allocations for 2015/16 and approves the funding proposals contained in section 5 of this report.

3. FINANCIAL IMPLICATIONS

- 3.1 This report confirms the 2015/16 Community Regeneration Fund allocations to the Community Regeneration Forums and to the Local Community Planning Partnerships for The Ferry and the West End. The total budgets available, including approved carry forwards, are set out in para 5.1
- 3.2 Grants of £ 27,439 are recommended from the allocations for 2015/16.

4. BACKGROUND

- 4.1 Policy and Resources Committee, 7 December 2009 approved Report No 591-2009 (Article No IV refers) which made funding available to Community Regeneration Forums to support local regeneration activity. Revised funding levels and a commitment to allocate £10,000 to The Ferry and West End were approved by Policy and Resources Committee, 9 December 2013.
- 4.2 Community Regeneration Forums will be invited to allocate funding of up to 20% of the allocation on small grants, and no less than 80% on diversionary and preventative youth work or physical improvements.
- 4.3 Local Community Planning Partnerships for West End and The Ferry will be invited to allocate £10,000 to community regeneration priorities outstanding in their current plans.

5. FUNDING ALLOCATIONS AND PROPOSALS

- 5.1 The budget for each community regeneration forum/local community planning partnership is summarised below, together with allocations proposed in this report. These include agreed carry forwards from 2014/15

Local Forum	Total Allocation	Previously Allocated	Current Proposals	Still Available
Coldside	£171,049	£90,357	£1,547	£79,145
East End	£150,735	£86,528	£0	£64,207
Lochee	£272,004	£196,490	£20,000	£55,514
Maryfield	£125,017	£65,818	£2,720	£56,479
North East	£125,150	£107,003	£1,202	£16,945
Strathmartine	£129,001	£87,955	£650	£40,396
The Ferry	£11,522	£9,623	£1,320	£579
West End	£10,000	£4,416	£0	£5,584
Total	£994,478	£648,190	£27,439	£318,849

- 5.2 The proposals contained in Appendix A recommend the allocation from local budgets of £ 27,439 in 2015/16.

6 POLICY IMPLICATIONS

- 6.1 Article X of the Minute of Meeting of the Policy and Resources Committee of 13 September 2010, Report no 570-2010 refers.
- 6.2 The resources made available through the Dundee Community Regeneration Fund are primarily targeted on those areas which fall within the most disadvantaged 15% of data zones in the 2012 Scottish Index of Multiple Deprivation. This funding is intended to tackle a range of inequalities. The targeting of additional resources into areas of deprivation to tackle inequalities are at the heart of the Scottish Government's public service reform agenda. A commitment to 'close the gap' in outcomes is expected of all community planning partnerships in Scotland.

7 CONSULTATIONS

- 7.1 The Executive Director of Corporate Services and the Head of Democratic and Legal Services have been consulted in the preparation of this report.
- 7.2 Partner agencies, community representatives and voluntary sector representatives have also been consulted and involved in the assessment of applications and the formation of recommendations contained in this report.

8 BACKGROUND PAPERS

None.

David Martin
Chief Executive

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16/10/2015

Ref No.	Applicant	Ward	Description of Project	Total Project Costs	Amount Requested	Forum Decision Amount
C1512	Clelington Road Housing Complex	Coldside	Contribution to renovating a community garden area to make it usable and accessible for the elderly residents of the housing complex, most of who have poor mobility. This will benefit 63 residents plus visitors.	£2,141	£1,547	£1,547
F1506	YMCA Broughty Ferry	The Ferry	To facilitate delivery of a community garden based programme with pupils from local Primary Schools and local volunteers. A youth development worker will also be employed an additional five hours per week to deliver a regular Girls Group.	£1,620	£1,320	£1,320
L1520	Lochee United Junior Football Club	Lochee	To replace the roof on the clubhouse this is in use by Lochee United FC Juniors year round. At least 60 people make use of the building each week, often over 100.	£9,786	£5,000	£5,000
LP1504	Menzieshill Parish Church	Lochee	To refurbish existing toilets to include a disabled toilet, parent & child facility and to provide an access ramp. Approximately 15 local community groups use the facilities each week.	£47,300	£15,000	£15,000
M1512	Talking Newspaper for the Blind	Maryfield	Funding towards rent costs and a proportion of the volunteer's expenses to enable the creation of a regular 'talking newspaper' that is sent to around 200 visually impaired people.	£1,347	£650	£650
M1514	Dundee International Women's Centre	Maryfield	To fund the English for Life & World Wise project. This will cover costs for a sessional worker, four hours per week for 18 weeks, plus SQA accreditation fees and event / display resources. At least ten group members will benefit.	£2,070	£2,070	£2,070

Ref No.	Applicant	Ward	Description of Project	Total Project Costs	Amount Requested	Forum Decision Amount
NE1517	The 101 Project	North East	To provide equipment for a children and parents 'Busy Bookworms' reading room. This will be accessed by approximately 30 families with young children on a regular basis and promote early learning and interaction.	£737	£737	£737
NE1518	Whitfield Community Project LMG	North East	To fund a Winter Wonderland for local residents which will include a tree lighting ceremony and festival for around 200 people, plus a grotto visit for around 500 local children over two weeks.	£465	£465	£465
S1515	St. Leonard & St. Fergus Social Committee	Strathmartine	To provide an afternoon of food, music and entertainment for approximately 100 elderly and vulnerable members of the community. This will help to reduce social isolation and improve mental wellbeing.	£1,250	£650	£650

ITEM No ...3.....

REPORT TO: POLICY & RESOURCES COMMITTEE – 26 OCTOBER 2015

REPORT ON: COUNCIL PLAN ANNUAL REVIEW

REPORT BY: CHIEF EXECUTIVE

REPORT NO: 323-2015

1. PURPOSE OF REPORT

This report reviews the performance of the Council in delivering the Council Plan 2012-2017.

2. RECOMMENDATIONS

The Committee is recommended to:

- i) note the contents of the Council Plan Review
- ii) approve the new actions contained in paragraph 4.4
- iii) note that it is proposed to review the 2017 targets listed in the report to ensure these remain relevant and challenging with a view to driving continuous improvement.

3. FINANCIAL IMPLICATIONS

All actions are within the Council's approved budget.

4. MAIN TEXT

4.1 Performance Indicators

4.1.1 The Council Plan contains 127 performance indicators and performance in the past improved on 69% of these. Below are examples of priority improvements:

- a significant reduction in 16-24 year olds claiming job seekers allowance from 7% two years ago to 4.2% in 2014/15.
- a significant increase in the proportion of school pupils in the 30% most deprived communities gaining literacy and numeracy at SCQF level 4 over the past two years
- the percentage of Council housing stock meeting the Scottish Quality Housing Standard is now 100%
- the number of transactions completed on the Council's website grew by 26% last year

4.1.2 The following indicators have shown a declining trend and will be the subject of a detailed performance review in the period ahead:

- increase in the percentage of people reporting they are living in fuel poverty
- decrease in the number of residential properties being built, which is well below the target

4.1.3 The table below presents the Council's top priority performance indicators selected from the full progress report in Appendix One. It should be noted that, following a report to the Education Committee in April 2015 on the new Insight tool on education outcomes for senior phase school leavers, the Council Plan report has replaced the previous measure of pupil attainment from one figure of the tariff score at S4 to a breakdown of the average tariff score for the lowest attaining 20%, middle attaining 60% and highest attaining 20% of school leavers. This will help the Council monitor progress in closing the gap in educational attainment.

4.1.4 The table below shows the key performance indicators from the Council Plan Legend. Long term trend:



= Latest year improved compared to the mean of the previous two years;



= Latest year declined compared to the mean of the previous two years.

Definition	2012/13	2013/14	2014/15	2017 Target	Long Term Improvement Status (over three years)
Dundee Outcome 1: Dundee will be an internationally recognised city at the heart of a vibrant region with more and better employment opportunities for our people					
Percentage of Working Age Population in Employment.	64.8	61.1	61.8	72	
Employee Job Numbers	72,100	71,300	71,800	75,000	
Percentage of 16 – 24 year olds claiming job seekers allowance	7	5.5	4.2	6.8	
Dundee Outcome 2: Our people will be better educated and skilled within a city renowned for learning, research, innovation and culture					
Number of visitors to Dundee cultural attractions	741,404	769,500	795,491	775,600	
Dundee Outcome 3: Our children will be safe, healthy, achieving, nurtured, active, respected, responsible and included					
Average Tariff score at end of S4 of the lowest attaining 20% of school leavers	111	112	120	142	
Average Tariff score at end of S4 of the middle attaining 60% of school leavers	634	651	671	716	
Average Tariff score at end of S4 of the highest attaining 20% of school leavers	1,702	1,708	1,761	1,747	
Percentage of children in 30% most deprived areas gaining literacy and numeracy at SCQF level 4	59	62	70	69	
Percentage of school leavers in positive and sustained destinations.	90	91	91.6	90	
Dundee Outcome 4: People in Dundee will have improved physical and mental wellbeing and will experience fewer health inequalities.					
Average adult mental wellbeing score on the Warwick-Edinburgh Mental Wellbeing Scale.	54.11	52.16	54.65	55	
Teenage conception rate per 1000 females (aged 15-19 years): Community Regeneration Areas	97.1	76	70.5	42	
Dundee Outcome 5: People in Dundee are able to live independently and access support when they need it.					
Bed days for emergency admissions to hospital for those aged 65+.	85,206	80,472	84,315	84,206	
Number of people, aged 65+, receiving intensive homecare per 1,000 people.	16.91	20.91	24.50	20.75	
Number of people receiving enablement.	1,323	1,396	1,252	2,785	

Dundee Outcome 6 : Our communities will be safe and feel safe					
Number of crimes of vandalism	1,685	1,798	1,660	2,300	↑
Dundee Outcome 7 : Dundee will be a fair and socially inclusive city					
Percentage of Households living in fuel poverty (Scottish Household Survey)	26	33	42	36	↓
Dundee Outcome 8: Our People will live in strong, popular and attractive communities					
Number of Council and RSL housing properties built in the last 12 months.	64	81	32	95	↓
Number of residential properties built in the last 12 months.	299	209	161	610	↓
Percentage of Council stock passing the Scottish Housing Quality Standard	75.3	92.2	100	100	↑
Dundee Outcome 9: Our communities will have high quality and accessible local services and facilities					
Percentage of residents satisfied with the quality of local services - city wide	97	97	97	95	—
Dundee Outcome 10: Our people will live in a low carbon, sustainable city					
Percentage of household waste recycled or composted	29	31	31.83	50	↑
Tonnage of biodegradable municipal waste landfilled	35,135	14,948	4,344	1,600	↑
Local Environmental Audit and Management System street cleanliness score A+B	97	98.1	95.9	94	↓
Corporate Outcome 11: Our customers will get the services they need in an efficient and customer focused manner					
Total Number of Online Transactions	165,995	181,099	229,245	280,000 +20% pa	↑
Corporate Outcome12: Our organisation values and respects its employees so involves all equally in improving our services					
Average full-time sickness days lost per fte employee per annum	10.37	10.45	10.83	10	↓
Corporate Outcome 13: Dundee City Council will make maximum use of its assets and aim to reduce the cost per asset					
Energy consumption(gas, electricity, oil and solid fuel) in million kilowatt hours	137.8	117.43	112.18	129	↑
Percentage Variance between budget and expenditure	-0.6	-0.9	-2.2	+/- 1%	↑

4.1.5 In the table above, and throughout the tables appended, members will note a number of indicators where the latest performance exceeds the 2017 target. These targets were set when the Council Plan was agreed in 2012 and, while services are to be commended on achieving or exceeding these, it is proposed to undertake a review to ensure that targets remain relevant and challenging with a view to driving continuous improvement.

4.2 Actions

The council's key achievements during the year were:

- significant progress has been made to develop the Waterfront and contractors have been appointed to build the new train station / hotel and the V&A
- in December 2014 UNESCO announced that Dundee was to be admitted to the Creative Cities Network as the UK's first City of Design. This will significantly enhance Dundee's reputation, both within Scotland/UK and globally. The promotion of design is at the heart of the city's new cultural strategy

- within an overall review of the Council's structure, a new Children and Families Service has been created that will deliver the Integrated Children's Services Strategy
- a Health and Social Care Integration Scheme was approved following consultation and a new Health and Care Partnership is being established to deliver the scheme.
- the Dundee Fairness Commission was established.
- phase one of the new household waste collection system was launched to 12,000 households. The target is to complete the remaining phases of the roll out within two years.
- The Council has recently set out an ambitious Capital Plan with a total gross capital investment of £391m for the next 5 years (2016-2021). In developing this latest plan there has been a focus on a more thematic approach which highlights the Council's strategic priorities.
- The Council again delivered a balanced budget which is a major achievement in the current fiscal constraints.

4.3 Areas for improvement

On reviewing the Council Plan, the Council aims to ensure improvement next year on the following:

- increase the focus on employability to increase the percentage of working age people in Dundee in employment
- increase the number of residential properties being built, especially in the social rented sector through the Strategic Housing Investment Plan
- increase customer satisfaction with the website, which is still below target

4.4 New Actions

Based on the Single Outcome Agreement, Council Plan Service Plan reviews, and new issues arising throughout the year this review proposes adding the following new strategic actions to the Council Plan. These will feature in future performance reports:

- deliver a new partnership approach to employability
- deliver a Dundee Attainment Challenge Plan to close the educational attainment gap in Dundee
- develop a new action plan to respond to the recommendations of the Dundee Fairness Commission
- oversee delivery of a new city-wide low carbon energy strategy that will tackle fuel poverty, reduce costs and reduce carbon emissions.
- develop a new design for the Council website to improve customer experience
- deliver more opportunities for recruiting young people as part of the Council's workforce development strategy
- develop Phase 4 of the Changing for The Future Programme to assist the Council achieve its budget over the next two financial years

5. **POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. An Equality Impact Assessment is attached as Appendix Two.

6. **CONSULTATIONS**

The Chief Executive, Executive Director of Corporate Services and Head of Democratic and Legal Services have been consulted on this report.

7. **BACKGROUND PAPERS**

None.

David R Martin
Chief Executive

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16/10/2015



Council Plan 2012 – 2017 Annual Progress Report



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Dundee Outcome 01 - Dundee will be an internationally recognised city at the heart of a vibrant region with more and better employment opportunities for our people

KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Percentage of school leavers entering a positive destination	Michael Wood	90%	91.1%	92.6%	90%	Latest value is for pupils who left school in academic year 2013/14.	
Percentage of 16-24 year olds claiming jobseekers allowance (%).	Mike Galloway	7	5.5	4.2	6.8		
Percentage of Employee Jobs in Knowledge Intensive Sectors (%).	Mike Galloway	49.5	48.8	49	50.4		
Percentage of Working Age Population in Employment (%).	Mike Galloway	64.8%	61.1%	61.8%	72%	Year to December 2014	
Headline Gross Value Added (GVA) at Current Basic Prices per 10,000 head of population (£)	Mike Galloway	17,814	18,047	18,535	19,000		
International Labour Organisation Unemployment Rate (%).	Mike Galloway	10.3%	13.4%	10%	8.4%	Year to December 2014	
Economic Value of Tourism. (£ millions).	Mike Galloway	£151.85	£150.14	£151.26	£165.00		

KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Employee Job Numbers	Mike Galloway	72,000	71,400	71,800	75,000	Data from Business Register and Employment Survey 2013	
New Business Starts per 10,000 head of population.	Mike Galloway	28	32	41	36	2013 ONS Business Demography data	

Actions Description	Managed by	Update	Status
Implement the new approaches to More Choices More Chances from the Total Place employability review.	Peter Allan	Opportunities for All Partnership has changed its name to the Post School Strategic Planning Group and is now firmly established as part of the Integrated Children's Services structure. The SPG have agreed their strategic priorities which include job creation, employer engagement, identification and support for young people, identification of need and mapping resources.	Completed 
Increase employment capacity of our citizens through the Dundee Employability Partnership.	Mike Galloway	<p>Previous updates reported on the number of registrations, job outcomes and FE/Training outcomes using a Management Information System (DEMIS).</p> <p>The agenda has now moved from a focus on the specific activity that is delivered through the funding available to the Council, with the Council Management Team asking that a review of all employability activity is undertaken to ensure that improved outcomes are achieved by our citizens.</p> <p>As a consequence, reporting on "Increasing the employment capacity of our citizens" will, in future, reflect the results of the review and a broader view of Partnership activity as well as Council activity.</p> <p>The specific elements which future reports will focus on will be dependent on the approach that is adopted by the Partnership and Council and the areas of work that are developed as a result of the review and subsequent proposals to the Council Management Team and the Dundee Partnership Employability Group.</p>	In Progress 





Actions Description	Managed by	Update	Status
Realise the potential to become a leading centre for the renewable energy in the UK by delivering at least two new manufacturing operations within the City employing local people.	Mike Galloway	Mainstream Renewable Power awarded Contract for Difference (CfD) by UK Government for Neart na Gaoithe Offshore Wind Farm. RSPB has submitted a legal challenge to the Scottish Government's grant of permission for this development. The Council is in discussion with relevant parties to maximise the City's role in the construction, operation and maintenance of this development.	In Progress 
Deliver the economic benefits of the Waterfront Project in accordance with key milestones and construct the 'V&A at Dundee' and new Station Concourse.	Mike Galloway	Contractors have been appointed to build the station/hotel and V&A. It is estimated that it will take 2 years to build the station/hotel, so that completion in 2017 will be ahead of the planned opening of the V&A	In Progress 
Identify and support young people at risk of not entering employment, education or training	Michael Wood	Latest School Leaver Destination Returns indicated approximately 9% of school leavers did not enter a positive destination. This is a similar figure to previous years. Schools, in conjunction with colleagues in Skills Development Scotland, are using a traffic light approach to identify early those at most risk of not entering a positive destination. This targeted approach will determine the level of intervention and support given to the pupils.	In Progress 
Deliver the Dundee Partnership Economic Strategy and Action Plan 2013-2017	Mike Galloway	The Action Plan for the Economic Strategy was integrated with the Single Outcome Agreement Delivery Plan. Progress on actions is monitored by the Dundee Partnership Work and Enterprise Theme Group. An annual report is prepared for the Dundee Partnership Management Group.	In Progress 
Develop a Smart Future City Plan in collaboration with the Scottish Cities Alliance	David Martin	A smart future city draft plan was submitted to the Council Management Team. It prioritises the theme of a connected digital infrastructure in the city to manage the 'internet of things' and a data platform to improve the access to big data about the city. This will enable new smart services to be created to that aim to reduce cost, carbon usage and create new economic development opportunities. This is now being worked on as a joint bid for EU	In Progress 

Actions Description	Managed by	Update	Status
		funds in collaboration with the Scottish Cities Alliance members. Once the joint priorities are established the draft plan will be revisited for consultation with the Council and other partners. The EU bid is expected to be towards the end of 2015.	







Dundee Outcome 02 - Our people will be better educated and skilled within a city renowned for learning, research, innovation and culture

KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Number of adult learners	Neil Gunn	2,704	3,676	3,708	3,800	Moving towards target	↑
Number of young people receiving Duke of Edinburgh Awards, Youth Achievement Awards and Sports Leader Awards.	Neil Gunn	690	712	751	683		↑
Percentage of adult learners - from Community Regeneration Areas.	Neil Gunn	55%	64%	55%	60%	Need to target CRA areas within wards	↓
Percentage of adults who have attended a cultural event or visited a place of culture in the last 12 months.	Stewart Murdoch	71%	70%	73%	72%	This indicator now takes data from the Council's Annual Survey as the question did not appear in recent Scottish Household Surveys.	↑
Percentage of Dundee Further/Higher Education students - from Community Regeneration Areas.	Neil Gunn	12%	18%	10%	15%	Whilst the overall number of students has increased the % from CRA areas has declined. This may be affected by the increase in distance learners	↓
Number of Dundee Further/Higher Education students -	Neil Gunn	3,375	5,325	3,925	3,932		↓





KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
from Community Regeneration Areas.							
Number of people with low or no qualifications (aged 16-64).	Neil Gunn	12,600	11,400	13,900	11,640	Based on an annual sample survey	↓
Number of visitors to Dundee cultural attractions	Stewart Murdoch	741,138	741,404	795,491	775,600		↑





Actions Description	Managed by	Update	Status
Promote inclusion by targeting adult learning towards the areas of greatest need	Neil Gunn	55% of learners are from ROA communities	Completed 
Promote a bid for the City of Culture	Stewart Murdoch	There have been huge benefits to Dundee derived through the process of bidding. No other initiative has attracted the same level of UK wide and regional press attention in the last ten years. There are on-going discussions with the Scottish Government about how to capitalise on the positive profile achieved.	Completed 
Facilitate arts, cultural, literacy and musical facilities that positively promote the city through a cultural strategy 2012-2017	Stewart Murdoch	In December 2014 UNESCO announced that Dundee was to be admitted to the Creative Cities Network as the UK's first City of Design. This will significantly enhance Dundee's reputation, both within Scotland/UK and globally. The promotion of design is at the heart of the city's new cultural strategy.	In Progress 
Facilitate arts, cultural, literacy and musical facilities that positively promote the city through an events and festivals strategy 2012-2017	Stewart Murdoch	The Council's review of Festivals and Events agreed that staff with responsibility for supporting the delivery of events should be co-located. Outwith the Council, the Festival and Events group continues to strengthen, with 15 different agencies represented at meetings to discuss the coordination of festivals and events.	In Progress 





Dundee Outcome 03 - Our children will be safe, healthy, achieving, nurtured, active, respected, responsible and included




KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Average tariff score at end of S4 of the lowest attaining 20% of school leavers	Michael Wood	111	112	120	142		
Average tariff score at the end of S4 of the middle attaining 60% of school leavers	Michael Wood	634	651	671	716		
Average tariff score at the end of S4 of the highest attaining 20% of school leavers	Michael Wood	1,702	1,708	1,761	1,747		
Percentage of school leavers entering a positive destination	Michael Wood	90%	91.1%	92.6%	90%	Latest value is for pupils who left school in academic year 2013/14.	
Number of young people in the 12-18 age range who are registered as volunteers with the Volunteer Centre	Neil Gunn	56	319	203	100		
Number of young people receiving Duke of Edinburgh Awards, Youth Achievement Awards and Sports	Neil Gunn	690	712	781	683		



KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Leader Awards.							
Percentage of Primary 1 children with a healthy Body Mass Index.	David Lynch	82.4%	82.2%	Not available yet	80%	NHS / ISD state that 2014/15 data will be published by December 2015. This indicator uses clinical categories with a different definition to the similarly worded indicator under Outcome 4, which explains the different data	↓
% gap between numbers of Looked After Children and non-Looked After Children excluded	Michael Wood	20.7	24.5	18.5	7	Latest data is for academic year 2013/14. There has been a reduction in Looked After Children excluded resulting a closing of the gap. The Children and Families Service will continue to work with schools to ensure further reduction in exclusions for both Looked After and non-Looked After children	↑
Percentage of pupils who can swim unaided the length of the school pool by the end of S1	Michael Wood	75%	71%	71%	90%	How the data for this indicator is gathered is to be reviewed.	↓
Number of attendances at physical activity programmes for 0-5 year olds.	Stewart Murdoch	17,826	18,763	25,003	19,202	The significant increase is due to a new reporting method for physical activities. This figure now includes swim lessons of which there were 8277 in 2014/15.	↑



Total attendances at sport and physical activity classes/clubs for school age children	Stewart Murdoch	467,943	483,527	493,197	493,197	Attendances have increased over the past year due to the legacy and profile of sport from both the London Olympics and Commonwealth Games. In addition, Leisure and Culture Dundee and Active Schools are developing strong links with schools in the provision of quality afterschool programmes which meet the needs of the children and young people. This is carried out through better engagement with Primary and Secondary school pupils.	
Percentage of Looked After Children school leavers in positive and sustained destinations.	Jane Martin	46%	48.3%	49.5%	50%	48/100 young people in after care were in education, training or employment on 30th June 2015. Of the remaining 52, 6 were full time parents and 2 are unable to work due to disabilities and are in receipt of employment and support allowance.	
Number of children affected by domestic abuse assisted through Multi-Agency Risk Assessment processes	Jane Martin	140	205	195	100		
Number of crimes/offences committed by children.	Jane Martin	866	834	751	752		

Actions Description	Managed by	Update	Status
Develop a family literacy project for parents with children under five	Neil Gunn	This is no longer a stand alone project family learning targets have been integrated into restructured team's targets. Currently working with 56 parents /carers.	Completed 
Ensure that all young people assessed as high risk have their cases managed through Care and Risk Management Conferences	Jane Martin	There is an existing High Risk Protocol in place which provides the framework for Care and Risk management meetings. A revised guidance document has been written and will be subject to consultation during 2015	In Progress 
Involve more young people in shaping services and local decision making through community planning processes and other representative structures within partner agencies	Neil Gunn	Report approved and welcomed by Policy and Resources Committee on 25th August 2014.	In Progress 
Improve outcomes for all Dundee's children through early intervention and prevention.	Michael Wood	The Improving Children's Outcomes survey results and 27-30 month reviews indicate high levels of speech, language and communication concerns. All nurseries will prioritise the development of these areas in their improvement plans for 2015-2018. Targeted interventions will be funded through a service level agreement with the Speech and Language department and as part of the Attainment Challenge. Nurseries report increased involvement of some families including involvement in Bookbug Activities, Parent Early Education Partnership groups and home visits with key workers. Short life working groups involving partners across Tayside are involved in small tests of change to ascertain systems for the effective passing on of information from the 27-30 month review to nursery staff. In Dundee we will identify one nursery working with two year olds. After 8 weeks of children starting nursery in August 2015, we will identify any concerns that would have been evident at the 27-30 month review and not passed on by the Health Visitor to nursery staff and, from there,	In Progress 






Actions Description	Managed by	Update	Status
		identify a test of change to improve communication.	
Implement an increase in free nursery time from 475 to 600 hours per year for 3-4 year olds and looked after two year olds.	Michael Wood	All Local Authority and Private Provider nurseries continue to deliver 600 hours of early learning and childcare. As of August 2015, the criteria for entitlement for 2 year-old places will include families in receipt of certain low income benefits. To accommodate the increase in numbers of eligible children, 3 additional nurseries will offer 600 hours of early learning and childcare to eligible children aged 2 years. Woodlea will also be adapted to offer an additional 15 full-time equivalent places.	In Progress 
Complete a Best Value Review of Children's Services.	Jane Martin	Work is now on -going in relation to developing a more integrated approach to service delivery.	Completed 
Establish processes and practice for joint assessment and planning for integrated children's services.	Jane Martin	Joint assessment and planning is evidenced within the Team Around the Child (TATC) framework which is now operational across Integrated Children's Services. Each agency is at a different stage in TATC development and are all on course for full implementation by 2016 as set out in the Children and Young People Act	Completed 
Publish a new corporate Integrated Children's Services Improvement Plan 2012-2015. (This plan will also be influenced by developments from the Lochee Ward Pathfinder initiative which focuses on the 0 to 5 years age groups.)	Jane Martin	The Dartington Social Survey is now complete and priorities for Integrated Children's Services will be identified from that work. In the meantime work is underway within the Lochee Pathfinder and more generally across children's services which will influence the final ICSP.	In Progress 

Implement the Parenting Strategy	Bert Sandeman	<p>Although Dundee parents have access to a comprehensive range of services delivered by health, local authority and 3rd sector partners, a refresh of the Being a Parent in Dundee will result in a more “<i>co-ordinated and evidence-based response to the needs and aspirations of parents</i>” (National Parenting Strategy). The refreshed BAPID will include:</p> <ul style="list-style-type: none"> •Mapping current provision which supports and strengthens parenting skills and confidence •Developing a co-ordinated approach to measuring the impact of current provision •Engage parents in developing and implementing the refreshed BAPID •Improve the <i>ongoing</i> use of data and evidence to prioritise work and measure impact (<i>eg Dartington, Growing up in Scotland</i>) 	In Progress 
Implement the total place (pathfinder) approach to getting it right for the 0 - 5 age group of children.	Jane Martin	Work gathers pace and the blueprint for action is developing as expected. A one stop family and community hub is being established and community engagement is well underway with a community survey now complete and currently being analysed to identify community priorities	In Progress 
Deliver the modernisation of the school estate on time and on budget.	Michael Wood	Consultation regarding review of the school estate has been completed and reported to the Education Committee in June 2015. The new placing requests guidelines were reported to Committee in June 2014 and implemented for session 2015-16.	In Progress 

Review policy and practice to address the needs of particular groups including Looked After Children, young carers, children affected by domestic harm and children and young people with health and wellbeing issues.	Michael Wood	The staged approach to mental health and wellbeing now includes a targeted intervention for secondary age pupils who cannot attend school due to anxiety/mental health needs. Evaluation of the pilot AIM (Anxiety in Motion) group, run jointly between Education and NHS, targets young people of secondary age who refuse to attend school due to anxiety/mental health needs. This group has provided education in the local community for 12 young people since August 2014, all of whom have attended regularly and are making progress towards positive post-school destinations.	In Progress 
Implement the Curriculum for Excellence in all Dundee City Council educational establishments.	Michael Wood	Following the introduction of new National Qualifications in session 2013-14, secondary schools continue to consolidate and build delivery approaches with significant support provided by local nominees and their facilitation of understanding assessment standards training. All secondary schools have moved to delivering the new Higher qualification and staff from all secondary schools, in preparation for the introduction of the new Advanced Higher in session 2015 - 16, have attended national Advanced Higher implementation events. Following the publication of recommendations within the Developing Scotland's Young Workforce report, St Paul's RC Academy has been identified as a pilot school to take forward milestones in the Scottish Government's Youth Employment strategy. Key seminars have been completed with secondary head teachers regarding the senior phase curriculum and the attainment gap. A new set of attainment performance measures will be introduced from session 2015-16. New qualifications including an HNC vocational qualification in computing and a foundation apprenticeship in health and social care have been introduced for senior pupils.	In Progress 


Review Support for Learning provision across sectors (including Additional Support Needs Assessment provision)	Michael Wood	The deployment of support staff in response to analysis of need at community level has continued with all LCPP areas participating fully (children aged 3-18) in the process. Themes for improvement have been identified for the next school session. A Supporting Learners Coordinator has been appointed to improve moderation of learning and wellbeing needs across the groups.	In Progress 
Publish and implement the new Integrated Children's Services Plan 2013-2017 – a single Children's Services Plan in line with the Children and Young Person's Act 2014	Michael Wood	The new Children and Families Service will have responsibility for the delivery of a new Integrated Children's Service Strategy.	In Progress 





Dundee Outcome 04 - People in Dundee will have improved physical and mental wellbeing and will experience fewer health inequalities







KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
% of P1 children with a Healthy Weight, BMI index	David Martin	74.1%	74.8%	Not yet available	73%	Data for 2014/15 not yet available. This indicator is based on epidemiological data and is calculated using a different definition of healthy weight from the similarly worded indicator under Outcome 3.	
All cause mortality rate (per 100,000) in under 75s: Community Regeneration Areas	David Lynch	591	600	502	432	Rate is reducing but is still considerably higher than the target. Health inequalities work targeting relevant populations will help reduce the rate over the longer term.	
Average adult mental wellbeing score on the Warwick-Edinburgh Mental Wellbeing Scale	David Lynch	52.16	52.16	57.14	55		
Average mental wellbeing score : Community Regeneration Areas	David Lynch	51.74	54.65	53.7	55.91		
Average mental wellbeing score : Non - Community Regeneration Areas	David Lynch	52.54	59.18	59	55.91	Score remains above the target	



KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Female life expectancy at birth.	David Lynch	79.2	79.3	79.7	80	This is continuing to increase and is just below the target.	↑
Male life expectancy at birth.	David Lynch	73.9	74.3	75.1	75	Male life expectancy has continued to increase slowly. This year's figure has reached the target.	↑
Mortality rate (per 100,000) for alcohol related diseases: Community Regeneration Areas	David Lynch	74.9	61.2	53.9	36	Rate is reducing but still considerably higher than the target. Much work is being done to tackle alcohol misuse. Mortality rates are a long term outcome.	↑
Mortality rate (per 100,000) from alcohol related diseases: Non - Community Regeneration Areas	David Lynch	46.9	35.3	32	36		↑
All cause mortality rate (per 100,000) in under 75s: Non - Community Regeneration Areas	David Lynch	417.2	382.9	382.9	432		↑
Percentage of adults (16+) who are regular smokers	David Lynch	30.5%	28.4%	28%	25%	Rates remain stable but need to reduce further to reach the target. Smoking cessation work is ongoing although progress appears to be slow at a population level.	↑

Percentage population who assess their health as good/very good.	David Lynch	77%	82%	77%	87%	Rate is fluctuating over time, some of which may be due to it being self reported survey data. Rate is below target and efforts to reduce health inequalities and provide more person-centred care are designed to improve health and perception of own health.	↓
Teenage conception rate per 1000 females (aged 15-19) : Non - Community Regeneration Areas	David Lynch	31.9	33.2	24.1	42.3	Rate has reduced considerably and is well below target	↑
Teenage conception rate per 1000 females (aged 15-19 years): Community Regeneration Areas	David Lynch	97.1	76	70.5	42.3	Rate is reducing but has some way to go to reach target. There is evidence that initiatives to help reduce conception rates are showing success.	↑
Estimated percentage of drug users, of working age.	Steven Dalton	3.28%	3.28%	3.28%	2.8%	There has been no new data for this indicator	—
Estimated percentage of injecting drug users, of working age.	David Lynch	0.89%	0.89%	0.89%	0.7%	There has been no new data for this indicator	—

Actions Description	Managed by	Update	Status
Share the best practice from the Equally Well test site and further develop the principles in community regeneration policy areas	Stewart Murdoch	The Equally Well Local Health and Wellbeing Networks continue to meet to progress responses to locally defined wellbeing issues. The tests of change are being embedded within communities and are working towards sustainability within existing resources. Some of these tests of change have benefited from funding from the Rank Foundation. The vacant development worker post in the	In Progress 

Actions Description	Managed by	Update	Status
		East End and Lochee wards has now been filled and plans are underway to relaunch Equally Well in these wards. Findings from stakeholder workshops in September 2014 demonstrated that those involved in the health and wellbeing networks wished to learn from those in other areas and involve service providers who were absent from network meetings. To this end, an Equally Well event is being organised for Autumn 2015 with the theme of tackling poverty and stigma. This will bring together representatives from the networks in all wards and will include guest speakers from the Fairness Commission and the Poverty Alliance.	
Deliver a programme of smoking cessation interventions in partnership with the Community Health Partnership targeting health inequalities	Stewart Murdoch	Between October 2014 and December 2014 10 new people attended classes. The reduction in numbers is similar throughout Scotland and at community pharmacies.	Completed 
Deliver more capacity in the Dundee Travel Active strategy to deliver health benefits as well as reduce the need for city centre parking.	Mike Galloway	JMP consultants have delivered a second programme of classroom workshops across all primary schools in Dundee (Academic Session 2014/15), under the DTA banner, promoting sustainable transport and raising awareness of Air Quality. New Smarter Choices, Smarter Places funding is to be made available from April 2015, allowing further initiatives through Dundee Travel Active.	In Progress 
Develop a sustainable peer education model across the city to address young people's risk taking behaviour i.e. substance misuse and under age sex	Neil Gunn	The new Healthy Transitions programme has been successfully rolled out to all Secondary Schools in Dundee. Over 200 young people have been involved as peer leaders and 1347 p7 pupils have participated in sessions led by the peer leaders each year.	In Progress 
Implement the Dundee Healthy Weight community action plan	David Martin	A partnership working group is now in place to facilitate Eat Well, Play Well (EWPW) implementation. EWPW outcomes are part of SOA Delivery Plan outcome 4 and partnership monitoring is via Healthy Dundee and twice yearly updates on SOA Delivery Plan	Completed 

Actions Description	Managed by	Update	Status
		actions.	
Dundee will have a co-ordinated, overarching FOCUS ON ALCOHOL strategic approach and a plan for action to complement the introduction of minimum pricing by the Scottish Government	Neil Gunn	Focus on Alcohol is making steady progress to develop population wide approaches to tackle alcohol misuse.	In Progress 
Maximise the Council's contribution to the Alcohol and Drug Partnership Plan and the implementation of the recovery approach.	Neil Gunn	Dundee City Council works closely with the ADP to support approaches to recovery. eg Lochee Parish Church, Coldsides Community Cafe	In Progress 
Undertake a comprehensive review of substance misuse strategy, services and resources through Dundee Alcohol and Drug Partnership	David Martin	The Alcohol and Drug Partnership continues to progress through the process of reviewing its methods of delivery through tests of change. A number of the tests which have proven effective have now been mainstreamed, specifically the Boots Clinic in Albert Street approach and the Focus on Alcohol Prevention Officer's position. A commissioning group has been established and the commissioning plan will be developed over the next six to nine months.	Completed 
Implement the Sport and Physical Activity Strategy 2009-2015	Stewart Murdoch	The process of beginning to scope the 2015-2020 Sport and Physical Activity Strategy has begun. A small sub-group led by Leisure & Culture Dundee is taking this development work forward on behalf of the other partners in the city.	In Progress 
Increase the range and access to outdoor learning activities across the City by delivering the new strategic plan for outdoor learning	Neil Gunn	The outdoor learning service has produced a revised set of strategy actions which is uploaded within the new outdoor learning forum site. This action plan will be updated regularly and will evolve to remain current in the future.	In Progress 
Prepare a plan to introduce Green Fitness Gyms into Parks.	Ken Laing	Information on usage of the Adult Fitness Equipment to be drawn together prior to a committee report being prepared.	In Progress 

Actions Description	Managed by	Update	Status
Deliver a first class bid to bring the National Performance Centre to Dundee	Stewart Murdoch	Bid was submitted. Was not successful but the City will receive funding for a Regional Performance Centre for Sport.	Completed 
Reduce the gap in conception rate (those aged under 19) between the least and most deprived communities including increasing the percentage of those not using contraception or started on an appropriate method of contraception through attending the sexual health service.	Michael Wood	Teenage conception data continues to show a downward trend. Dundee Action on Sexual Health Group held a development session in May 2015 to refocus priorities across agencies and plan for improved outcomes for young people in line with the key improvement framework of sexual health and blood borne viruses.	In Progress 






Dundee Outcome 05 - People in Dundee are able to live independently and access support when they need it


KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Number of people 65+ receiving intensive homecare (rate per 1,000 population)	Diane McCulloch	16.91	20.91	24.50	20.75	New system for recording homecare hours has resulted in a drop. Previously scheduled hours were recorded but the new system records only those hours of care actually provided.	↑
Number of people receiving enablement.	Diane McCulloch	1,323	1,396	1,252	2,785	This target needs to be revised. It was set at the start of the new enablement service when projected use was unknown	↓
Number of people receiving Direct Payments	Diane McCulloch	48	49	47	95		↓
Number of referrals to Social Work considered under Adult Support and Protection procedures, which proceed to: a) Initial Management Discussion	Diane McCulloch	558	895	1,313	1,052		↑
Number of referrals to social work considered under Adult Support and Protection Procedures which proceed to b) Initial Referral Discussion	Diane McCulloch	116	90	82	350		↓

KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
(IRD)							
Number of referrals to Social Work considered under Adult Support and Protection procedures, which proceed to: c) Case Conference	Diane McCulloch	44	49	33	153		↓
Number of respite weeks provided to people aged 18-64	Diane McCulloch	4,053	3,993	5085	4,036	As people are supported to live at home instead of in care homes, the demand for daytime respite has increased	↑
Number of respite weeks provided to people aged 65+	Diane McCulloch	3,252	3,559	3052	2,939	Respite for people aged 65+ in care homes has dropped because there has been an improvement in the processes within health and social care teams which has meant that long term places and packages of care were put into place quicker, in Dundee it has been agreed that this direction of travel should be judged as positive	↓
Percentage of people requiring reduced homecare following enablement.	Diane McCulloch	58%	63%	71%	61%		↑
Bed days for emergency admissions to hospital for those aged 65+.	Diane McCulloch	85,206	80,472	84,315	84,206	The increasingly frail, ageing population with multi-morbidities will mean that more people will require hospital care. Prevention is high on	↑

KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
						the agenda and practices are being adopted to prevent health and care needs from deteriorating and policies and services are in place to maintain people safely and for longer in their own homes. When people do require hospital care, work is being done locally to ensure that once they are well enough to be discharged that services are in place quickly in order to support them in their own homes	
Number of episodes of emergency admission to hospital for those aged 65+	Diane McCulloch	7,076	6,498	7,072	6,654	The increasingly frail, ageing population with multi-morbidities will mean that more people will require hospital care. The population who are aged 75 and over are projected to rise by 45% by 2047. Prevention is high on the agenda and practices are being adopted to prevent health and care needs from deteriorating and policies and service are in place to main people safely and for longer in their own homes	↓

Actions Description	Managed by	Update	Status
Prepare Partnership Commissioning Statements for Older People.	Diane Mcculloch	Strategic plan approved by Social Work and Health Committee and CHP Committees in 2013	Completed 
Monitor progress against Commissioning Statement for	Diane Mcculloch	Action plan developed and work progressing	In Progress 


Actions Description	Managed by	Update	Status
Older People outcomes annually with three year review.			
Prepare Partnership Commissioning Statements for Learning Disability	Diane Mcculloch	Agreed with the Learning Disability/Autism Strategic Planning Group that a further draft commissioning statement should be produced. A full partnership financial framework has been completed.	In Progress 
Monitor progress against Commissioning Statement for Learning Disability outcomes annually with three year review.	Diane Mcculloch	Final draft of further commissioning statement to be completed by end of October 2015.	In Progress 
Prepare Partnership Commissioning Statements for Adults with Physical Disabilities and Sensory Impairment	Diane Mcculloch	In 2014, it was agreed that both physical disability and sensory impairment should have their own respective strategic planning and commissioning partnerships. Since this decision was taken both Strategic Planning Groups have been established and both have set out their vision and anticipated outcomes. Engagement and involvement are significant aspects to both partnerships, as is the development of a needs analysis profile to support future planning and commissioning intentions. An engagement officer, to ensure that our approach is firmly based on the principles of co-design, has been resourced. A co-production and co-design learning and sharing event for our Joint Sensory Services SPG members have been arranged to support collective understanding of strategic planning and commissioning partnerships	In progress 
Monitor progress against Commissioning Statement for Adults with Physical Disabilities and Sensory Impairment	Diane McCulloch	Progress to be maintained once statements in place	In progress 
Develop a framework which progresses an integrated delivery model for Health and Social Care in Dundee	Laura Bannerman	Integration scheme submitted for approval by Scottish Ministers by due date of 31st March 2015. Chief Officer appointed. Development plans in progress for Board. Arrangements for development of strategic commissioning plan being progressed	In Progress 


Actions Description	Managed by	Update	Status
		with agreed timeline of November 2015.	
Implement the Telecare Strategy (assistive technologies to support care in the community)	Diane Mcculloch	<p>Technology Enabled Care Strategic Partnership established as a cross sector, multi-agency group to progress implementation of technology enabled care which includes telecare in Dundee as a collaborative partnership.</p> <p>Through change fund/ short term investment funding, funding has been agreed for a communications officer post for 1 year to be hosted by DVA. The post will undertake user, carer, and public and stakeholder engagement about current and future use of technology as well as scoping of technologies including telecare currently in use in Dundee.</p> <p>In interim policy review, draft vision and outcomes based on initial engagement completed. Next steps are to complete needs assessment and engagement activity to inform development of a draft strategy</p>	<p>In Progress </p>




Dundee Outcome 06 - Our communities will be safe and feel safe



KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Number of persons killed in road accidents.	Mike Galloway	1	1	2	2	Target was based on baseline in 2012	↓
Percentage of respondents who felt their neighbourhood was a safe place to live.	David Martin	98%	98%	98%	100%	The 2014 Annual Citizen survey reported that 77% of respondents felt very safe, and 21% felt fairly safe.	—
Number of crimes of housebreaking	Kevin McMahon	709	555	436	445	A further reduction in the number of crimes in this area, some of which can be attributed to Operation After Dark, target hardening and public awareness literature.	↑
Number of crimes of robbery	Kevin McMahon	65	52	73	68	On closer inspection in 38% of the incidents the victim and perpetrator were known to each other. A third of the incidents occurred within residential property and within the total number of crimes there were several repeat offenders. In only 3 crimes the victim was an elderly person and these were detected crimes	↓
Number of crimes of vandalism	Kevin McMahon	1,685	1,798	1,660	2,300	This figure represents an 8% decrease in the number of recorded crimes and is significantly below the 5 year mean.	↑
Number of crimes of violence	Kevin McMahon	182	194	228	273	This figure represents all Group 1 crimes and whilst this shows an	↓

KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
						increase on the previous year it is still under the 5 year mean.	
Number of dwelling fires.	Martin Tait	269	220	213	225	There is a continued downward trend with the amount of dwelling fires attended by the SFRS locally. One of the main prevention activities undertaken to reduce these types of incidents is our Home Fire Safety Visit (HFSV) initiative. During 2014/15 our operational crews and prevention staff conducted 3,713 HFSV's with the majority of these having been conducted in High/ Medium risk properties. Increased links are being made with key partner organisations/ agencies in identifying those that are at higher risk from fire and target our prevention activities to make our communities safer.	↑
Number of fatalities arising from fires.	Martin Tait	1	0	2	0	Tragically there were two fire fatalities throughout 2014/15. Both incidents were subject of a joint fire investigation between SFRS and Police Scotland. Reports on both of these incidents have been submitted to the Procurator Fiscal. There were no suspicious circumstances in relation to both of these incidents. A lot of work the	↓





KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
						SFRS are involved in is in relation to prevention and in particular working with key partners to identify those who are at most risk from fire to target our activities. This will continue to be our focus moving forward and an annual operating plan has been created that contains a number of key actions that will be progressed to continue to make our communities safer and prevent incidents such as these from occurring.	
Number of injuries arising from fires.	Martin Tait	52	72	38	40	A significant reduction in the amount of people being injured as a consequence of fire related incidents in comparison to the previous year. Most people being injured from fire are encountered at dwelling fires and a lot of prevention work has been conducted to try and make our communities safer. A total of 3,713 Home Fire Safety Visits have been undertaken in the Dundee area with the majority having been conducted in High/ Medium risk properties. A lot of work the SFRS are involved in is in relation to prevention and in particular working with key partners to identify those who are at most	

KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
						risk from fire to target our activities. This will continue to be our focus moving forward and an annual operating plan has been created that contains a number of key actions that will be progressed to continue to make our communities safer and prevent incidents such as these from occurring.	
Number of persons seriously injured in road accidents.	Mike Galloway	36	32	32	34		





Actions Description	Managed by	Update	Status
Establish a Community Safety Hub which brings together all Council Departments with the Police	Neil Gunn	The Community Safety Hub has been established and is based at West District Housing Office in Lochee.	Completed 
Develop the Hate Incident multi agency partnership	Neil Gunn	HIMAP meets monthly and uses Police information to identify victims and crime trends. The most prevalent crime trend in Dundee is that of Racial Abuse of shopkeepers. HIMAP has created a specific action plan for this crime trend and actions are progressing. An example of activity includes hate crime talks to schools by Police, the anti-social behaviour team and Community Safety Workers. A second action plan has been created to tackle another significant trend, that of non reporting of disability crime. This will involve approaching all organisations who work with people with disability. The HIMAP continues to be well supported by agencies.	Completed 
Improve co-ordination of	Neil Gunn	Diversionary activity for young people has been co-ordinated by	Completed 

Actions Description	Managed by	Update	Status
diversionary activity for young people.		the Community Safety Partnership and has involved mainstream youth work, the voluntary sector and sports development sections. Reductions have been noted in levels of vandalisms and secondary fire setting.	
Review and implement the new Community Safety Strategy	Neil Gunn	The SOA delivery plan for Outcome 6 now stands as the CSP Strategy and action plan.	In Progress 
Implement a programme of alternatives to custody that aim to prevent re offending.	Jane Martin	The programmes have been implemented and are significantly reducing the use of custody, especially for women and young offenders.	Completed 



Dundee Outcome 07 - Dundee will be a fair and socially inclusive city





KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Percentage of Dundee's population living within Scotland's 15% most deprived data zones.	David Martin	29%	29%	29%	26%	The PI still uses the SIMD 2012 data. We can update the percentage calculation by using the updated total population of Dundee estimates - but this PI remains the percentage of the population living in the 55 data zones identified in the SIMD 12 as within the 15% most deprived in Scotland. It is estimated that there are 43,744 people living in these 55 data zones ranked within the 15% most deprived in Scotland.	
Percentage of households that are coping well or very well financially - Community Regeneration Areas	David Martin	38%	27%	40%	40%		
Percentage of households that are coping well or very well financially - city wide	David Martin	42%	43%	46%	49%		
Percentage of households that have some savings - Areas other than Community Regeneration Areas	David Martin	24%	17%	14%	25%		

KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Percentage of households that have some savings - Community Regeneration Areas	David Martin	15%	13%	10%	15%		↓
Percentage of households that have some savings - city wide	David Martin	20%	15%	12%	59%	Slight drop from previous year. The proportion of residents who had savings or investments has continued to decrease year on year.	↓
Percentage of households where respondent or partner has a bank, building society or credit union account - Areas other than Community Regeneration Areas	David Martin	98%	96%	99%	90%		↑
Percentage of households where respondent or partner has a bank, building society or credit union account - Community Regeneration Areas	David Martin	96%	95%	99%	90%		↑
Percentage of households where respondent or partner has a bank, building society or credit union account - city wide	David Martin	97%	96%	99%	94%		↑






KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Percentage of the population who are income deprived: Areas other than Community Regeneration Areas	David Martin	11%	12%	10.9%	13%	Income Deprivation is calculated using the SIMD 12 data. The figure comes from totalling the populations living in data zones not recorded as within Community regeneration areas. There has been a slight decrease from last year. As this uses the same data as last year the change is due to the change in the total population within these data zones slightly increasing.	
Percentage of the population who are income deprived: Community Regeneration Areas	David Martin	29%	34%	28.7%	19%	This is still data from the SIMD 12. No annual updates have been provided by the Scottish Government's Statistics branch. The only change to the calculation will have been the total population in the CRA's has increased hence why the percentage of the population that are income deprived has decreased as a percentage.	
In-work families receiving Working Tax Credit only, or Working Tax Credit and Child Tax Credit, as a percentage of all families in receipt of personal tax credits	David Martin	47%	51%	52%	60%	Data from 2013/14. There were 11,600 families in receipt of personal tax credits. 3,800 were out of work families and 7,800 were in work families receiving WTC only or WTC and CTC.	
Percentage of households living in fuel	Elaine Zwirlein	26%	33%	42%	36%	The most recent report, published in January 2015 showed that the	

KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
poverty.						percentage fuel poverty in Dundee has risen to 42% against a Scottish figure of 36%. What this means is, that in spite of all the good work being done in terms of both physical measures such as installation of efficient heating and insulation and income maximisation and energy efficiency advice provided by DEEAP, fuel poverty in Dundee is on the increase. This is because of wider issues such as welfare reform and rising fuel prices.	

Actions Description	Managed by	Update	Status
Implement the Fairness Strategy Action Plan	David Martin	The Dundee Fairness Commission held its first meeting in April 2015 and considered the experience of the Renfrewshire Tackling Poverty Commission. Further sessions looked at welfare reform, educational attainment and in-work poverty	In Progress 
Introduce a comprehensive concessions policy for all public services to facilitate social inclusion delivered on the National Entitlement Card	David Martin	The National Entitlement Card Team has issued circa 10,000 we KIDZ Cards so that concessions can be delivered by the NEC method to children and families. The launch of the KIDZ Card was also being supported by a new Dundee KIDZ Card Parentzone page. The Director of Leisure & Culture Dundee submitted a report to the Committee setting out a comprehensive concessions policy for L&CD and the City Council. This introduced a new comprehensive policy that will apply concession rates to all members of a household in receipt of Council Tax discount. L&CD swimming facilities will integrate this electronically using the NEC	Completed 


Actions Description	Managed by	Update	Status
		and KIDZ Cards as the means of access to all discounts as well as concessions.	
Review strategies and create a plan to mitigate the potential negative impact of the welfare reform changes.	Greg Colgan	The Council has established a Welfare Reform Corporate Working Group. A number of projects have been established and implemented to assist in mitigating the negative impacts of Welfare Reform, these include The Support and Connect Team funded through the Big Lottery, The Opportunities Room within the Central Library and the IT 4 Work Programme. Communication material has also been reviewed with updates to the website.	In Progress 
Develop a homeless strategy action plan including a performance report on the homelessness outcomes in the Scottish Social Housing Charter.	Elaine Zwirlein	Currently work ongoing with Statutory and Third Sector Agencies to prepare a Strategic Commissioning Framework as required by the Scottish Government. Consultation has been carried out with Stakeholders and a Service Users Conference has been held. Working groups have been arranged to co-ordinate the framework.	In Progress 
Maximise the take up of welfare, money, debt and fuel poverty advice and action	David Martin	In the year to 31 March 2015, money benefit and advice agencies in Dundee supported almost 9,000 people and generated £12,774,647 additional income, while re-scheduling £7,763,098 debt	In Progress 
Provide access to affordable credit through Discovery Credit Union	David Martin	At 31 July 2015, Discovery Credit Union's adult membership stood at 4,280, with savings balances standing at £1,403,470 and loan book balance at £1,002,620, represented by 1,262 live loans	In Progress 




Dundee Outcome 08 - Our People will live in strong, popular and attractive communities





KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Percentage of adult residents stating their neighbourhood is a very good place to live - Areas other than Community Regeneration Areas	David Martin	60%	85%	83%	50%		
Percentage of adult residents stating their neighbourhood is a very good place to live - City Wide.	David Martin	55%	71%	68%	50%	Slight reduction in those stating neighbourhood is "very good" place to live, however a rise was seen in the "fairly good" category. Still above target figure.	
Percentage of adult residents stating their neighbourhood is a very good place to live - Community Regeneration Areas.	David Martin	51%	54%	56%	50%		
Percentage of adults agreeing that they can influence decisions affecting their local area - City Wide.	David Martin	37%	55%	53%	30%		
Percentage of adults agreeing that they can influence decisions affecting their local area - Community	David Martin	36%	40%	43%	30%		

KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Regeneration Areas.							
Percentage of adults agreeing they can influence decisions affecting their local area - Areas other than Community Regeneration Areas	David Martin	53%	68%	60%	50%		↓
Percentage of adults giving up time to volunteer in the last 12 months - City Wide.	David Martin	10%	13%	9%	20%		↓
Percentage of adults giving up time to volunteer in the last 12 months - Community Regeneration Areas.	David Martin	11%	8%	5%	20%		↓
Percentage of adults rating the condition of their house or flat as good - Areas other than Community Regeneration Areas	David Martin	96%	98%	98%	90%		↑
Percentage of adults rating the condition of their house or flat as good - city wide.	David Martin	93%	97%	96%	79.6%		↑
Percentage of adults rating the condition of	David Martin	90%	96%	93%	98%	A reduction of 3% has been seen in adults rating their house as good in	—

KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
their house or flat as good - Community Regeneration Areas						CRA areas since 2013/2014. This is accounted for by those answering "fairly good", there was no change in those answering "very good".	
Percentage of population satisfied with local shops - Areas other than Community Regeneration Areas	David Martin	99%	99%	99%	98%		▬
Percentage of population satisfied with local shops - community regeneration areas	David Martin	96%	96%	98%	96%		↑
Number of residential properties built in the last 12 months.	David Martin	299	209	161	610	Of the 161 completed residential properties in Dundee City, 129 were by private developers, and 32 were by Registered Social Landlords or a combination of private and public organisations.	↓
Number of Council and Registered Social Landlord properties built in the last 12 months	Elaine Zwirlein	64	81	32	95	This is the official number of completions. It should be noted a further 117 units were developed with the Strategic Housing Investment Plan (SHIP) at Mill O Mains, Sandyloan and Sinclair Street. Completion scheduled for 2015/16 is 185.	↓

KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Percentage of Council stock passing the Scottish Housing Quality Standard	Elaine Zwirlein	75.3%	92.2%	100%	100%		



Actions Description	Managed by	Update	Status
Produce a community asset transfer strategy	Mike Galloway	Community Asset Transfer launched June 2014	Completed 
Build new energy efficient homes in partnership with Housing Associations and the National Housing Trust.	Elaine Zwirlein	<p>Mill of Mains, Phase 3 construction works are underway.</p> <p>In Whitfield construction of the new houses by both HOME AT Summerfield Avenue and Angus HA at Ormiston Crescent is progressing well and all houses are scheduled to be completed this financial year. Three private developers, Merchant Homes, Invertay, and DJ Laing are developing proposals to build private housing on sites in Whitfield.</p> <p>In Lochee, Hillcrest HA has restarted construction at Sinclair Street, and construction enabling works at the Doyle Place site started in August 2015.</p> <p>In Hilltown, a Planning Application has been lodged for new social rented housing on the east portion of the site in Alexander Street. This is a joint development with DCC and Hillcrest HA.</p>	In Progress 
Create a cross department team to deploy the council's full enforcement powers to clear up derelict properties that are blighting communities.	Mike Galloway	A Derelict Buildings Working Group is chaired by the Director of City Development and includes representatives from Corporate Services, Environment, Housing, and the Chief Executive's Department. The group examines the use of formal powers and other means to encourage owners to improve their properties	Completed 






Actions Description	Managed by	Update	Status
Increase number of occupied shops in Community Regeneration Areas.	Mike Galloway	Currently 84.4% occupancy rate.	In Progress 
Complete the deployment of the priority physical regeneration areas	Mike Galloway	New housing developments continue in Mill o' Mains, Lochee and Whitfield. Proposals for new education/community facilities in Coldside are currently being developed. The Crescent in Whitfield was recognised in the COSLA Excellence Awards.	In Progress 
Develop local community planning partnerships and implement local community plans	Neil Gunn	Local Community Planning Partnerships are well established strategic structures. Implementation of Local Community Plans in each Ward is progressing at a satisfactory pace.	In Progress 
Achieve Scottish Housing Quality Standard	Elaine Zwirlein	Updated compliance figure to 31/03/2014 is 100%	Completed 

Dundee Outcome 09 - Our communities will have high quality and accessible local services and facilities









KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Percentage of residents satisfied with access to local services - city wide	David Martin	81%	70%	75%	85%	This figure has improved on last year. It should be noted that this figure includes those who had "never used" the service therefore this accounts for the lower figure. In general satisfaction was very high for all the universal services.	↓
Percentage of residents satisfied with access to local services: Community Regeneration Areas.	David Martin	81%	73%	79%	85%		↑
Percentage of residents satisfied with access to local services: Non Community Regeneration Areas.	David Martin	75%	70%	73%	85%		↑
Percentage of residents satisfied with the quality of local services - city wide	David Martin	97%	97%	97%	97%		▬
Percentage of residents satisfied with the quality of their local community centre and library - city wide	David Martin	99%	99%	98%	98%		↓
Percentage of residents	David Martin	95%	96%	97%	97%		↑





KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
satisfied with the quality of local services: Community Regeneration Areas.							
Percentage of residents satisfied with the quality of local services: Non Community Regeneration Areas.	David Martin	98%	97%	97%	97%		↓
Percentage of residents satisfied with the quality of their local community centre and library: Community Regeneration Areas.	David Martin	99%	99%	98%	99%		↓
Percentage of residents satisfied with the quality of their local community centre and library: Non Community Regeneration Areas.	David Martin	99%	99%	98%	98%		↓



Actions Description	Managed by	Update	Status
Review the possibilities for co-locating services between health services and the Council in community regeneration areas i.e. building on Whitfield model	David Martin	Co-location is one of a range of joint resourcing approaches which are being developed as part of the Dundee Partnership's Improvement Plan. Future updates will be presented within reports on the community planning and single outcome agreement arrangements.	Completed 
Produce a plan to deploy Demand Responsive Transport to	Mike Galloway	The current focus of activity in this area is on continuing Taxicard Scheme to ensure continued provision of accessible transport for	In Progress 





Actions Description	Managed by	Update	Status
aid accessible transport for social inclusion.		social inclusion purposes.	
Improve public transport through introducing bus priority measures.	Mike Galloway	Bus Priority measures are considered where there is a realistic chance of reducing journey times. Since 2012, there have been no further improvements to infrastructure that were specifically introduced for prioritising bus services over other traffic modes. Improvements at Seagate / Commercial Street junction have benefitted bus movements as has the on-going expansion of SCOOT and VIX Traffic Light Priority measures.	In Progress 
Develop local community centres and libraries as local public service contact points and provide facilities to combat digital exclusion	Stewart Murdoch	Additional pcs now installed. Already an increase in use with more group training sessions taking place.	In Progress 
Increase awareness of volunteer opportunities and level of volunteering in local communities	Neil Gunn	Over 20,000 people in Dundee give up their time to volunteer	In Progress 
Meet Green Flag criteria for all city and neighbourhood parks and open spaces	Ken Laing	Assessments have been carried out from the parks and open spaces identified. These assessments to be converted into action plans and, where appropriate improvements included in capital and operational improvement plans.	In Progress 
Deliver the Regional Performance Centre for Sport	Mike Galloway	Report will go to committee in the near future on the capital build	In Progress 


Dundee Outcome 10 - Our people will live in a low carbon, sustainable city

KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Percentage of children walking or cycling to school	Neil Gellatly	51.8	56.4	56.9	60	Although the plan says cycling and walking, scooting is now recorded as a separate category in the survey.	
Percentage of Derelict Land - Community Regeneration Areas.	Mike Galloway	1.33%	1.54%	1.55%	0		
Percentage of Derelict Land - Non Community Regeneration Areas.	Mike Galloway	0.33	0.4	0.46	0		
Percentage of Derelict Land - City Wide	Mike Galloway	0.5	0.6	0.7	0		
Percentage of journeys to work made by public or active transport	Mike Galloway	19.7%	41%	43%	40%	This figure is taken from the Scottish Household Survey (SHS) which has a small sample size. Therefore the figure has a wide margin of error.	
CO2 emissions (tonnes) per capita	David Martin	5.96	6	5.8	6.42		
Percentage of schools achieving an ECO Schools award - Bronze	Michael Wood	70.69%	74.5%	78.2%	100%	2 more schools have achieved Bronze awards this year.	
Percentage of schools achieving an ECO Schools award - Green	Michael Wood	12.07%	12.7%	14.5%	-	1 more school has achieved a Green award this year	





Percentage of schools achieving an ECO Schools award - Silver	Michael Wood	43.1%	43.6%	47.3%	-	2 more schools have achieved Silver awards this year.	
Local Environmental Audit and Management System street cleanliness score	Gary Robertson	74	72	73	75		
Percentage of household waste recycled or composted	Ken Laing	29%	31%	31.83%	50%	Trend shows a slight increase - which the Council plans to build upon following the introduction of enhanced kerbside recycling facilities as part of a phased rollout	
Tonnage of biodegradable municipal waste landfilled	Ken Laing	35,135	14,948	4,344	1,600		




Actions Description	Managed by	Update	Status
Implement sustainable measures such as Smarter Choices Smarter Places (Dundee Travel Active), Cycling, Walking and Safer Streets	Mike Galloway	Classroom sessions on Air Quality, Sustainable Travel, Active Travel benefits have been delivered at all primary schools during summer term 2014 with JMP consultants returning to all primary schools during 2014/15 academic session. Sustans Funding will help deliver improved cycling and walking connectivity. Limited levels of SCSP funding have been used to improve signage around the Green circular. Doctor Bike has visited City Square several times offering bike maintenance workshops.	In Progress 
Develop with transport partners an integrated transport ticket on the National Entitlement Card.	Mike Galloway	Integrated / Smart ticketing now has the support of the Scottish Cities Alliance with a view to proof of concept for a Scottish roll out. National Express Dundee has commenced issuing of their own commercial 'Discover' Smart Card, which can also be added to existing NEC. This offers monthly and weekly tickets, with ten	In Progress 

Actions Description	Managed by	Update	Status
		journey tickets to follow. Initial smart ticketing is now live with successful Dundee College Smart Travel pilot. Early results are promising with students travelling across the National Express Dundee network Further development and expansion of the trial is being developed by Dundee City Council and Transport Scotland with funding from SCA. This will prove the smart element of travel and there will be a future policy development required locally and nationally between government and operators to deliver integrated ticketing. Addition of car club membership on NEC to be considered as Car Club expansion arises. Transport Scotland, DCC with SCA funding have appointed project officers to accelerate NEC integration of ticketing in terms of bus based travel.	
Implement the Carbon Reduction Strategy.	Mike Galloway	The Climate Change Board's continuous review of the Carbon Management Plan has identified a number of revisions required to support the national climate change aspirations and targets. The current CO2 emission reduction target is revised to reflect the Scottish Government's targets. The new aspirational annual CO2 emission reduction target shall be 5% for all of the Council's direct emissions (i.e. buildings & street lighting energy consumption, transport {business & fleet}, water usage and waste).	In Progress 
Engage local communities in the development of local space audits and action plans	Neil Gunn	Local communities continue to prioritise the need for safe, well maintained well lit green and open spaces. Friends of Dundee Law and Coldside Community Forum have been involved in securing £350,000 to make environmental improvements to Dundee Law.	In Progress 
Improve the cleanliness of our streets, parks and open spaces as part of the LEAMS and Green Flag target achievement	Ken Laing	Most recent LEAMS figures show standards of cleanliness maintained.	In Progress 
Develop and implement mitigation measures as appropriate in accordance with the Local Air	Ken Laing	The Air Quality Action Plan (AQAP) for Nitrogen Dioxide and Fine Particulate Matter was approved by the Housing, Dundee Contract Services & Environment Services Committee in 2011. The Air	In Progress 

Actions Description	Managed by	Update	Status
Quality Management Framework.		Quality Updating and Screening Assessment 2015 which includes the Council's progress with the implementation of the various measures within the AQAP has been submitted to the Scottish Government and SEPA in June 2015. Both of the statutory consultees have accepted and approved our findings. The progress with each of the measures within the AQAP is updated by the lead officers on a six monthly basis. Full details are available in the Updating and Screening Assessment on the Council's website.	
Develop and implement the Dundee Zero Waste Strategy changing the collection infrastructure to meet the recycling targets consistent with the Waste (Scotland) Regulations 2012	Ken Laing	Phase 1 of 6 launched on 23rd March 2015 to approx. 12,000 households in parts of the West End and Broughty Ferry areas. This involved the introduction of kerbside recycling services in line with the requirements of the Waste (Scotland) Regulations 2012 (paper, card, metals, plastics, glass & food waste) to all properties, alongside the implementation of a fortnightly residual waste collection in order to encourage usage of the new services and change householder habits. Collection infrastructure will continue to change over the course of the next two years as the remaining phases are introduced - phase 2 set to launch November 2015	In Progress 


Corporate Outcome 01 - Our customers will get the services they need in an efficient and customer focused manner






KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Face to face satisfaction (%)	David Martin	82.4%	69.75%	71.25%	80%	Staff continue to make customers aware of the touch screens and managers circulate performance data to staff.	
Website satisfaction (%)	David Martin	38%	46.5%	48.92%	75%	Customers increasingly look to the web for information and many comments relate to the information available. In response to comments on waste issues (e.g. opening hours, bin calendars and missed collections) Environment has formed a working group and, where possible, has started to contact customers to address their issues.	
Calls satisfaction (%)	David Martin	95.8%	95.33%	93.92%	96%	The Council is in the top ten Customer Satisfaction Index published by Govmetric, competing with councils such as Borough of Kensington and Chelsea.	
Total number of online transactions	Greg Colgan	165,995	181,099	229,245	280,000	Better marketing of available facilities required. Also existing recording mechanisms are not counting access to facilities in a granular enough fashion.	


Actions Description	Managed by	Update	Status
Introduce a secure password on the Council's website to allow public access to their private data held by the council to speed up enquiries and increase the range of online council services.	Greg Colgan	Secure password added to the website.	Completed 
Customer Service Strategy Review published to deliver corporate standards and approaches to improving customer service	David Martin	Customer Charter was launched in January 2014.	Completed 
Review the number and location of Council service contact points	David Martin	It has been agreed at Committee that the Housing Repairs Contact Centre will be merged with the Corporate Services Customer Contact Centre. Implementation is now underway.	Completed 

Corporate Outcome 02 - Our organisation values and respects its employees so involves all equally in improving our services


KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Average employee satisfaction % based on relevant responses to employee survey	David Martin	79%	80%	80%	80%	This was the satisfaction rate at the time of the last (2013) all staff survey. The survey is conducted every 3 years. The next survey is scheduled for Aug/Sept 2016.	↑
Percentage of Council employees completing STEP improvement e Learning modules	David Martin	30%	37%	56%	95%	Progress across service areas that have full and/or regular access to computers has achieved over 90%. The areas that are low are those where there is limited or no access to computers e.g. Environment. Most of these staff have been briefed but are unlikely to complete the actual modules.	↑
Days Lost per FTE (All Employee Groups)	Janet Robertson	10.37	10.45	10.83	10		↓
Number of accidents to Council employees per annum	Janet Robertson	252	225	179	0	Reduction reflects implementation of the Council's Health and Safety Plan	↑
Percentage of employees receiving an employee performance and development review within each year	Janet Robertson	-	69%	54%	100%	A corporate EPDR group has been tasked with reviewing the frameworks in place. In larger services where there has been significant organisational change, the number of EPDRs has reduced. The group will also aim to find a consistent way of recording EPDRs	-



KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Percentage of employees whose departments hold bronze Healthy Working Lives awards	Janet Robertson	69%	54%	67%	100%		






Actions Description	Managed by	Update	Status
Complete an Operating Model Redesign to align staff in structures consistent with Changing for the Future.	David Martin	The reviews are basically completed now and the implementations are being monitored	Completed 
Train staff across the Council in a methodology of continuous improvement called Systems Thinking Empowers People and record and recognise the range of improvements that flow from this	David Martin	Awareness raising undertaken towards end of year. Now 56% of staff having completed	Completed 
Assess and review the approach to team meetings and employee personal development review to ensure all employees are receiving appropriate opportunities to communicate and receive development and training.	Janet Robertson	Guidance implemented and on HR portal	Completed 
Review and implement the living wage.	Janet Robertson	Report on "Living Wage" was approved by the P&R Committee at its meeting of 29 October 2012. As a result, the Living Wage was implemented within the Council with effect from 1 November 2012.	Completed 
Review employee terms and conditions.	Janet Robertson	As part of the emerging workforce strategy and new pay and grading structure, a comprehensive review has been started.	In Progress 



Actions Description	Managed by	Update	Status
Progress the Council's agreed workforce planning priorities.	Janet Robertson	A Workforce Strategy is being developed which will include workforce planning for each service area.	In Progress 

Corporate Outcome 03 - Dundee City Council will make maximum use of its assets and aim to reduce the cost per asset

KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Cost (£) per m2 GIA of utilisation of operational property	Mike Galloway	£36.89	£37.03	47.99	£36.00	The increase in cost per square metre from £37.03/m2 to £47.99/m2 is reflective of a number of changes. PPP data has been removed after consultation with finance that facilities staffing costs and indexing cannot be rationalised to provide an actual property cost. We have a focused plan to improve the suitability and condition of our portfolio, which is ultimately reflected in property costs. Rental charges have been included as they are real costs, even when income from external sources (ie Criminal Justice) is provided to cover the cost. Income from public sector property sharers is not included. It was included in previous years. The property costs are therefore actual property costs, even when external income is available to help pay for the buildings. This gives a clearer reflection of property costs, which were not included in previous years.	

KPI Definition	Managed By	2012/13	2013/14	2014/15	Current Target	Note	Trend
		Value	Value	Value			
Energy consumption (gas, electricity, oil and solid fuel) in million kilowatt hours	Mike Galloway	137.8	117.43	112.18	129		
Variance between budget and expenditure	Marjory Stewart	-0.6	-0.9	-2.2	+/- 1%		

Actions Description	Managed by	Update	Status
Fleet Strategy and Integration of Fleet Management	Ken Laing	A draft Asset Report has been completed	In Progress 
Implement the property asset management plan to ensure all partners, customers and employees are using the Council's most efficient buildings.	Mike Galloway	The City Development Department continues its programme of property rationalisation as part of the Property Asset Management Plan which includes the closure of properties and the more efficient use of operational properties.	In Progress 
Maximise the benefits of the council's Information and Communications technology infrastructure to deliver customer services and employee mobile/flexible working.	Greg Colgan	All major site deployments have now been completed.	Completed 
Deliver the Tayside and corporate procurement strategy to achieve savings and community benefits.	Marjory Stewart	All Procurement Staff now appointed and in post. Monitoring of savings and community benefit now underway and will be part of annual procurement report	Completed 
Implement measures to deliver the savings needed to achieve the Council's budget.	Marjory Stewart	An exercise will commence soon to identify budget savings and efficiencies, aimed at delivering a balanced budget and Council Tax freeze for financial year 2016/17. This exercise will be closely aligned to the Changing for the Future Programme.	In Progress 

Actions Description	Managed by	Update	Status
Prepare and implement the corporate land asset management plan.	Ken Laing	Ongoing work to develop the assessment plan and procedures.	In Progress 
Climate Change Board to oversee delivery of the new energy management plan	David Martin	Full energy management progress reports are presented to the Climate Change Board (CCB) in February and August each year for consideration. In addition, actions and initiatives relating to reducing the Council's energy use, carbon emissions and improving energy efficiency of the Council estate are discussed in detail at each CCB meeting as required.	In Progress 

DRAFT

DUNDEE CITY COUNCIL

Equality Impact Assessment ToolPart 1 Description / Consultation

Is this a Rapid Equality Impact Assessment (RIAT) ?	<u>YES</u> NO Please circle
Is this a Full Equality Impact Assessment (EQIA)?	YES <u>NO</u> Please circle
Date of assessment 21 August 2015	Council Plan 2012-2017 Annual Review 2015
Committee report number	
1) This is a new policy, procedure, strategy or practice being assessed (If yes please tick box) <input type="checkbox"/>	This is an existing policy, procedure, strategy or practice being assessed? (If yes please tick box) <input checked="" type="checkbox"/>
2) Please give a brief description of the policy, procedure, strategy or practice being assessed.	Overall corporate objectives key performance indicators and actions of the council are assessed. Some new actions proposed on areas for improvement identified or new strategic action developments.
3) What is the intended outcome of this policy, procedure, strategy or practice?	Corporate performance improvement.
4) Please list any existing documents which have been used to inform this Equality and Diversity Impact Assessment.	COUNCIL PLAN 2012 – 2017.
5) Has any consultation, involvement or research with protected characteristic communities informed this assessment? If yes please give details.	NO
6) Please give details of council officer involvement in this assessment. (E.g. names of officers consulted, dates of meetings etc)	PAUL CARROLL , PERFORMANCE AND IMPROVEMENT MANAGER.
7) Is there a need to collect further evidence or to involve or consult protected characteristics communities on the impact of the proposed policy? (Example: if the impact on a community is not known what will you do to gather the information needed and when will you do this?)	NO

Part 2 Protected Characteristics

Which protected characteristics communities will be positively or negatively affected by this policy, procedure or strategy?

NB Please place an X in the box which best describes the "overall" impact. It is possible for an assessment to identify that a positive policy can have some negative impacts and visa versa. When this is the case please identify both positive and negative impacts in Part 3 of this form.

If the impact on a protected characteristic communities are not known please state how you will gather evidence of any potential negative impacts in box Part 1 section 7 above.

	Positively	Negatively	No Impact	Not Known
Ethnic Minority Communities including Gypsies and Travellers	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender Reassignment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Religion or Belief	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
People with a disability	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Age	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lesbian, Gay and Bisexual	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Socio-economic	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pregnancy & Maternity	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other (please state)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Part 3 Impacts / Monitoring

1) Have any positive impacts been identified? (We must ensure at this stage that we are not achieving equality for one strand of equality at the expense of another)	If yes please give further details Fairness Commission action plan specifically help lowest socio economic group. Proposed action to recruit more young people in council workforce development strategy
2) Have any negative impacts been identified? (Based on direct knowledge, published research, community involvement, customer feedback etc. If unsure seek advice from your departmental Equality Champion.)	If yes please give further details
3) What action is proposed to overcome any negative impacts? E.g. involving community groups in the development or delivery of the policy or practice, providing information in community languages etc. see Good Practice on DCC equalities web page	Please give further details
4) Is there a justification for continuing with this policy even if it cannot be amended or changed to end or reduce inequality without compromising its intended outcome? (If the policy that shows actual or potential unlawful discrimination you must stop and seek legal advice)	If yes please give further details
5) Has a 'Full' Equality Impact Assessment been recommended? (If the policy is a major one or is likely to have a major impact on protected characteristics communities a Full Equality Impact Assessment may be required) Seek advice from your departmental Equality lead.	If yes please give further details No
6) How will the policy be monitored? (How will you know it is doing what it is intended to do? e.g. data collection, customer survey etc.	Please give details Data Collection, Performance Indicators and Customer Surveys

Part 4 Contact information**Name of Department or Partnership: Dundee City Council****Type of Document**

Human Resource Policy	<input type="checkbox"/>
General Policy	<input type="checkbox"/>
Strategy/Service	<input type="checkbox"/>
Change Papers/Local Procedure	<input type="checkbox"/>
Guidelines and Protocols	<input type="checkbox"/>
Other – Progress Report	<input checked="" type="checkbox"/>

Contact Information

Manager Responsible	Author Responsible
Name David Martin	Name Paul Carroll
Designation Chief Executive	Designation Performance and Improvement Manager
Base City Square	Base City Square
Telephone	Telephone 01382 434452
Email	Email paul.carroll@dundeecity.gov.uk

Signature of author of the policy: **Paul Carroll** **Date 9/10/15**

Signature of Director / Head of Service area: **Paul Carroll** **Date 9/10/15**

Name of Director / Head of Service: **David Martin**

Date of next policy review: **31/07/2016**

REPORT TO: POLICY & RESOURCES COMMITTEE – 26 OCTOBER 2015

REPORT ON: CAPITAL EXPENDITURE MONITORING 2015/16

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 398-2015

1 PURPOSE OF REPORT

- 1.1 To appraise Elected Members of the latest position regarding the Council's Capital Plan 2016-21.

2 RECOMMENDATION

- 2.1 It is recommended that the Committee note the latest position regarding the Council's Capital Plan 2016-21.

3 FINANCIAL IMPLICATIONS

- 3.1 This report shows the latest projections for 2015/16 expenditure and for the projected total cost. An explanation of these major variances is shown in Section 5 of the report.

4 BACKGROUND

- 4.1 The Special Policy & Resources Committee of 12 February 2015 approved the 2015-18 Capital Plan for General Services. The approved Capital Plan 2015-18 has subsequently been reclassified into the major themes of the Council and updated to reflect the effect of 2014/15 slippage on the 2015/16 Capital Programme, and revisions to projects (both in terms of costs and timescales). This revised Capital Plan 2016-21 was approved at Policy & Resources Committee on 24th August 2015. In addition to monitoring the in year budget i.e. 2015/16, the total projected cost project will be monitored against the cost when the tender acceptance was approved at Committee. Furthermore the projected completion date for the project will be monitored against the completion date as anticipated when the tender report was approved. The capital programme is being monitored in conjunction with the asset managers.

The Housing HRA Capital Programme 2015/16 was approved at the Policy & Resources Committee on 26 January 2015. It has subsequently been updated and the revised figures for 2015/16 are included in the updated Capital Plan 2016-21 which was approved at Policy and Resources Committee on 24th August. The Housing HRA Capital Budget reflects information contained in Scottish Housing Quality Standard submission.

- 4.2 Local Authorities from 1 April 2004 are required, by Regulation, to comply with the Prudential Code under Part 7 of the Local Government Act 2003. The Capital Budget for 2015/16 is being monitored within the framework of the Prudential Code.
- 4.3 The Capital Monitoring report provides detailed information on individual projects contained within the Capital Budget and the impact of expenditure movements on future financial years.

5 GENERAL SERVICES CURRENT POSITION

- 5.1 Appendix 2 details the latest projected outturns for each project, both for 2015/16 and for the whole project life span. In addition the Appendix monitors project timescales. In some instances it is not possible to provide either approved and projected total project costs and timescales due to the project being a block programme containing various projects within it. Appendix 1 summarises the total gross expenditure for 2015/16 and how this expenditure is funded.

5.2 2015/16 Expenditure Variations

Appendix 1 for the position to the end of September shows a revised Projected Outturn for 2015/16 of £100.963m, a decrease of £5.655m since the Capital Plan 2016-21 plan was approved at committee in August. The main reasons for this are detailed in points 5.2.1 to 5.2.2 below:

- 5.2.1 Menzieshill New Primary School and Nursery (Children & Families) – The site start date is now projected to be early 2016, however the completion date of the project has not changed. The spend profile is reduced by £1.732m in 2015/16 and increased in 2016/17 where the majority of the construction works are expected to take place and will be funded from borrowing in 2016/17.
- 5.2.2 Baldragon Replacement (Children & Families) – The projected expenditure has reduced by £4.056m in 2015/16. Scottish Futures Trust are continuing to work with the Scottish Government and the HM Treasury to confirm the amendments that will require to be made to the Hub DBFM structure to reinforce the private sector accounting classification of Hub DBFM projects.
- 5.3 Projected capital expenditure as a percentage of projected capital resources is currently standing at 113%. This variance between expenditure and resources will be met by slippage identified within the 2015/16 programme throughout the year.
- 5.4 The table below shows the latest position regarding the funding of the 2015/16 programme:-

	Approved Budget £000	Adjustments £000	Revised Budget £000	Projected Outturn £000	Variance £000
Borrowing	44,675	-	44,675	44,675	-
General Capital Grant	18,063	-	18,063	18,063	-
Capital Grants & Contributions	29,824	(3,976)	25,848	25,848	-
Capital Receipts – Sale of Assets	<u>1,000</u>	<u>63</u>	<u>1,063</u>	<u>1,063</u>	-
	<u>93,562</u>	<u>(3,913)</u>	<u>89,649</u>	<u>89,649</u>	=

5.5 Projected Total Cost Variations

- 5.5.1 Barnhill Primary Extension (Children & Families) – the projected total cost is £3.113m compared to an approved total cost of £2.774m (Article VI of the minute of the meeting of City Development Committee on 23 September 2013, Report No: 343-2013 refers and Article X of the minute of the meeting of City Development Committee on 20 May 2013, Report No: 192-2013 refers) – an increase of £339,000. The reason for this is due to additional requirements including new windows and car park resurfacing works, and increase in fees due to redesign and additional works. This additional expenditure is funded from budget virements from other headings within the capital programme.
- 5.5.2 Day Services Accommodation for People with Learning Disabilities - Wellgate Day Centre (Health & Social Care – Older People and Adults) – the projected total cost is £709,000 compared to an approved total cost of £636,000 (Article XII of the minute of the meeting of City Development Committee on 25 August 2014, Report No: 292-2014 refers) – an increase of £73,000. The reason for this is due to additional client service requirements, eg installation of Wi-Fi, intruder alarm improvements, lift improvements, and the associated design costs with the additional requirements. This additional expenditure is funded from the block budget allowance for Day Services Accommodation for People with Learning Disabilities.
- 5.5.3 Caird Hall Extension of Conference Facilities (Recreation, Culture, Arts and Heritage) – the projected total cost is £1.257m compared to an approved total cost of £1m (Article VII of the minute of the meeting of City Development Committee on 25 November 2013, Report No: 445-2013 refers and Article XIV of the minute of the meeting of Policy & Resources Committee on 9 December 2013, Report No: 520-2013 refers) – an increase of £257,000. The reason for this is actual scope of works reflected in higher work content and cost, additional client service requirements and prolongation costs due to Caird Hall events programming. This additional expenditure is funded from budget virements from other headings within the capital programme.

- 5.5.4 Riverside Drive Realignment (Sustainable City Infrastructure) – the projected total cost is £925,000 compared to an approved total cost of £760,000 (Article X of the minute of the meeting of City Development Committee on 23 June 2014, Report No: 213-2014 refers) – an increase of £165,000. The reason for this is that reinforced concrete was unexpectedly encountered in places below the carriageway surface. In addition the project was extended to renew a length of failing carriageway. This additional expenditure is funded from additional external contributions and budget virements from other headings within the capital programme.

5.6 Completion Date Variations

There are no completion date variations to report.

6 HOUSING HRA - CURRENT POSITION

6.1 2015/16 Expenditure Variations

Appendix 3 details the total gross expenditure for 2015/16 and how this expenditure is funded. The latest capital monitoring statement shows a Projected Outturn of £19.638m, an increase of £169,000 since the Capital Plan 2016-21 was approved at committee in August. The main reasons for this are detailed in points 6.1.2 to 6.1.5.

- 6.1.2 Free from Serious Disrepair – Windows – Works at Mill O'Mains have been added into the 2015/16 programme. The projected cost of these works in 2015/16 is £450,000 and will be funded by slippage identified within Security and Stair Lighting (See 6.1.4 below).
- 6.1.3 Energy Efficiency – External Insulation and Cavity Fill projected cost has increased to £8.170m from £7.849m an increase of £321,000 due to an additional location (Hospital Street) being added to the programme and this will also be funded by slippage identified within Security and Stair Lighting and the Mortgage to Rent Scheme (See 6.1.4 & 6.1.15 below).
- 6.1.4 Security and Stair Lighting - CCTV/Landlord Supply Lighting (MSD) – the projected outturn for 2015/16 has reduced from £962,000 to £262,000 a reduction of £700,000. This programme has been reprogrammed to coordinate with the Multistory Lift Replacement programme.
- 6.1.5 Increased Supply of Council Housing – Mortgage to Rent – the projected cost for 2015/16 has decreased from £250,000 to £50,000 a reduction of £200,000. The Mortgage to Rent Scheme was approved by the Housing Committee of 8 June 2015 when the financial recommendations were to add £250,000 to the Capital Plan. Demand so far has been slow with no applications proceeding.

- 6.2 The table below shows the latest position regarding the funding of the 2015/16 programme:-

	Approved Budget £000	Adjustments £000	Revised Budget £000	Projected Outturn £000	Variance £000
Borrowing	9,914	-	9,914	9,914	-
Capital Grants & Contributions	3,256	-	3,256	3,256	-
Capital Receipts – Sale of Assets	4,211	-	4,211	4,162	(49)
Receipts from Owners	<u>400</u>	<u>-</u>	<u>400</u>	<u>400</u>	<u>-</u>
	<u>17,781</u>	<u>=</u>	<u>17,781</u>	<u>17,732</u>	<u>(49)</u>

- 6.3 Projected capital expenditure as a percentage of projected capital resources is currently standing at 111%. This variance between expenditure and resources will be met by slippage identified within the 2015/16 programme throughout the year.

7 RISK ASSESSMENT

- 7.1 There are a number of risks which may have an impact on the Capital Expenditure programme. The main areas of risk are set out below, together with the mechanisms in place to help mitigate these risks.

- 7.2 Slippage in the Capital programme leads to the need to reschedule projects in the current year and possibly future years, therefore creating problems in delivering the programme on time. For this reason the programme is carefully monitored and any potential slippage identified soon as possible to enable any corrective action to be taken.
- 7.3 Capital projects can be subject to unforeseen events. Contingencies are built into the budget for each capital project and these will be closely monitored throughout the project.
- 7.4 The accurate projection of the value and timing of capital receipts from asset sales is difficult in the current economic climate. There is therefore a risk that the level of capital receipts assumed in the financing of the capital programme will not be achieved. In preparing the capital plan the Council has budgeted for a low level of Capital receipts being achieved. The Council has a Capital Fund which can be used to cover any shortfall, in the short-term, in the level of receipts required. Similarly, additional borrowing can be used to cover any temporary shortfalls in capital receipts.
- 7.5 General Capital Grant is received from Scottish Government via the Local Government Finance Settlement each year. The level of Grant for 2015/16 has been confirmed. The officers are of the view that the projected capital grant assumed within the Capital Plan 2016-21 is prudent.
- 7.6 Capital projects must be affordable in terms of their impact on the Council's Revenue Budget. The option appraisal process should ensure that the revenue impact of capital projects has been calculated and reflected in future years' Revenue Budgets.

8 POLICY IMPLICATIONS

- 8.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, and Equality Impact Assessment.

There are no major issues.

9 CONSULTATION

- 9.1 The Chief Executive, Head of Legal and Democratic Services and Executive Director of Neighbourhood Services have been consulted in the preparation of this report.

10 BACKGROUND PAPERS

- 10.1 None

MARJORY M STEWART
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

DUNDEE CITY COUNCIL CAPITAL EXPENDITURE MONITORING 2015/16

Appendix 1

	<u>Approved</u> <u>Capital</u> <u>Budget</u> <u>2015/16</u> <u>£000</u>	<u>Total</u> <u>Budget</u> <u>Adjustments</u> <u>£000</u>	<u>Revised</u> <u>Capital</u> <u>Budget</u> <u>2015/16</u> <u>£000</u>	<u>Projected</u> <u>Outturn</u> <u>2015/16</u> <u>£000</u>	<u>Variance</u> <u>£000</u>
GENERAL SERVICES					
<u>Capital Expenditure</u>					
Jobs & Regeneration	21,332	(10)	21,322	21,322	
Recreation, Culture, Arts & Heritage	27,557	670	28,227	28,227	
Children & Families	32,760	(5,757)	27,003	27,003	
Health & Social Care - Older People & Adults	1,639	(620)	1,019	1,019	
Community Safety/Public Protection	5,514		5,514	5,514	
Digital ICT	2,872		2,872	2,872	
Sustainable City Infrastructure	8,639	(3)	8,636	8,636	
Corporate Asset Management	6,305	65	6,370	6,370	
Capital Expenditure 2015/16	106,618	(5,655)	100,963	100,963	-
<u>Capital Resources</u>					
Expenditure Funded from Borrowing	44,675		44,675	44,675	
General Capital Grant	18,063		18,063	18,063	
Capital Grants & Contributions - project specific	29,824	(3,976)	25,848	25,848	
Capital Receipts - Sale of Assets	1,000	63	1,063	1,063	
Capital Resources 2015/16	93,562	(3,913)	89,649	89,649	
Capital Expenditure as % of Capital Resources	114%		113%	113%	

Appendix 2

JOBS AND REGENERATION 2015/16

Project/Nature of Expenditure	Approved Budget 2015/16 £000	Revised Budget 2015/16 £000	Projected Outturn 2015/16 £000	Actual Project Cost To Date £000	Approved Project Cost £000	Projected Total Cost £000	Approved Completion Date	Projected/ Actual Completion Date
Acquisition of Land/Buildings	119	119	119	Block Programme				
Industrial Estates Improvements	100	100	100	Block Programme				
Shopping Parade Improvements	156	156	156	Block Programme				
Demolition of Surplus Properties	927	927	927	Block Programme				
National Housing Trust Ph 2	2,100	2,100	2,100		9,749	9,749	N/A Prior to 1.4.15	
Central Waterfront	8,210	8,200	8,200	Block Programme				
(Less External Funding)	(5,985)	(5,985)	(5,985)	Block Programme				
Dundee Railway Station	6,888	6,888	6,888	5,225	38,000	38,000	Dec-17	Dec-17
(Less External Funding)	(278)	(278)	(278)	(1,143)	(6,315)	(6,359)	Dec-17	Dec-17
New Lock Entrance to Camperdown Dock	1,150	1,150	1,150	68	Tender not yet approved			
Lochee	823	823	823	Block Programme				
(Less External Funding)				Block Programme				
Vacant & Derelict Land Fund	692	692	692	Block Programme				
(Less External Funding)	(692)	(692)	(692)	Block Programme				
Community Regeneration Fund	167	167	167	Block Programme				
Net Expenditure	14,377	14,367	14,367	4,150	41,434	41,390		
Netted Off Receipts	(6,955)	(6,955)	(6,955)	(1,143)	(6,315)	(6,359)		
Gross Expenditure	21,332	21,322	21,322	5,293	47,749	47,749		

Block Programme - On going Programme of works

N/A Prior to 1.4.15 - Approved prior to reports including completion dates

Appendix 2

RECREATION, CULTURE, ARTS AND HERITAGE

Project/Nature of Expenditure	Approved Budget 2015/16 £000	Revised Budget 2015/16 £000	Projected Outturn 2015/16 £000	Actual Project Cost To Date £000	Approved Project Cost £000	Projected Total Cost £000	Approved Completion Date	Projected/ Actual Completion Date
McManus Galleries - Environmental Improvement Works "Here and Now" Gallery	271	330	330	30	348	348	Nov-15	Nov-15
Caird Hall Refurbishment first floor toilets							N/A Prior to 1.4.15	
Caird Hall Improvements		88	88		84	88	Sep-15	Sep-15
(Less External Funding)		(14)	(14)		(14)	(14)	Sep-15	Sep-15
Wildlife Centre Office/Bothy	2	4	4	16	15	18	N/A Prior to 1.4.15	
DCA - General Upgrade	20	20	20	2	Tender not yet approved			
DCA-Upgrade of Chillers (185k spend in 14/15)(16k CEEF funding in 14/15)	42	42	42	208	211	227	N/A Prior to 1.4.15	
Caird Hall Extension of Conference Facilities		30	30	1,247	1,000	1,257	N/A Prior to 1.4.15	
V&A at Dundee	22,355	22,355	22,355	17,467	80,110	80,110	N/A Prior to 1.4.15	
(Less External Funding)	(18,355)	(18,355)	(18,355)	(15,334)	(63,525)	(63,525)	N/A Prior to 1.4.15	
Camperdown House	100	100	100		Tender not yet approved			
Parks & Open Space	1,019	1,031	1,031	Block Programme				
(Less External Funding)	(285)	(297)	(297)	Block Programme				
Sports Facilities	2,069	2,548	2,548	Block Programme				
(Less External Funding)	(245)	(245)	(245)	Block Programme				
Regional Performance Centre for Sport	1,679	1,679	1,679	130	Tender not yet approved			
(Less External Funding)	(400)	(400)	(400)		Tender not yet approved			
Net Expenditure	8,272	8,916	8,916	3,766	18,229	18,509		
Receipts	(19,285)	(19,311)	(19,311)	(15,334)	(63,539)	(63,539)		
Gross Expenditure	27,557	28,227	28,227	19,100	81,768	82,048		

Block Programme - On going Programme of works

N/A Prior to 1.4.15 - Approved prior to reports including completion dates

Appendix 2

CHILDREN & FAMILIES

Project/Nature of Expenditure	Approved Budget 2015/16 £000	Revised Budget 2015/16 £000	Projected Outturn 2015/16 £000	Actual Project Cost To Date £000	Approved Project Cost £000	Projected Total Cost £000	Approved Completion Date	Projected/ Actual Completion Date
Harris Academy Refurbishment	11,914	11,914	11,914	24,901	32,351	32,351	N/A Prior to 1.4.15	
(Less Scottish Government Capital Grant)	(2,287)	(2,287)	(2,287)	(20,363)	(20,363)	(20,363)	N/A Prior to 1.4.15	
Balgarthno Primary School	20	20	20	8,832	9,266	8,939	N/A Prior to 1.4.15	
Decanting Harris & Refurbishment Rockwell	131	131	131	Programme				
Barnhill Primary - Extension	30	30	30	3,071	2,774	3,113	N/A Prior to 1.4.15	
Coldside - New Primary & Community Facilities	871	871	871	142	Tender not yet approved			
Menzieshill - New Primary & Nursery Facilities	2,932	1,200	1200	438	Tender not yet approved			
Menzieshill - Community Provision	1,783	1,783	1783	62	Tender not yet approved			
(Less Regeneration Funding)	(720)	(720)	(720)		Tender not yet approved			
Baldragon Replacement	6,556	2,500	2,500	1,505	Tender not yet approved			
Less External Funding	(6,556)	(2,500)	(2,500)	(500)	Tender not yet approved			
Replacement of Sidlaw View PS and Jessie Porter NS	4,469	4,469	4469	1,296	8100	8,100	Aug-16	Aug-16
Longhaugh, St Lukes and St Matthews & St Vincents Replacement	600	600	600	4	Tender not yet approved			
Community Centres	619	479	479	Block Programme				
Capital Spend Children & Young People Act 2014	1,875	2,046	2046	Block Programme				
Capitalisation of Schools PPP Unitary Charge(re PPP, previously CFCR)	960	960	960	Block Programme				
Net Expenditure	23,197	21,496	21,496	26,958	32,128	32,140		
Receipts	(9,563)	(5,507)	(5,507)	(20,863)	(20,363)	(20,363)		
Gross Expenditure	32,760	27,003	27,003	47,821	52,491	52,503		

Block Programme - On going Programme of works

N/A Prior to 1.4.15 - Approved prior to reports including completion dates

Appendix 2

HEALTH & SOCIAL CARE - OLDER PEOPLE AND ADULTS

Project/Nature of Expenditure	Approved Budget 2015/16 £000	Revised Budget 2015/16 £000	Projected Outturn 2015/16 £000	Actual Project Cost To Date £000	Approved Project Cost £000	Projected Total Cost £000	Approved Completion Date	Projected/ Actual Completion Date
Day Services Accommodation for People with Learning Disabilities:								
Wellgate	255	312	312	683	636	709	N/A Prior to 1.4.15	
Whitetop - Ph 1 & Ph 2A	789	287	287	383	498	498	N/A Prior to 1.4.15	
Craigie House Replacement	20	20	20	8	Tender not yet approved			
Provision of Accommodation for Adults with Learning Disabilities	300	300	300		Tender not yet approved			
Jean Drummond centre	275	100	100		Tender not yet approved			
Net Expenditure	1,639	1,019	1,019	1,074	1,134	1,207		
Receipts								
Gross Expenditure	1,639	1,019	1,019	1,074	1,134	1,207		

Block Programme - On going Programme of works

N/A Prior to 1.4.15 - Approved prior to reports including completion dates

Appendix 2

COMMUNITY SAFETY/PUBLIC PROTECTION

Project/Nature of Expenditure	Approved Budget 2015/16 £000	Revised Budget 2015/16 £000	Projected Outturn 2015/16 £000	Actual Project Cost To Date £000	Approved Project Cost £000	Projected Total Cost £000	Approved Completion Date	Projected/ Actual Completion Date
CCTV Project	739	739	739	15	Tender not yet approved			
Coastal Protection Works	3,316	3,316	3,316	Block Programme				
Cemeteries	201	201	201	Block Programme				
Construction of Salt Barn	200	200	200		Tender not yet approved			
Air Quality Monitoring Equipment	5	5	5	Block Programme				
Contaminated Land	100	100	100	Block Programme				
Recycling & Waste Management	953	953	953	Block Programme				
Net Expenditure	5,514	5,514	5,514	15				
Receipts								
Gross Expenditure	5,514	5,514	5,514	15				

Block Programme - On going Programme of works

N/A Prior to 1.4.15 - Approved prior to reports including completion dates

Appendix 2

DIGITAL AND ICT

Project/Nature of Expenditure	Approved Budget 2015/16 £000	Revised Budget 2015/16 £000	Projected Outturn 2015/16 £000	Actual Project Cost To Date £000	Approved Project Cost £000	Projected Total Cost £000	Approved Completion Date	Projected/ Actual Completion Date
Purchase Computer Equipment	960	960	960	Block Programme				
Replacement of Major Departmental Systems	800	800	800	Block Programme				
IT Infrastructure & Software Requirement	312	312	312	Block Programme				
Purchase of Computer Software (Citrix)	800	800	800	776	800	800		
Net Expenditure	2,872	2,872	2,872	776	800	800		
Receipts								
Gross Expenditure	2,872	2,872	2,872	776	800	800		

Block Programme - On going Programme of works

N/A Prior to 1.4.15 - Approved prior to reports including completion dates

Appendix 2

SUSTAINABLE CITY INFRASTRUCTURE

Project/Nature of Expenditure	Approved Budget 2015/16 £000	Revised Budget 2015/16 £000	Projected Outturn 2015/16 £000	Actual Project Cost To Date £000	Approved Project Cost £000	Projected Total Cost £000	Approved Completion Date	Projected/ Actual Completion Date
Road Schemes/Minor Schemes	1,948	1,945	1,945	Block Programme				
(Less External Funding)	(298)	(295)	(295)	Block Programme				
Street Lighting Renewal	1,251	1,251	1,251					
Road Reconstructions/Recycling	2,787	2,787	2,787					
Bridge Assessment Work Programme	912	912	912					
(Less Contribution)	(333)	(333)	(333)					
Regional Transport Partnership	473	473	473					
Seabraes Pedestrian Link	605	605	605	3,414	3,461	3,475	N/A Prior to 1.4.15	
(Less External Funding)				(987)	(693)	(987)		
Riverside Drive Realignment	13	13	13	912	760	925	N/A Prior to 1.4.15	
(Less External Funding)				(530)	(390)	(530)		
Council Roads and Footpaths - Other	650	650	650	Block Programme				
Net Expenditure	8,008	8,008	8,008	2,809	3,138	2,883		
Receipts	(631)	(628)	(628)	(1,517)	(1,083)	(1,517)		
Gross Expenditure	8,639	8,636	8,636	4,326	4,221	4,400		

Block Programme - On going Programme of works

N/A Prior to 1.4.15 - Approved prior to reports including completion dates

Appendix 2

CORPORATE ASSET MANAGEMENT

Project/Nature of Expenditure	Approved Budget 2015/16 £000	Revised Budget 2015/16 £000	Projected Outturn 2015/16 £000	Actual Project Cost To Date £000	Approved Project Cost £000	Projected Total Cost £000	Approved Completion Date	Projected/ Actual Completion Date
Relocation of Environment	27	27	27	952	1,095	979	N/A Prior to 1.4.15	
Registrars Move to 18-20 City Square	135	135	135	147	187	187	N/A Prior to 1.4.15	
Redevelopment of HQ & Operational Depots - Environment	1,744	1,744	1,744	1,376	Block Programme			
Dundee House (Retention)				(180)			N/A Prior to 1.4.15	
Structural Improvements & Property Upgrades	556	556	556	309	Block Programme			
Heating & Ventilation Systems	250	441	441	163	Block Programme			
Roof Replacement/Improvement Programme	475	203	203	39	Block Programme			
Window Replacement	250	668	668		Block Programme			
Electrical Upgrades	450	58	58		Block Programme			
Capital Projects Team	38	38	38		Block Programme			
Disabled Access	100	100	100		Block Programme			
Health & Safety Works	154	154	154	55	Block Programme			
Energy - Spend to Save	347	347	347		Block Programme			
Procurement Costs	96	96	96	96	Block Programme			
Vehicle Fleet Purchases	1,683	1,803	1,803	1,011	Block Programme			
(Less External Funding)	(16)	(136)	(136)	(114)	Block Programme			
Net Expenditure	6,289	6,234	6,234	3,854	1,282	1,166		
Receipts	(16)	(136)	(136)	(114)				
Gross Expenditure	6,305	6,370	6,370	3,968	1,282	1,166		

Block Programme - On going Programme of works

N/A Prior to 1.4.15 - Approved prior to reports including completion dates

DUNDEE CITY COUNCIL CAPITAL EXPENDITURE MONITORING 2015/16

Appendix 3

	<u>Approved Capital Budget 2015/16 £000</u>	<u>Total Budget Adjustments £000</u>	<u>Revised Capital Budget 2015/16 £000</u>	<u>Projected Outturn 2015/16 £000</u>	<u>Variance £000</u>	<u>Spend as a % of Projected Outturn</u>
HOUSING HRA						
<u>Capital Expenditure 2015/16</u>						
Free from Serious Disrepair - Roofs	1,411		1,411	1,431	20	1%
Free from Serious Disrepair - Roughcast	100		100	100		0%
Free from Serious Disrepair - Windows	1,616		1,616	2,066	450	16%
Energy Efficiency - External Insulation and Cavity Fill	7,849		7,849	8,170	321	7%
Energy Efficiency - Heating	4,118		4,118	4,285	167	48%
Energy Efficiency - Boiler replacement	100		100	100		55%
Energy Efficiency - Renewables Initiatives	300		300	300		0%
Modern Facilities & Services - Individual Shower Programme	30		30	30		0%
Healthy, Safe & Secure - Fire Detection	165		165	165		2%
Healthy, Safe & Secure - Door Entry System & Secure Doors	260		260	260		44%
Healthy, Safe & Secure - Security and Stair Lighting	200		200	200		0%
Healthy, Safe & Secure - Lift Replacements	50		50	50		0%
CCTV/Landlord supply Lighting (MSD)	962		962	262	(700)	0%
Electrical Upgrading	200		200	200		0%
Soundproofing	30		30	30		0%
Miscellaneous - Fees	30		30	28	(2)	100%
Miscellaneous - Disabled Adaptations	750		750	750		35%
Gas Pipe Replacement	300		300	300		48%
Increase Supply of Council Housing	400		400	200	(200)	32%
Demolitions	412		412	525	113	9%
Community Care - Sheltered Lounge Upgrades	186		186	186		21%
Capital Expenditure 2015/16	19,469	-	19,469	19,638	169	19%
<u>Capital Resources 2015/16</u>						
Expenditure Funded from Borrowing	9,914		9,914	9,914		
Capital Grants & Contributions - project specific	3,256		3,256	3,256		
Capital Receipts:-						
Council House Sales	1,620		1,620	1,950		
Land Sales	1,741		1,741	1,512		
Sale of Last in Block	850		850	700		
Receipts from Owners	400		400	400		
	17,781	-	17,781	17,732		
Capital Expenditure as % of Capital Resources	109%		109%	111%		

ITEM No ...5.....

REPORT TO: POLICY AND RESOURCES COMMITTEE – 26 OCTOBER 2015

REPORT ON: COLLECTIONS MANAGEMENT SYSTEM CONTRACT

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 391-2015

1.0 PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to seek Committee approval for the award of contract for a Museum Collections Management system

2.0 RECOMMENDATIONS

- 2.1 The Committee is asked to approve the following:
- a) Agree the outcome of the Tender Evaluation to procure a Museums Collections Management System from Axiell ALM Ltd. for a five year period with the option to extend.
 - b) Note the annual maintenance and hosting costs will be funded by Leisure & Culture Dundee

3.0 FINANCIAL IMPLICATIONS

- 3.1 The cost of the system is £92,611 and will be met from the Council's Renewal & Repair Fund.

4.0 MAIN TEXT

- 4.1 Leisure and Culture Dundee currently have a networked collections management system which is on a preparatory platform. The current Collections Management System is not meeting expectations and requires to be replaced. While it currently displays some content online, there has been challenges with keeping this updated and the current Gallery Interactive Terminals (GITS) and other digital interactives require to be replaced. At present, there are approximately 90,000 unique records on the current CMS from a collection which is believed to have over 150,000 objects. It has been identified that a solution is required for its future development and it is expected that the new CMS will transfer the entire content from this database.
- 4.3 There were 3 companies who submitted a response to the tender. All 3 bidders were invited to present their service offering in more detail.

- 4.4 After full evaluation and detailed verification of the proposals it was determined that the best overall proposal, based on price and quality of the submission, was that of Axiell ALM Ltd. Details of quality and price scores are provided below

Collection Management Systems Tender Assessment Summary				
Tenderer Name	Price Score 30%	Quality Score 70%	Overall Scores	Price & Quality Combined
Axiell ALM Ltd	22.8	70.0	92.8	1
Keep Thinking	16.6	54.5	71.0	3
System Simulations	30.0	62.2	92.2	2

Dundee City Council's Community Benefits through Procurement Policy seeks to secure Community Benefits on all applicable contracts. For this contract contractors were asked to propose how this commission could offer development opportunities for local digital media companies. The successful contractor has offered to provide a facilitated session for local companies to access the product and has proposed a design which will encourage their technology to be shared. Monitoring of these commitments will be carried out with the contractor by Dundee City Council's Community Benefits Officer and will be reported on as part overall the Council's Community Benefits update to be provided to committee on a regular basis.

5.0 POLICY IMPLICATIONS

- 5.1 This Report has been screened for any policy implications in respect Sustainability, Strategic Environmental assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6.0 CONSULTATIONS

- 6.1 The Chief Executive and the Head of Democratic and Legal Services have been consulted in the preparation of this report.

7.0 BACKGROUND PAPERS

- 7.1 None.

Marjory Stewart
Executive Director of Corporate Services

Date: 1 October 2015

ITEM No ...6.....

REPORT TO: POLICY & RESOURCES COMMITTEE – 26 OCTOBER 2015

REPORT ON: PROVISION OF MERCHANT SERVICES - TENDER REPORT

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 396-2015

1 PURPOSE OF REPORT

To seek Committee approval for the acceptance of the recommended tender for provision of merchant services.

2 RECOMMENDATIONS

The Committee is recommended to approve acceptance of the tender from Worldpay

3 FINANCIAL IMPLICATIONS

The recommended tender leads to an estimated cost of £109,395.38 to Dundee City Council in a full financial year. This presents a saving of £35,699.64 on current estimated annual charges following the introduction of interchange pricing from card acquirers Mastercard and Visa.

The change to merchant service pricing following the introduction of interchange in March 2015 has caused significant, uncontrollable cost pressures on existing revenues budgets. The reduction in costs achieved as a result of this tender will assist in alleviating these pressures.

The new transaction pricing model introduces charges on debit card transactions being priced at percentage of transaction value as opposed to the previous fixed fee model.

4 BACKGROUND

Merchant Services have previously formed part of the Banking Tender. Merchant services are now tendered independently as they are largely different services.

Tenders were evaluated by a panel on price and a range of quality criteria. Tender submissions were scored to assess how effectively they met the Council's quality requirements, needs and challenges and price. Worldpay delivered the best understanding of the Council needs, achieving the highest score with regard to meeting the overall quality criteria. They demonstrated clear pricing with transparent efficiency savings and a product fit for purpose in relation to the Council's large volume, multi-site operations.

A summary of the tender scoring matrix is shown below:

Bank	Price Score	Quality Score (un-weighted)	Quality Score	Total
Lloyds Group	70.0	42	15.3	85.3
Worldpay	64.3	84	30.0	94.3

5 CONCLUSION

The tender submission by Worldpay gives the most advantageous outcome for the Council. Given its ability to meet the quality criteria benefitting from continuity of service, it is considered that the new contract should be awarded to them as it offers improved service delivery and better flexibility in relation to processing and fund settlement which best fits the Councils business model as well as enhanced management reporting to assist strategic decision making.

6 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

7 CONSULTATION

The Chief Executive and Head of Democratic and Legal Services have been consulted on this report.

8 BACKGROUND PAPERS

None

MARJORY M STEWART
EXECUTIVE DIRECTOR OF CORPORATE SERVICES
28 SEPTEMBER 2015

ITEM No ...7.....

REPORT TO: POLICY & RESOURCES COMMITTEE – 26 OCTOBER 2015

REPORT ON: ANNUAL PROCUREMENT & COMMUNITY BENEFITS REPORT

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 390-2015

1.0 PURPOSE OF REPORT

- 1.1 This report provides an annual Procurement update, details of future planned activity and reviews the progress made of work being undertaken by the Corporate Procurement Team, including an update on Community Benefits through Procurement.

2.0 RECOMMENDATION

- 2.1 It is recommended that the Committee;
- note progress made within the Corporate Procurement Team and approve the planned actions and activities to realise the savings and benefits targets included in the report.
 - note progress made within the area of Community Benefits as shown in appendices 2 and 3.
 - approve the priorities outlined in Key Future Workstreams detailed in paragraph 11.0.

3.0 FINANCIAL IMPLICATIONS

- 3.1 The financial implications of the initial project were detailed in Committee Report 53-2013 (Article iv of the minute of meeting of this Committee of 28 January 2013 refers), full implementation occurred in financial year 2014/15 with appropriate budget amendments to reflect this.
- 3.2 Procurement Savings included in the 2015/16 budget were £280,000. The intention going forward is to work with departments on an ongoing basis to identify savings opportunities and work in conjunction as part of the budget setting process. Targeted savings from procurement activity for 2016/17 and 2017/18 is anticipated to be a minimum of £500,000. Key to this, is the engagement of all departments with Corporate Procurement, to identify, confirm and action these savings opportunities. Monitoring of these savings will be carried out by Corporate Procurement and agreed with each department.

4.0 BACKGROUND

- 4.1 The Dundee City Council Corporate Improvement Programme identified the organisation of Procurement within the City Council as an area for process review both from a tactical and strategic perspective.
- 4.2 Procurement activity within the Council, over the past year, has moved to a more centralised approach, from both a Procurement and Payments perspective with the appointment of the centralised Corporate Procurement Team. Performance metrics are used by the team to continuously track performance and identify areas for further improvement, the metrics used are:

<u>Purchases</u>	<u>2014/15</u>
Spend with contracted suppliers	78%
Orders placed electronically	82%
Total number of suppliers	4012
<u>Payments</u>	<u>2014/15</u>
Total number of payments	196,417
Invoices paid by electronic means	97.8%
Value of invoices paid by electronic means	99.9%
Invoices paid within 30 days	94%
Dundee supplier invoices paid within 30 days	95%
Dundee supplier invoices paid within 14 days	87%

4.3 Corporate Procurement, through centralisation activity has started the change from a reactive, tactical procurement approach across the Council to a more planned and proactive focus, as a result of this the priorities for Corporate Procurement are:

- embedding a more corporate, consistent and commercially focussed approach to all procurement and commissioning activities;
- improving the systems, skillset and knowledge base to support this approach;
- embedding sustainable procurement as 'business as usual', and securing maximum social value from the council's significant spend.

5.0 **TEAM STRUCTURE**

5.1 The organisation of the Corporate Procurement Team formally aligns procurement activity from Council departments into a new corporate Category Management structure. An organisation chart is provided in Appendix 1 and depicts the structure that is now in place in support of this team.

5.2 The Corporate Procurement Team has, over the past year, built a team that has been fully engaged in allocated category responsibilities. Time has been spent engaging with officers within Council departments to explain the role of Category Management, understand the existing contractual arrangements that are in place and to develop workplans with the respective officers, in preparation for upcoming contract development. Work has also been undertaken to engage with our collaborative buying partners such as Tayside Procurement Consortium, the wider Tayside Public Sector organisations and Scotland Excel.

5.3 This has been a valuable learning and development experience for all team members, whether they were previously in, or are new to Corporate Procurement. The blend of skills that have been brought together has provided strength to the team as a whole.

5.4 Next stages are to focus on strategic procurement planning; a more consistent and formalised approach to contract management; benefits recording & monitoring and on-going process improvements.

6.0 **STRATEGIC DIRECTION**

- 6.1 Corporate Procurement now has the building blocks in place to drive forward Strategic Procurement and Commissioning. The coming years will see challenges in terms of efficiency and savings, and Corporate Procurement will continue to seek tactical savings from contracts let nationally, regionally and locally. In conjunction with this, Corporate Procurement will work with departments to continue to embed procurement best practice, through the reduction in non-compliant spend; proactively working with officers in ensuring that specification of requirements in the tendering process and through improved contract & supplier management, deliver a best value offering for the Council.
- 6.2 Scottish Government continues to promote a national strategy of procurement reform to drive continuous improvement in procurement practice across the public sector in Scotland. This is supported by a mix of policy initiatives and legislative changes including the introduction of a new national procurement assessment framework; The Procurement Reform (Scotland) Act 2014; The Social Care (Self-directed Support) (Scotland) Act 2013 and the 2014 EU Procurement Directive.
- 6.3 The Scottish Government Annual Procurement Capability Assessment (PCA) is due to be replaced in 2016 by the Procurement and Commercial Improvement Programme (PCIP). The PCIP focuses on the policies and procedures driving procurement performance and more importantly, the results they deliver. Dundee City Council, due to its Procurement re-organisation applied to be exempt from undertaking the most recent PCA in 2014/15 but will be participating in the PCIP of 2016.
- 6.4 **Social Care**
- The Council supports the guiding principles of the Procurement of care and support services jointly published by the Scottish Government and COSLA. It reflects the complexity of procuring care and support services and the challenges associated with upholding values, delivering high standards and responding to individuals' needs whilst complying with procurement rules and securing best value. It applies to the procurement of:
- social care and support services for children and families, younger people and adults, including older people;
 - care at home services
 - social care and support services commissioned by criminal justice organisations.
- 6.5 The Integration of Health & Social Care, along with the upcoming changes to Part B services commissioning within the Procurement Reform (Scotland) Act 2014 has resulted in further consideration of how the commissioning of Care Services are undertaken. These changes, however, cannot detract from the complexity of procuring care and support services and the challenges associated with upholding values, delivering high standards and responding to individuals' needs whilst complying with procurement rules and securing best value. The council is committed to:
- Outcomes – achieve positive outcomes for service users and carers through the delivery of good quality, flexible and responsive services which meet individuals' needs and respect their rights.
 - Strategic commissioning – place the procurement of services within the wider context of strategic commissioning, reflecting strategic and service reviews.
 - Personalisation – secure personalised services which provide independence, choice and control for service users.

- Involvement – involve service users and carers as active partners in defining their needs and the outcomes they require and in the design of services.
- National Care Standards – ensure services meet the National Care Standards and adhere to the principles underpinning the Standards (dignity, privacy, choice, safety, realising potential and equality and diversity).
- Codes of Practice (Scottish Social Services Council) – ensure staff involved in procuring services promote the interests and independence of service users and carers, protect their rights and safety and gain their trust and confidence; ensure employers provide training and development opportunities which enable staff involved in procuring services to strengthen and develop their skills and knowledge.
- Best value – secure best value by balancing quality and cost and having regard to efficiency, effectiveness, economy, equal opportunities and sustainable development.
- Benefit and risk – base strategic decisions concerning the procurement of services on benefit and risk analysis of the potential effects on: the safety and well-being of service users and carers; the quality and cost of services; and partnership working with service providers and workforce issues.
 - Workforce – ensure the procurement of services takes account of the importance of a skilled and competent workforce in delivering positive outcomes for service users.
 - Partnership – promote collaboration between public bodies and partnership working across the public, private and voluntary sectors to make the best use of the mixed economy of care and bring about cultural change in all sectors.

7.0 **COLLABORATION**

- 7.1 The Council participates in collaborative contracts put in place nationally by the Crown Commercial Service, in Scotland by Scottish Procurement and Scotland Excel, and locally by Tayside Procurement Consortium. The Corporate Procurement Team works with all the organisations listed to ensure that optimum collaborative opportunities are taken, but at the same time ensuring contract management is carried out at a local level to ensure best value is achieved for Dundee City.
- 7.2 Dundee City Council was the founding member council of TOPIC – Tayside Cross Public Sector Collaborative working group, with members from NHS Tayside, Tayside Procurement Consortium, University of Dundee, Abertay University, Dundee & Angus College. Work is ongoing within this group on various collaborative procurement and supplier development opportunities
- 7.3 The Council is committed to collaborative procurement and actively takes part in many National and Sectoral contracts. Examples of recent collaborative participation include the National Care Home Contract, Online School Payments, Asbestos Surveys and Storage and Removals. We will continue to look for collaborative procurement opportunities that will support the delivery of benefits for the Council and its communities.
- 7.4 Dundee City Council also acts as lead authority on a number of collaborative contracts including:
- Managed Print/MFD Contract – Corporate Procurement Manager is Tayside Lead for contract which supports 3 Local Authorities, Dundee & Angus and Perth Colleges, Police, Tayside Contracts and various 3rd Sector organisations

- Lead Authority procurement support provided on NEC/Business Gateway/Employability contracts

7.5 As well as contractual collaboration Corporate Procurement works closely with our partner organisations in other areas where collaborative benefits may be realised, for example with:

- NHS Tayside where both organisations undertook joint working on contracts register development and community benefits sharing of expertise to the benefit of both parties
- Serious and Organised Crime Task Force - Corporate Procurement Manager participated with one other local authority as part of pilot programme with Police Scotland

8.0 **PROCUREMENT STRATEGIES AND POLICIES**

8.1 The Council has a requirement to standardise its procurement documentation, Corporate Procurement will work in partnership with the Legal Section to update the Council Standing Orders and Tendering Procedures to reflect the Corporate Procurement restructure, changes to the law and best practice. These will be updated in line with the new EU Legislation and The Procurement Reform (Scotland) Act and will then be subject to ongoing review as the procurement landscape changes.

8.2 In conjunction with this, a review of the format of tender reports for Committee will be undertaken to ensure a consistent approach, along with a summary of pertinent required elements, including Community Benefits.

8.3 The Council is implementing a consistent approach to contract and supplier management. A review of the current supplier base is being undertaken at present with a view to relevance and appropriateness based on compliance requirements, with prioritised contract management on high value, high complexity and/ or high risk contracts. The process will be embedded to drive best value within existing contracts.

8.4 Corporate Procurement have an active role in the development of Dundee City's Third Sector and Small to Medium Enterprises (SME's), working closely with City Development to identify areas where procurement support is required. The team regularly take part in supplier development events to encourage local suppliers, and advertise all contract opportunities above £50K on the Public Contracts Scotland Advertising Portal. Contracts below £50k are issued as Quick Quotes to a minimum of 3 companies (where possible) selected from the Public Contracts Scotland portal and have committed (where possible) to include at least one of the companies selected in this process to be from Dundee City to support the local agenda.

8.5 The Council recognises that as an increasing proportion of its addressable procurement spend is going through a rigorous tendering procedure, the opportunities for future revenue savings still exists but cannot be achieved from re-tendering alone in the long term. An increasing focus therefore will be given to better contract and supplier management as a route to further ongoing savings. A Procurement Savings Review is being set up with Finance Officers from respective departments to ensure that contract savings being achieved are being recognised and accounted for in budget planning.

8.6 The Council is committed through its procurement processes to follow the Scottish Government's Procurement Policy Note SPPN 4/2013 which provides advice and guidelines on the exclusion from public contracts of companies

which engage in blacklisting. Dundee City Council has implemented these guidelines within its procurement processes.

9.0 **COMMUNITY BENEFITS & SUSTAINABLE PROCUREMENT**

9.1 The appointment of a Community Benefits Officer in June 2014 has enabled Dundee City Council to be one of the leading Scottish Local Authorities in this subject area both from a contract and policy perspective. The approach within Dundee City Council has been to consider community benefits for inclusion in all contracts, where appropriate. This approach has enabled, not only the traditional areas of Employability to realise opportunities, but also through further engagement with Schools, Colleges, The Third Sector and local SMEs.

9.2 This focus is further demonstrated by the council's commitment to actively participating in a number of local and national initiatives:

- Supplier Development Programme – Corporate Procurement Manager was requested to, and has joined the Board of this national programme
- Ready for Business – Scottish Government sponsored Community Benefits Champions network – supported by DCC Community Benefits Officer
- Social Enterprise Development Board – supported by Corporate Procurement Manager and Community Benefits Officer
- In Kind Support to Third Sector – enabling access to applicable contracts for 3rd Sector organisations
- Tayside Meet the Buyer events – facilitated by Dundee City Council City Development (Economic Development) and Corporate Procurement – large turnout from SMEs (c.200 attendees) with spin-off training events being supported. This event was strongly supported by officers from City Development's Property team and has enabled small contract opportunities for SMEs to be developed. A further event was hosted by BAM Construction focussing on sub-contract opportunities in the construction of the V&A. Future events will be planned to coincide with particular contracts and to provide organisations with a look ahead on our procurement planning activity, both from a capital and revenue perspective. Supplier training and development sessions will be co-ordinated in support of this.
- Environmental impact of supply chain – including the requirement for suppliers to become members of ECO Stars Fleet Recognition scheme (where appropriate). ECO Stars is a free environmental fleet management recognition scheme, which rates individual vehicles and overall fleet operations to recognise levels of environmental performance. The ECO Stars scheme has been set up to help fleet operators improve efficiency, reduce fuel consumption and reduce emissions – all helping to improve local air quality and, at the same time, make cost savings

9.3 It is intended to record & report realised Community Benefits and other sustainable procurement matters as part of overall contract management, benefits recording and monitoring. Regular reporting to Committee on Community Benefits will be introduced. The first of these reports is included under section 12 of this paper.

10.0 **PROCUREMENT SYSTEMS**

- 10.1 The Council's P2P (Purchase to Pay) approach is to have both a centralised procurement and invoicing system. This has allowed for the continued reduction in non-compliant spend as well as efficiencies as invoice processing is migrated to the central team.
- 10.2 The Strategy being followed to achieve these objectives included the following main elements:-
- 10.3 **Increasing Efficiency** by the removal of duplication, eliminating paper and increasing supplier engagement mainly in the ways in which we process invoices. In addition, there are potential efficiencies generated by improved access to information via scanned images.
- 10.4 **Improving Control** through systematic controls, forcing compliance, improved management information and electronic alerts and reminders.
- 10.5 The development of a seamless purchase to pay process achieved through the continued development and implementation of Civica Purchasing, Intelligent Scanning, Government Procurement Cards (including Lodged Procurement Cards), e-Invoicing, Self Billing and the development of a Suppliers' Portal. There are several ordering systems which operate within Dundee City Council, some of which interface into Civica Purchasing and thereby create a commitment for the order. However, all payments to suppliers are interfaced into the Financial System to pay suppliers.

11.0 KEY FUTURE WORKSTREAMS FOR 2015/16

Activity	Target completion date	Owner
Review of Financial Regulations, Contract Rules / Standing Orders	31/12/15	Corporate Procurement Manager
Contract Register and Benefits Monitoring Database	31/12/15	Category Officer Corporate/Community Benefits Officer
Incorporating Legal/Organisational developments into our procurement approach <ul style="list-style-type: none"> Health & Social Care Integration Self Directed Support Changes to Public Procurement Rules in Scotland 	Ongoing to 2016 Ongoing to 2016 Ongoing to 2016	Corporate Procurement Manager/Senior Contracts Officer
Maximise the social and economic impact of the major developments across the city being led by the council	Ongoing	Corporate Procurement Manager/Community Benefits Officer
To work with major private sector employers and business organisations such as the Chamber of Commerce & Scottish Enterprise to build	Ongoing	Corporate Procurement Manager/Community Benefits Officer

further commitment to the Living Wage and Fair Work in Dundee		
Staff Training & Development Plan Roll out	Ongoing to 2016	Corporate Procurement Manager
E Tendering Development	31/12/16	Corporate Procurement Manager
Further development of Purchase to Pay	Phased	Corporate Procurement Manager/Compliance & Processing Officer/Category Officer Council Services

12.0 **COMMUNITY BENEFITS THROUGH PROCUREMENT UPDATE**

12.1 **Introduction**

This section provides an update on Community Benefits which have been secured as part of Dundee City Councils Community Benefits Approach. It also highlights recent and planned expansions to the approach specifically in the areas of Supplier Development; work with private contractors in Dundee Waterfront programmes, and approaches to encourage the use of the Living Wage.

12.2 **Summary of Achievements - Current Capital Construction Programmes**

The table below provides a summary of Community Benefits at current major Construction projects including, Waterfront 4, Harris Academy, V&A Dundee and Sidlaw View Primary (until end of August 2015).

Supplier Development	
Local Construction Spend (within 35 miles)	£10,683,265
Average Local Labour (within 35 miles)	57%
Employment and Skills	
New Start Employment Opportunities (previously unemployed, redundant, graduates or new entrants)	42
Project Initiated Modern Apprenticeships	15
Work Experience Opportunities	36
Awareness Raising Activity	
Awareness Raising Events and Activities Delivered	42
Individuals Supported through Awareness Raising	750

12.3 **Background**

Community benefits is the term used to refer to a range of 'social issues' including targeted recruitment and training, equal opportunities considerations, supply chain initiatives, awareness raising programmes and community engagement activity which contribute more widely to sustainable procurement. Sustainable procurement is defined as "a process that achieves value for money on a whole life basis and generates benefits not only to the

organisation, but also to society and the economy whilst minimising damage to the environment.”

This means that while the priority for all Public Sector Procurement remains the achievement of Best Value, this does not always mean accepting the lowest price. It means obtaining the optimum balance between price and quality in delivering Council requirements.

12.4 Policy Context

12.4.1 In September 2012 Dundee City Council approved a Community Benefits from Procurement Policy which introduces a Council wide approach intended to secure the maximum economic and social benefits from City Council Procurement within the current legal frameworks. This is linked to the Council's overarching Sustainable Procurement Policy which aims to embed sustainability principles, (social, economic and environmental) into all procurement.

12.4.2 In terms of the national context, the Scottish Government is clear that public sector organisations including local authorities should be using their procurement activity to leverage community benefits for the communities they serve. This is articulated in a range of key policy documents and legislation including the Local Government in Scotland Act 2003 and more recent policy documents including Developing the Young Workforce (Wood Commission Report). Community Benefit activity also directly contributes to the following outcomes in the Single Outcome Agreement

- Outcome 2: We realise our full economic potential with more and better employment opportunities for our people.
- Outcome 3: We are better educated, more skilled and more successful, renowned for our research and innovation.
- Outcome 4: Our young people are successful learners, confident individuals, effective contributors and responsible citizens.
- Outcome 7: We have tackled the significant inequalities in Scottish society.

12.4.3 The Procurement Reform (Scotland) Act 2014 builds on the work achieved so far in the reform of public procurement in Scotland. It establishes a national legislative framework for sustainable public procurement, ensuring that the public sector maximizes the economic benefit from effective and efficient procurement spend. It is intended to promote an approach that is 'both business friendly and socially responsible'. This includes duties to treat relevant economic operators fairly and without discrimination, and to be transparent and proportionate. The specific sustainable procurement duty requires authorities to use the procurement process to 'improve the economic, social and environmental wellbeing of the authority's area; facilitate the involvement of small and medium enterprises (SMEs), third sector bodies and supported business in procurement and promote innovation.

12.4.4 The Act provides Ministers with powers to make Regulations and issue Statutory Guidance on a number of specified issues. Most provisions of the Act do not, therefore, come into effect immediately and the work to develop the Regulations and Guidance will be aligned to the work on the development of

Regulations to transpose the EU Procurement Directives. The new Regulations are expected to be in place by the end of March 2016. It would therefore be the intention to refresh Dundee City Councils Community Benefits Policy in light of the guidance when published.

12.5 **Community Benefits Model in Dundee**

12.5.1 The Councils Community Benefits Approach includes a range of linked measures and activities which are intended to, wherever possible, maximise opportunities for local people and businesses. The policy focuses on the development of community benefits in the following areas

- Supplier Development including support to Small to Medium Enterprises, Social Enterprises and Supported Businesses to develop activities and guidance to encourage local suppliers to compete for council contracts; and subcontract and supply opportunities.
- Employment and Skills Activity including activities to secure new employment and apprentice opportunities, share vacancies and secure work experience opportunities
- Community and Awareness Raising Activity; including development of awareness raising activity, including support to school, college and employability programmes, community programmes and donation of materials

12.5.2 The Model works by including Community Benefit requirements in the Invitation to Tender and including minimum targets based on the type and estimated value of the contract. For all construction contracts the council uses the Client Based Approach Benchmarks developed by Construction Skills, the Sector Skills Council for construction and endorsed by the Scottish Government to establish minimum targets. Contractors are given the opportunity to increase these targets during the tender process but when agreed these become a mandatory element of the contract. Once agreed, progress to delivering these targets is monitored monthly by the Community Benefits Officer. Contractors are also sign posted to a range of local support agencies which can support them to deliver their community benefit requirements.

12.5.3 Community Benefits are integrated into the delivery model for the Centralised Procurement Team. Category Officers work with client departments to assess their tendering requirements and proportionate and relevant Community Benefit requirements are agreed with the support of the Community Benefits Officer. Once agreed ongoing monitoring of Community Benefits becomes part of standard contract management requirement, with continued support from the Community Benefits Officer. This is particularly relevant for larger contracts, including construction programmes where direct support to deliver and monitor requirements is provided by the Community Benefits Officer.

12.5.4 While there has been an initial focus on supporting major construction projects, this is now being expanded to include more specialised Construction and Non Construction programmes where the procurement processes are now supported by the Centralised Procurement Team.

12.6 Community Benefit Update

- 12.6.1 While Community Benefits are now being entered into more diverse contracts, the major construction contracts continue to dominate the outcomes achieved to date. Full details of outcomes achieved to date are provided in Appendix 2.
- 12.6.2 In addition to agreed activity Dundee City Council have been working with Kilmac Construction, Robertson's principal ground works contractor to develop and deliver a Construction Pre-recruitment training programme for young people with barriers to employment including contact with the Criminal Justice system. This has been highly successful with all 5 of the young people who completed the programme gaining work, 3 directly with Kilmac a local Living Wage Employer and 2 at PJ Careys on the V&A Dundee site. A Community Benefits programme has also been agreed with Balfour Beatty successful contractor on the Dundee Railway Station, Hotel and Concourse. The contractor has already committed to advertise subcontract opportunities on the Public Contract Scotland portal and to host a Meet the Buyer Event on 17 November 2015 to raise awareness of opportunities to local contractors.
- 12.6.3 As well as Construction Capital programmes, the approach has begun to expand into other areas of council procurement as Category Officers identify opportunities. Following the Procurement Reform Act guidance, Community Benefits added are proportionate and relevant to the contracts being considered. A full summary of the Community benefit commitments are provided in Appendix 3.

12.7 Recent Developments

- 12.7.1 The Community Benefit programme is constantly evolving to incorporate additional activities which support the approach's aim of securing maximum economic and social benefit for Dundee. One of the areas of expansion for the programme has been in the area of Supplier Development, recognising that one of the most effective ways to secure money and employment opportunities in the City is to maximise opportunities to support SME, Social Enterprises and where possible local contractors. Some of these measures have included:
- **Direct Supplier Development Activity** – An annual Tayside Meet the Buyer Event is held in February each year in partnership with public sector partners and Perth and Kinross and Angus Councils. This event held in Dundee is hugely popular with more than 200 potential contractors and suppliers attending. This is part of a planned programme of industry specific Supplier Information Days and Training days coordinated by the Central Procurement Team to support local contractors compete for opportunities.
 - **Supplier Development Outcomes** – we are increasing the targets for companies to deliver supplier development interventions such as Meet the Buyers or Contractor Development Days
 - **Social Enterprise Development and Spend Monitoring** – the spend monitor in place for local contractors has been expanded to social enterprise and supported business in major construction contractors to encourage opening up new markets to our social enterprise partners. To

support this, a mini catalogue of services which social enterprises can deliver to construction companies has been developed in partnership with Dundee Social Enterprise Network.

- **Business Mentoring** – we are beginning to introduce Business Mentoring to our larger contracts, encouraging lead contractors to provide mentoring opportunities to potential supply chain partners.
- **Opportunity Access** – We continue to request opportunity access of key contracts, including with the V&A Contract, securing agreement from the lead contractor to advertise subcontract and supply opportunities on Public Contracts Scotland. This was further enhanced by a V&A Dundee Supplier Development event held at the Invercarse Hotel on 14 August 2015 which aimed to show potential contractors routes to market, 130 representatives from the local business community attended this event.

12.8 Living Wage Considerations

There is an ambition to explore innovative solutions for incorporating Living Wage considerations into our Community Benefits Approach within current legal limits.

- 12.8.1 The Scottish Government has recently published the first part of the Procurement Reform Act Guidance - The Statutory Guidance on Selection of Tenders and Award of Contracts, which includes guidance on addressing Fair Work Practices including the Living Wage. The full Statutory Guidance is to be published toward the end of the calendar year. The guidance indicates that the Scottish Government has obtained clarification from the European Commission which confirms that the 'contracting authorities are unable to make payment of the Living Wage a mandatory requirement as part of a competitive procurement process where the Living Wage is greater than any minimum wage set by or in accordance with law.' Procurement approaches can mandate the use of the National Minimum wage, as this has a legal status in the United Kingdom but not the Living Wage as this is advisory only.
- 12.8.2 In July 2015 the UK Chancellor, George Osborne announced the creation of a 'National Living Wage', for employees aged over 25, starting at £7.20 and rising to £9 per hour by 2020, to replace the minimum wage. As this will become the legally recognized 'minimum' this will be enforceable in contracts as the minimum wage is at the moment.
- 12.8.3 The Scottish Government's Statutory guidance provides details of what is required of contracting authorities, when undertaking regulated procurement, to address fair work practices, including the Living Wage. It indicates that this can be considered and scored as part of a wider 'Fair Work Practices', which includes consideration of other issues such as the inappropriate use of zero hours contracts, Trade Union recognition, support to learning and development and support for Modern Apprenticeships. The Procurement Team are actively seeking an appropriate contract where this can be piloted in advance of the publication of more detailed guidance, with future Invitations to Tender to reflect the Council's ambition to see the Living Wage paid through the whole supply chain.

12.8.4 An alternative approach has been adopted in the Sidlaw View Primary Contract which had been awarded to Robertson's Construction using the Scape Framework. It has been clarified that the structure of the Scape Framework enables Robertson Construction when they are tendering work packages to require that sub-contractors (and the sub-contractors' sub-contractors') pay the Living Wage as a minimum to all employees. This requirement can also be retrospectively applied to the Sidlaw View contract which was approved by Committee on 22 June 2015, with additional costs being met from the Council's contingency provision.

12.8.5 The Council is also participating in COSLA initiative to consider options for improving wage rates in the care at home/ housing support sector by agreeing a minimum hourly rate for the sector (note this is likely to be below the Living Wage). This initiative has been developed in recognition of the link between pay and the quality of care and in recognition of the challenges of recruitment and retention in a sector where care staff are often paid the minimum wage. The programme includes consideration of the care home sector for older people's care and the non-residential sector for adults and older people.

12.9 **Expand Community Benefits Approach to Dundee Waterfront**

12.9.1 It is recognised that the current Community Benefits Approach is limited to activity which is directly procured by the Council. The Waterfront Development is a £1billion redevelopment project with the majority of developments falling out with the councils direct procurement process. The Dundee Waterfront Board has identified an opportunity to expand the councils influence in these programmes and has tasked a small working group with developing an approach to expand the Community Benefits approach within the Waterfront Project to include engagement with private sector developers. The remit of the group is to

- Agree a proposed structure of future agreements
- Develop Community Benefit Agreements and Approaches for Construction and End User Phases
- Identify a pilot programme to trial the approach and undertake review and make amendments as required
- Consider resource requirements for Council departments and partners
- Explore options for promoting the use of the Living Wage

12.9.2 At this juncture it is envisioned that the likely preferred option for the majority of Dundee Waterfront Developments will be for them to be taken forward on a Joint Venture basis as this represents the best balance between control and risk reduction, with voluntary best endeavours agreements used if Joint Ventures were not appropriate.

12.9.3 For Construction contracts it is recommended that, Joint Venture partners and their Construction Contractors are required to agree to an adaptive version of the current Community Benefits approach. By keeping requirements as much as possible in line with the current Community Benefit Approach, this will reduce the resource requirements of supporting and monitoring the additional activities.

- 12.9.4 There is also a significant opportunity to secure additional benefits by extending our agreements to capture the 'End User' phase of development opportunities. It is likely that this would be realised through a mixture of Lease and Sale agreements and would follow on from agreements which would already be in place with Joint Venture partners to secure opportunities through the construction phase of the developments.
- 12.9.5 While it is not yet known specifically which End Users will occupy future developments, these are likely to include labour rich developments including hospitality, retail and office developments. This provides ample opportunities for developing mechanisms to secure access to the employment opportunities which will be created through these new developments. A working group including representation from Dundee Employability Partnership, Jobcentre Plus, Skills Development Scotland and Dundee College has been established to develop a response, this is likely to include establishing sector specific vacancy management and pre-recruitment training approaches to secure opportunities created from these development.
- 12.9.6 The intension is to introduce Community Benefits requirements on forthcoming programmes on a Pilot basis for the first plots to be developed in the Central Waterfront. This approach will offer both the Council and the developer the opportunity to test the practicality of the suggested approach and refine it according to the practical opportunities and challenges it presents. This will help ensure that the implementation of future Community Benefits in to Construction Contracts, are better aligned to the practicalities of delivering those types of complex construction projects.
- 12.9.7 As these developments will not be led by Council procurement requirements, there is more potential to include outcomes around encouraging and promoting the use of the Living Wage to help address in work poverty. This will be actively explored with in the pilots of both Construction and End User approaches.

12.10 **Next Steps and Reporting**

The Community Benefits Approach will continue to develop over time and a new Community Benefits Policy will be produced when the Procurement Reform Guidance is published. The Procurement Reform Guidance is anticipated to include guidance on reporting requirements for Community Benefits but it would be intended to report progress within Dundee City Council on a 6 monthly basis. To support this activity a new Procurement monitoring database is being developed which will include comprehensive reporting tools for Community Benefit activity.

13.0 **CONSULTATION**

- 13.1 There has been ongoing constructive and positive dialogue within the project group comprising officers from the procurement team and Council Services.
- 13.2 The Chief Executive and Head of Democratic and Legal Services have been consulted on the terms of this report.

14.0 **POLICY IMPLICATIONS**

14.1 **Procurement Strategy 2011- 2015**

14.2 The Procurement Reform project is fully aligned to the delivery of the Council's current approved Procurement Strategy and objectives

14.3 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues, however it is worth noting the positive impact of the proposed improvements.-

- **Equalities**

Adoption of the improved procurement management model will make it much easier for the Council to implement strategies such as mainstreaming equal opportunities and policing the equalities policies of suppliers along the supply chain.

- **Sustainability**

Previously devolved arrangements are not in line with best practice with regard to co-ordinating sustainable procurement and matters of corporate and social responsibility. The new management model should improve significantly the ability of the Council to buy products and services that are more sustainable in the long-term.

15.0 **CONCLUSION**

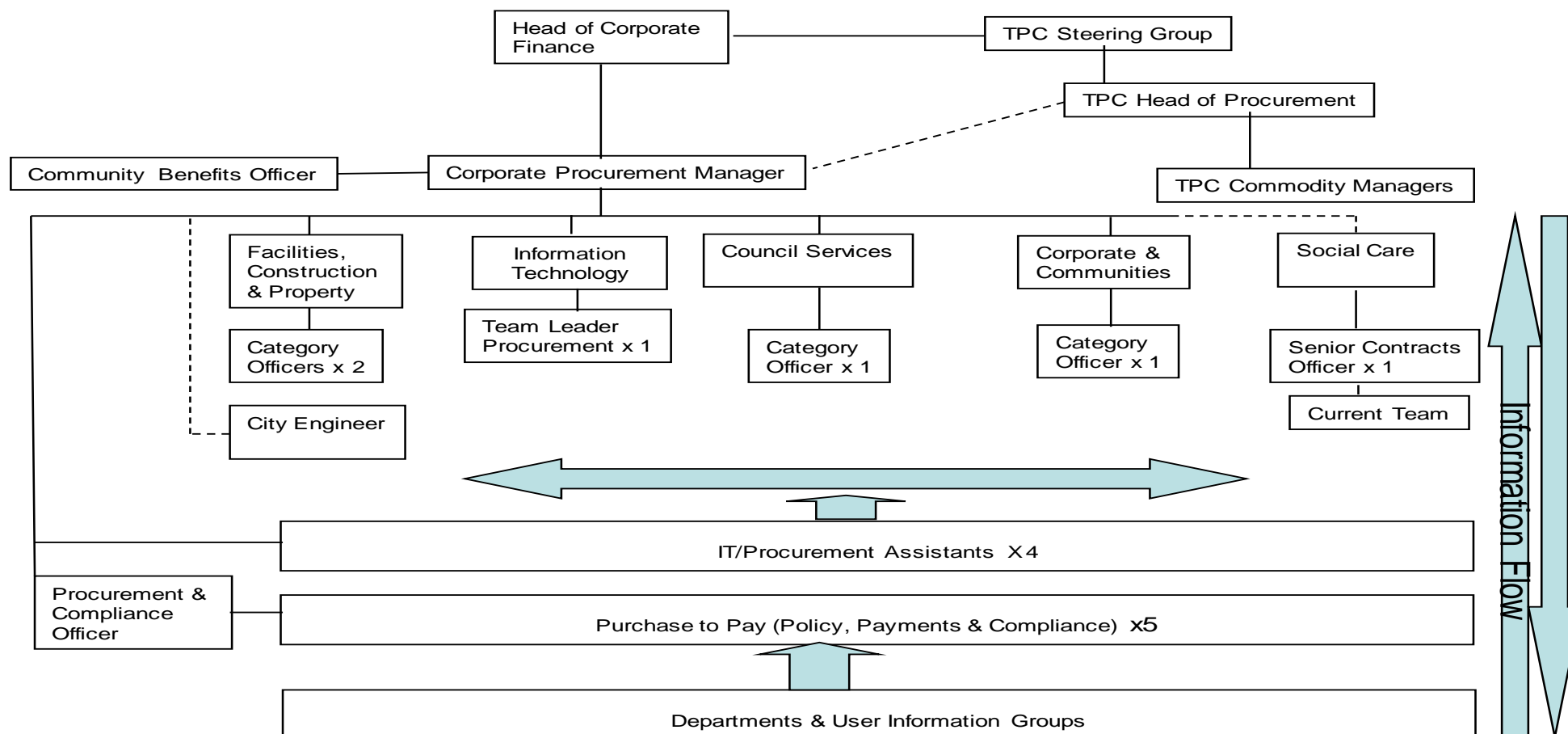
15.1 The continued implementation of changes within Procurement in Dundee City Council has begun to yield benefits, and will continue to be improved to ensure Best Value and Best Procurement Practice considerations. The City Council, through delivery of this corporate improvement project can optimise benefits realisation or whole-life costing models, and in doing so improve its procurement practice and realise increased savings and efficiency.

16.0 **BACKGROUND PAPERS**

16.1 None

Marjory M Stewart
Executive Director of Corporate Services

Date: 30th September 2015

APPENDIX 1**Corporate Procurement Team Structure**

APPENDIX 2

Community Benefits Committed/ Requested from Capital Construction Programmes

Dundee Waterfront 4 with Sir Robert McAlpine

This contract is coming towards an end and has now achieved all of its stated Community Benefit targets and in some cases over achieved them.

- **Local Contractor Information** - from January 2014 to August 2015 an average of 43% of the contract value or £3,982,268 has been spent locally (within 35 miles of site), with local contractors undertaking major packages including ground works.
- **Local Labour**- from January 2014 to end August 2015 an average of 58% of labour on site was local (within 35 miles)
- **New Start Employment Opportunities** – 7 new start employment opportunities have been created and filled with previously unemployed candidates or young people from training programmes.
- **New Start Graduate Opportunity** – 1 new graduate opportunity has been created
- **Apprentices** – 3 new apprentice opportunities have been created with SRM and their subcontractors. These include the provision of 2 adult apprenticeships directly with SRM and a new start apprentice with Gilmartins.
- **Work Experience Placements** – 7 work placements have been delivered on site supporting young people and adults to gain experience in the construction industry
- **Awareness Raising** 7 awareness raising event delivered to date supporting over 130 clients including Site Visits from groups of College, University and Employability Students and participation in college and school events including 'a day in a Life of an Engineer' for Craigowl Primary School and Dundee and Angus College's 'Motivate Me'
- **Donation of Materials and Social Enterprise Activity** – In partnership with their Waste Management provider Geddes, the contractor has supported Claverhouse Training, to remove approximately 10,000kgs of waste from their facility at no cost. The company has also provided direct donations including timber pallets and shutters to Claverhouse and railway sleepers to a local scout group.
- **Additional Community Benefits** – In addition to the Community Benefits delivered as part of their contract requirements, the company has also supported initiatives including the Mary Slessor Centre Monument, Roseangle Community Playground and raised funds for various local charities including £750 to Dundee Cyclathon fund which supported Cash for Kids charities.

Harris Academy with Robertson's Construction

This contract has now also now achieved all of its stated Community Benefit targets and in some cases over achieved them.

- **Local Contractor Information** - from January 2014 to July 2015 an average of 24% of the contract value or £2,414,976 has been spent locally (within 35 miles of site)
- **Local Labour**- from January 2014 to end September 2015 an average of 52% of labour on site was local (within 35 miles)
- **New Start Employment Opportunities** – 6 new start employment opportunities have been created and filled with previously unemployed candidates or young people from training programmes.
- **New Start Graduate Opportunity** – 1 new graduate opportunity has been created
- **Apprentices** – 8 new apprentice opportunities have been created contractors including apprenticeships with Soundtex, Sidlaw Building and FES
- **Work Experience Placements** – 4 school based work experience and 17 post school work placements have been delivered on site supporting young people and adults to gain experience in the construction industry. These have included students from Dundee and Angus College and young people on Employability programmes.
- **Awareness Raising** - 29 Awareness Raising Events have been delivered supporting 411 individuals and significantly exceeding their targets for this element. Activities have included a full programme of site visits for school, college and university students including project work with Dundee and Angus College data networking students and allowing the Scottish Fire & Rescue Service to undertake exercises on site.

Sidlaw View Primary

This contract has been on site since July 2015 and will be delivered as part of the Scape framework which includes some slightly different Community Benefit requirements

- **Local Contractor Information** – from July 2015 to August 2015 89% of contracted spent has been spent with local subcontractors and suppliers within a 40 mile radius (note Scape framework measures at 40 rather than 35 miles). Local contractors include Kilmac Construction and Jackson Steel Structures Ltd.
- **New Start Employment Opportunities** – 4 new start employment opportunities have been created and filled with previously unemployed candidates or young people from training programmes. These include 3 candidates employed by Kilmac Construction from the Construction Employability programme, a pre-recruitment training programme targeted at young people will significant barriers to employment.
- **Work Experience Placements** – 6 young people on employability programmes have been provided with work experience as part of the Construction Employability Programme
- **Awareness Raising** – 4 Awareness Raising Sessions have been delivered to date supporting 189 people. These have included a CV workshop and a motivational session for young job seekers and Health and Safety Talks to current Sidlaw View Primary school children.

V&A Dundee – BAM Construction

BAM have been on site since March 2015,

- **Local Contractor Information** – Contractors are asked to report on the percentage of spend allocated to local subcontractors and suppliers within a 35 mile radius on monthly basis. Since the beginning of the project in March 2015 until the end of August 2015 £4,286,021 or 11% of the contract value has been spent with local subcontractors and suppliers.
- **Supplier Development Activity** – 4 Supplier Development Events have been delivered to date including participation in a PACE Redundancy Event for Muirfield Contracts staff, and a major V&A Dundee Supplier Development Information session on 14 August 2015. At this event BAM and their major subcontractors FES and Careys shared details of their future subcontract and supply opportunities and committed to advertise these on Public Sector Scotland, the public sectors procurement portal.
- **Local Labour** – In August 2015, 61% of the labour on site was local (within 35 miles) and from May 2015 to the end of August 2015 an average of 49% of labour on site was local.
- **Employment Opportunities** – 33 Employment Opportunities have been created on site since March 2015 and of those 16 are defined as ‘new start’ employment opportunities. New Start employment opportunities are those who have been filled with candidates who were previously unemployed candidates, a new start from a training programmes or those experiencing redundancy. These include a Site Secretary, Project Engineer and Project Surveyor from Muirfield Contracts.
- **Apprentices** – 4 Modern Apprentice opportunities have been created, including 3 previously redundant apprentices from Muirfield Contracts have been employed by joinery contractor W.B.S Keillor Ltd and 1 new joinery apprentice with PJ Careys, with another planned
- **Work Experience Placements** – 2 Civil Engineering work placement opportunities have been delivered to date. A work placement programme has been agreed with BAM and Education service for school aged young people to begin in the new term and dates are being arranged for post school clients and college students.
- **Awareness Raising Activity** – 2 awareness raising events have been delivered to date, supporting 20 clients. These have been site visits and talks for groups of unemployed young people. A full programme of both onsite and off site awareness raising activity is being developed. Of particular note is the onsite training centre which will allow candidates more distant from the labour market to participate in practical construction ‘taster sessions’ in a safe environment.
- **Other Community Benefits** – Various fundraising events for BAMs nominated charity Alzheimer’s Scotland including a ‘Buy a Brick Campaign’ for on site contractors.

APPENDIX 3**Community Benefits Committed/ Requested from Other Contracts****Construction**

Contract Area	Status	Description	Community Benefit Ask
Electrical Inspection and Testing	Agreed in Contract	Electrical testing of domestic properties	2 school based Work Experience placements per annum (8 total) 1 Employability Work Placement per annum (4 total) 2 per annum (8 total) Student Talks or visits to relevant groups of Dundee and Angus College students
H&S Service and Maintenance of Sprinkler Protection Systems	Agreed in Contract	Inspection and Testing of Sprinkler Systems	1 per annum (4 total) Student Talks to relevant groups of students
H&S Fan Convectors	Agreed in Contract	Inspection and Testing of Convector	1 per annum (4 total) Student Talks to relevant groups of students
H&S Air Conditioning Units	In Tendering Process	Inspection and Testing of Air Conditioning Systems	1 per annum (4 total) Student Talks to relevant groups of students

Non Construction

Contract Area	Status	Description	Community Benefit Ask
Occupational Health	Agreed in Contract	Delivery of Occupational Health Service including Counselling and Physiotherapy Services	5 per annum (15 total) – Supplier Development Events for Local SMEs. Will include the delivery of mini health checks in partnership with Healthy Working Lives 5 per annum (15 total) – Awareness Raising Events to include training on 'Common Health Conditions from groups of staff from

			<p>Jobcentre Plus and Employability partners</p> <p>1 school work experience per annum (3 total) for a senior pupil in Physiotherapy or Health Surveillance</p> <p>Explore 1 work placement from a University based Physiotherapist Student</p>
Auto Desk Software Support& Training	Agreed in Contract	Specialist AutoCAD Software	1 per annum (4 total) Delivery of Student f Talk or Demonstration to groups of relevant Dundee and Angus students
Cyclone and Filer Ash	Agreed in Contract	Collection, Transport& Recycling, Reuse or Disposal of Energy from Waste Cyclone and Filter Ash Residues	<p>1 commitment to meet with local providers to discuss options for the recycling and reuse of ash products in a sustainable manner</p> <p>2 per annum (3 total) Delivery of Student Talks to groups of Pre-Apprentice and Renewable Energy Students at Dundee and Angus College</p>
Dundee & Angus Residual Waste Contract	In Tendering Process		<p>Operational Phase requirements include (potential 20 – 25 year contract)</p> <p>2 Supplier Development Events for SMEs and social enterprises per annum</p> <p>25 hours of Business Mentoring per annum</p> <p>2 New Start Employment Opportunities</p> <p>2 New Modern Apprenticeships</p> <p>4 Work placements per annum</p> <p>2 Awareness Raising Events per annum</p> <p>4 Environmental Awareness Events per annum</p>

			If a Construction Phase is proposed a full Community Benefits programme would be implemented using the Client Based Approach Benchmarks to agree targets based on value
Museum Collections Management System	In Tendering Process	Development and Delivery of a new collection management system for McManus Gallery	To propose development opportunities for local digital media companies including start ups.

ITEM No ...8.....

REPORT TO: POLICY AND RESOURCES COMMITTEE - 26 OCTOBER 2015

REPORT ON: CO-ORDINATION AND IMPROVEMENT OF ADVICE SERVICES

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 385-2015

1.0 PURPOSE OF REPORT

- 1.1 This report details future arrangements for Council based advice services in Dundee. Council services restructuring and the implementation of Health and Social Care Integration mean new arrangements are required to ensure the duties and functions of services such as Welfare Rights (including income maximisation), Dundee Energy Efficiency Advice Project and CONNECT continue to be implemented and co-ordinated satisfactorily and that there is clarity around operational line management responsibilities.

2.0 RECOMMENDATIONS

It is recommended that Policy and Resources Committee:

- 2.1 Agrees the proposed arrangements for advice service functions to be integrated and co-ordinated following reorganisational changes as described in paragraph 4.7 of this report.
- 2.2 Agrees the transfer of the Welfare Rights Section (including income maximisation functions), Dundee Energy Efficiency Advice Project and duties of Corporate Appointeeship to the Corporate Services Department to create a new distinct service area alongside the Scottish Welfare Fund and Connect Service under the direction of the Head of Customer Services and IT in order to provide a “wrap around” service at a local level for people experiencing financial and social exclusion.
- 2.3 Agrees an improved model of advice delivery that provides a more co-ordinated local authority information and advice service whilst meeting the aspirations of Dundee City Council’s Single Outcome Agreement and the national Health and Wellbeing Outcomes.

3.0 FINANCIAL IMPLICATIONS

- 3.0 None.

4.0 BACKGROUND

- 4.0 Dundee faces significant challenges related to increasing levels of income inequality, poverty and social exclusion. Dundee Partnership’s Fairness Strategy underlines this by highlighting that clients are facing having insufficient income, lower life expectancy, greater unemployment and lower educational attainment and that children are less likely to achieve positive key developmental outcomes. Alongside this, welfare reform is seen by Councils and partners as perhaps the biggest policy challenge they currently have to consider in terms of the impact on their services, health services, the voluntary sector and citizens’ income and health. The Dundee economy is forecasted to lose up to £21.12m in benefits each year as a result of the first wave of welfare reform. Impact assessments resulting from the latest budget announcements have yet to be published but they are likely to result in significant further losses to Dundee citizens and its economy.

- 4.1 Advice services such as the Council's Welfare Rights Section have demonstrable skill in securing benefits for Dundee citizens (£4,896,623 in 2014/5) as well as being able to link services together for better client outcomes. Whilst advice services are in danger of becoming quickly oversubscribed due to Welfare Reform, they still offer an effective source of mitigation against its worst impacts as well as being a cost effective safeguard against poverty and its effect on family incomes. With prevalent levels of poverty and inequality continuing to exist in our most deprived areas, advice services must adapt in order to be as responsive as possible to peoples' needs as well as reviewing current practice to ensure increased efficiency and throughput of customers.
- 4.2 Services must also intervene earlier as highlighted by the Christie Commission. Shifting client engagement to an earlier stage and working holistically in Dundee communities ought to be a fundamental requirement of future advice service planning, alongside factors of locality and service user need. However all Council advice services are working on a largely unilateral basis with different outcomes, outputs and performance indicators being the norm. This has occurred largely through an incremental build up of services over decades and service provision that is currently focused on outputs that are reported back in a linear manner within each department. There is no common standard for outcome reporting used within the council in terms of advice provision nor is there full consistency in the approaches taken.

Establishment of an Advice Services Officer Review Group

- 4.3 In June 2015 in response to a report regarding Service and Management Structures (Article III of the minute of the Policy and Resources Committee held on 8 June 2015, report 216-2015 refers), an internal Council advice services officer review group was established, with a membership comprising the Executive Director of Corporate Services, Head of Customer Services and IT, Head of Service (Welfare Rights, Finance and Contracts), Section Leader (Welfare Rights) and the Head of Service (Strategy, Integration, Performance and Support Services). Initially the group was convened to assess and recommend the most suitable destination for the Welfare Rights Section post Health and Social Care Integration. In doing so the group first defined and collated the current work of the Welfare Rights Service within the Social Work Department. The group also began to explore and define principles that would underpin future service delivery and what an improved service delivery model might look like, taking into account the need to have Welfare Rights Services continuing to operating in the clients' best interests.
- 4.4 An improved model of advice was defined by the group as one which provides a more co-ordinated local authority information and advice service whilst meeting the aspirations of Dundee City Council's Single Outcome Agreement and the national Health and Wellbeing outcomes. Citizens would have easy access to services that provide a universal approach to social justice as well as consistent responses and clear outcomes for clients presenting with issues connected with poverty, welfare reform and social exclusion. It would also take a more holistic approach to client need and link clients into wider supports and solutions either within the community, voluntary sector or the wider range of council services.
- 4.5 The group agreed that the characteristics of an improved model would be underpinned by the following principles
- Recognising the role of advice provision in informing the social policy agenda – both locally and nationally.
 - Broadening access to quality benefit, debt and fuel poverty advice and increasing take up of advice for Dundee citizens.
 - Developing the interfaces between localities and advice sector services.
 - Valuing the role of income maximisation and its effect on economic regeneration.
 - Acknowledging existing informal partnerships and increasing the effectiveness of Dundee's service networks generally.
 - Recognising that advice provision should meet national quality standards.
 - Determining community priorities or advice needs generally through coproduction.

- Making connections that promote joint planning and ensure better commissioning of services going forward.
- 4.6 After consideration of an initial options appraisal of the Welfare Rights Section's future destination, the advice services officer review group decided to widen the remit of the review to consider how other internal Council advice services could be integrated in order to meet the characteristics of an improved model of delivery. Such a model would organise services in a more co-ordinated fashion across the city and ensure that they gave citizens consistent access to services offering help on issues connected with poverty, welfare reform and social exclusion.
- 4.7 The group's improved model is illustrated as Appendix 1 to this report. The model illustrated shows how different strands of advice delivery can accept clients seeking advice and assistance through different gateways but still ultimately work towards the same quality outcomes and indicators regardless of initial access point. At this stage development towards integrated advice provision is concentrating on internal Council advice services. However there is scope in future to share practice and outcomes with the city's voluntary advice agencies in an attempt to jointly work towards consistent quality advice delivery and practice across the entire sector.
- 4.8 Committee is also advised that as this model develops operationally, a further review of advice services across the city may be required.
- 4.9 Several destinations of an improved model were considered but the group narrowed them down to three possible options that are most closely connected with current advice service client profiles and presenting issues. The three destinations were the new Health and Social Care Partnership, Corporate Services Department and the new Children and Families Service. In all three cases the improved model with integrated services and functions was considered.
- 4.10 The group considered the three possible options and devised project objectives that they were each compared against. These objectives comprised of the following:
- Better co-ordination of advice services within Dundee.
 - Close alignment to and development of services with regard to the national Health and Wellbeing outcomes.
 - Scope to incorporate systematic financial support, assessment and referral functions.
 - To work more in partnership with vulnerable groups.
 - Possibility of sustained and effective interventions based on current links with staff in all options.
 - Clear anti-poverty focus for welfare rights services.
- 4.11 An impact statement based on the non-monetary advantages and disadvantages of each option was undertaken and this led to the conclusion and recommendation that the Corporate Services Department was the preferred option, but with links and functions to be continued and enhanced in relation to the Health and Social Care Partnership and the Children and Families Service.

Co-ordinating Operations following Introduction of the Advice Services Improved Model

- 4.12 Incorporating several advice teams into one integrated Council service would be followed by each existing team's functions being co-ordinated strategically to offer best value and highest efficiency in terms of what interventions could be offered and how client outcomes could be achieved. Use of a common holistic needs assessment will be developed that empowers clients to determine what outcomes they wish to achieve and how they prefer their advice to be arranged, whether centrally or in their communities, through Council services or by the voluntary sector. A template to assess and track client outcomes will also be developed to monitor improvement and efficacy of outcomes achieved.

- 4.13 As well as integrating Council advice services under one section, co-ordinating operations will be achieved as described through a combination of establishing common core principles of advice provision, monitoring of advice quality, agreeing common performance indicators and data collection requirements and developing advice provision on a locality basis. Advocacy on behalf of service users would contribute in order to ensure that client outcomes are prioritised.

5.0 POLICY IMPLICATIONS

- 5.1 This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

- 5.2 An Equality Impact Assessment is attached to this report.

6.0 CONSULTATIONS

- 6.1 The Chief Executive and Head of Democratic and Legal Services were consulted in the preparation of this report.

7.0 BACKGROUND PAPERS

- 7.1 Options appraisal Welfare Rights section 24 July 2015, Craig Mason for the Advice Services Officer Review Group

MARJORY STEWART
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

DATE: 2 OCTOBER 2015

Integrated advice sector provision

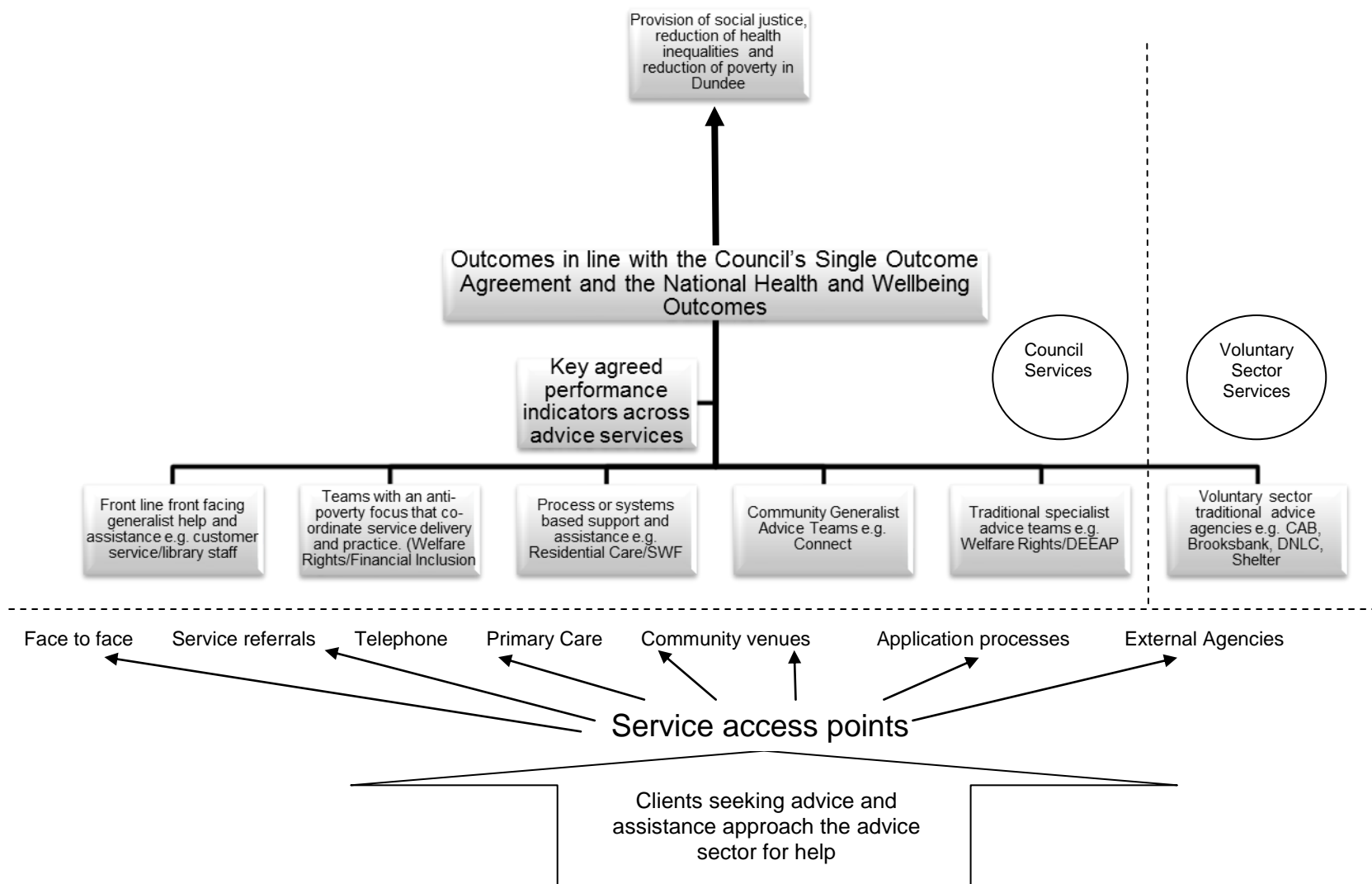


Figure 1: illustrates a model for future integrated advice provision. Clients accessing advice through the various service access points and processes would come into contact with one part of the improved integrated services. These may also come through the Customer Services team, library staff or the voluntary sector. However over time every member of staff in all access points would be working to the same quality standards and reporting back on the same key performance indicators. Collation of statistics and agreed quantitative and qualitative data would in turn feed into the Council's Single Outcome Agreement and the national Health and Wellbeing outcomes.



EQUALITY IMPACT ASSESSMENT TOOL

Part 1: Description/Consultation

Is this a Rapid Equality Impact Assessment (RIAT)?		Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is this a Full Equality Impact Assessment (EQIA)?		Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Date of Assessment:	02/10/2015	Committee Report Number:	385-2015
Title of document being assessed:		Co-ordination and improvement of advice services.	
1. This is a new policy, procedure, strategy or practice being assessed (If yes please check box) <input checked="" type="checkbox"/>		This is an existing policy, procedure, strategy or practice being assessed? (If yes please check box) <input type="checkbox"/>	
2. Please give a brief description of the policy, procedure, strategy or practice being assessed.		The implementation of revised service delivery and introduction of an integrated advice services model within the City Council.	
3. What is the intended outcome of this policy, procedure, strategy or practice?		The realignment of City Council advice services and co-ordination of advice delivery in order to respond positively to citizens' needs and the changing public services landscape both locally and nationally.	
4. Please list any existing documents which have been used to inform this Equality and Diversity Impact Assessment.		Welfare Reform Committee 1 st Report, 2015: The Cumulative Impact of Welfare Reform on Households in Scotland. National Health and Wellbeing Outcomes Scottish Government Social Research: The Social Fund: A Review of Selected Literature. NOMISWEB Official Labour Market Statistics	
5. Has any consultation, involvement or research with protected characteristic communities informed this assessment? If yes please give details.		No	
6. Please give details of council officer involvement in this assessment. (e.g. names of officers consulted, dates of meetings etc)		Craig Mason, Section Leader (Welfare Rights) Dave Berry, Head of Service (Welfare Rights, Finance and Contracts) Joyce Barclay, Senior Officer Strategy, Performance and Support Services	

7. Is there a need to collect further evidence or to involve or consult protected characteristics communities on the impact of the proposed policy? (Example: if the impact on a community is not known what will you do to gather the information needed and when will you do this?)	No
---	----

Part 2: Protected Characteristics

Which protected characteristics communities will be positively or negatively affected by this policy, procedure or strategy?

NB Please place an X in the box which best describes the "overall" impact. It is possible for an assessment to identify that a positive policy can have some negative impacts and visa versa. When this is the case please identify both positive and negative impacts in Part 3 of this form.

If the impact on a protected characteristic communities are not known please state how you will gather evidence of any potential negative impacts in box Part 1 section 7 above.

	Positively	Negatively	No Impact	Not Known
Ethnic Minority Communities including Gypsies and Travellers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gender	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gender Reassignment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Religion or Belief	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
People with a disability	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Age	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lesbian, Gay and Bisexual	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Socio-economic	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pregnancy & Maternity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please state)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Part 3: Impacts/Monitoring

<p>1. Have any positive impacts been identified?</p> <p>(We must ensure at this stage that we are not achieving equality for one strand of equality at the expense of another)</p>	<p>Consistency of advice service delivery and widening of supports offered to all service users.</p> <p>Closer access for all users of advice to expertise regarding Minority Ethnic Community inputs, specialist debt and tribunal assistance, Health and Social Care services, Fuel Poverty advice, budgeting support, training and development.</p> <p>Improvement of service user outcomes monitoring.</p> <p>Closer links for clients to emergency support and community resettlement supports.</p>
<p>2. Have any negative impacts been identified?</p> <p>(Based on direct knowledge, published research, community involvement, customer feedback etc. If unsure seek advice from your departmental Equality Champion.)</p>	<p>No</p>
<p>3. What action is proposed to overcome any negative impacts?</p> <p>(e.g. involving community groups in the development or delivery of the policy or practice, providing information in community languages etc. See Good Practice on DCC equalities web page)</p>	<p>N/A</p>
<p>4. Is there a justification for continuing with this policy even if it cannot be amended or changed to end or reduce inequality without compromising its intended outcome?</p> <p>(If the policy that shows actual or potential unlawful discrimination you must stop and seek legal advice)</p>	<p>N/A</p>
<p>5. Has a 'Full' Equality Impact Assessment been recommended?</p> <p>(If the policy is a major one or is likely to have a major impact on protected characteristics communities a Full Equality Impact Assessment may be required. Seek advice from your departmental Equality lead.)</p>	<p>No</p>

6. How will the policy be monitored? (How will you know it is doing what it is intended to do? e.g. data collection, customer survey etc.)	Implementation of a common data set between existing agencies as well as common client outcomes monitoring tools. Qualitative outcomes will be tracked via service user engagement and feedback through the use of a common holistic needs assessment. How the various service inputs have improved client circumstances and outcomes will be tracked through the use of personal action planning for clients and scored self assessments similar to tools such as the Outcomes web.
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Part 4: Contact Information

Name of Department or Partnership	Corporate Services Department
--	-------------------------------

Type of Document	
Human Resource Policy	<input checked="" type="checkbox"/>
General Policy	<input type="checkbox"/>
Strategy/Service	<input type="checkbox"/>
Change Papers/Local Procedure	<input type="checkbox"/>
Guidelines and Protocols	<input type="checkbox"/>
Other	<input type="checkbox"/>

Manager Responsible	Author Responsible
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Designation: Executive Director of Corporate Services	Designation: Section Leader (Welfare Rights)
Base: Dundee House	Base: Claverhouse East
Telephone: 01382 433828	Telephone: 01382 431193
Email : marjory.stewart@dundeecity.gov.uk	Email : craig.mason@dundeecity.gcsx.gov.uk

Signature of author of the policy:	Craig Mason	Date: 2 October 2015
Signature of Director/Head of Service:	Marjory Stewart	Date: 2 October 2015
Name of Director/Head of Service:	Marjory Stewart	
Date of Next Policy Review:	Not applicable	



DUNDEE CITY COUNCIL

ANNUAL ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2015

AUDITED

September 2015

DUNDEE CITY COUNCIL

ANNUAL ACCOUNTS 2014/2015

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MANAGEMENT COMMENTARY

Introduction

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

Review of the 2014/2015 Financial Year - Revenue Budget

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

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

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

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

MANAGEMENT COMMENTARY

Underspend:

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

Overspend:

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

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

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

Review of the 2014/2015 Financial Year - Capital Budget

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

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

MANAGEMENT COMMENTARY

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

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

There were no major asset disposals during the financial year.

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

Pension Liability (International Accounting Standard 19)

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

Material Assets, Liabilities, Charges and Credits

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

Provisions, Write-offs and Contingencies

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

Contingent Assets & Liabilities

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

Subsequent Events

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

MANAGEMENT COMMENTARY

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

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

Group Accounts

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

Pension Fund Accounts

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

Financial Indicators

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

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

Plans, Priorities & Performance

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

Council Plan 2012-2017

(www.dundeeccity.gov.uk/dundeeccity/uploaded_publications/publication_3480.pdf)

Council Plan 2012-2017 Review (review of performance against the 2012-2017 Council Plan)

(www.dundeeccity.gov.uk/reports/reports/388-2014.pdf)

MANAGEMENT COMMENTARY

Single Outcome Agreement 2013-2017

(www.dundeeccity.gov.uk/sites/default/files/publications/SOA%20news%20small.pdf)

Performance Summary 2014

(www.dundeeccity.gov.uk/sites/default/files/Summary_0.pdf)

Corporate Performance Self-Assessment 2014/15

(<http://www.dundeeccity.gov.uk/reports/agendas/sc240615.pdf>)

Local Government Benchmarking Framework Performance Indicators 2013/14

(www.dundeeccity.gov.uk/reports/reports/85-2015.pdf)

Annual Report on Complaints 2014/15

(<http://www.dundeeccity.gov.uk/reports/agendas/sc240615.pdf>)

Annual Consumer Survey 2014

(www.dundeeccity.gov.uk/reports/reports/20-2015.pdf)

Key Priorities

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

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

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

Dundee Fairness Commission

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

Climate Change and Sustainability

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

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

MANAGEMENT COMMENTARY

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

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

Service and Management Structures

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

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

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

Integration of Health and Social Care

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

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

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

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

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

MANAGEMENT COMMENTARY

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

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

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

Welfare Reform

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

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

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

Future Developments – Capital Plan

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

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

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

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

MANAGEMENT COMMENTARY

Sickness Absence

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

2014/2015	10.83 days
2013/2014	10.45 days

Acknowledgements

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



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



David Martin
Chief Executive
Dundee City Council
25 September 2015



Councillor Ken Guild
Leader
Dundee City Council
25 September 2015

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

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

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

The Council's Governance Framework

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

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

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

The overall control arrangements include:

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

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness

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

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

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

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

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

Continuous Improvement Agenda

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

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

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

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

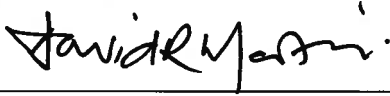
Group Entities

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

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

ANNUAL GOVERNANCE STATEMENT

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



David Martin
Chief Executive, Dundee City Council
25 September 2015



Ken Guild
Leader of the Council
25 September 2015

ANNUAL REMUNERATION REPORT

INTRODUCTION

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

REMUNERATION ARRANGEMENTS

Senior Councillors

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

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

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

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

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

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

ANNUAL REMUNERATION REPORT

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

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

Senior Employees of the Council

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

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

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

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

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

ANNUAL REMUNERATION REPORT

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

The Council's Subsidiary Bodies

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

ACCRUED PENSION BENEFITS

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

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

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

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

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

ANNUAL REMUNERATION REPORT

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

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

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

Senior Councillors

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

Senior Employees of the Council

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

Assumptions and Contextual Information

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

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

- (i) the figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.
- (ii) the accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time. In 2014/2015, the scheme member contribution rate for Senior Councillors was in the range of 5.5% to 6.5% (2013/2014 5.5% to 6.5%) of pensionable pay and for Senior Employees was in the range of 9.6% to 10.4% (2013/2014 9.7% to 10.4%) of pensionable pay. In 2014/2015, the employer contribution rate was 18.0% (2013/2014 18.0%) of pensionable pay for both Senior Councillors and Senior Employees.

The Council's Subsidiary Bodies

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

TERMINATION BENEFITS & EXIT PACKAGES

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



David Martin
Chief Executive, Dundee City Council
25 September 2015



Ken Guild
Leader of the Council
25 September 2015

ANNUAL REMUNERATION REPORT

TABLE 1a – REMUNERATION OF SENIOR COUNCILLORS

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

ANNUAL REMUNERATION REPORT

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

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

Note

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

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

TABLE 1b NOTES

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

ANNUAL REMUNERATION REPORT

TABLE 2a – REMUNERATION OF SENIOR EMPLOYEES OF THE COUNCIL

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

TABLE 2a NOTES

1. The Total Remuneration 2014/2015 figure for David K Dorward, Chief Executive, includes £3,750 Returning Officer fee in respect of the European Parliament Elections in May 2014 and £3,767 Returning Officer fee in respect of the Scottish Independence Referendum in September 2014.
2. The Total Remuneration 2014/2015 figure for Marjory Stewart, Director of Corporate Services, includes £1,000 Assistant Returning Officer fee in respect of the European Parliament Elections in May 2014 and £1,000 Assistant Returning Officer fee in respect of the Scottish Independence Referendum in September 2014.
3. Figures for Benefits Other Than in Cash relate to participation in the Council's Contract Car Hire Scheme. The equivalent figures for 2013/2014 are included within Total Remuneration for that year.

ANNUAL REMUNERATION REPORT

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

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

TABLE 2b NOTES

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

ANNUAL REMUNERATION REPORT

TABLE 3 – SENIOR COUNCILLORS ACCRUED PENSION BENEFITS

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

TABLE 3 NOTES

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

ANNUAL REMUNERATION REPORT

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

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

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

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

TABLE 4b NOTES

1. Dundee City Council increased its shareholding in Dundee Energy Recycling Limited (DERL) from 40% to 100% on 21 October 2013. The company therefore became a Subsidiary of the Council on that date. The above figures for 2013/2014 represent the part-year period from 21 October 2013 to 31 March 2014.
2. The employees of DERL participate in a pension scheme that is a money purchase scheme. In line with the Remuneration Report regulations, the information disclosed is limited to the amount of pension contributions made to that scheme by the company.

ANNUAL REMUNERATION REPORT

TABLE 5 – TERMINATION BENEFITS & EXIT PACKAGES

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

TABLE 5 NOTES

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

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The Council's Responsibilities

The Council is required to:

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

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

Signed on behalf of Dundee City Council



**Councillor Ken Guild
Leader of the Council
25 September 2015**

The Responsibilities of the Director of Corporate Services

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

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

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

The Director of Corporate Services has also:

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

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



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

MOVEMENT IN RESERVES STATEMENT 2013/2014

Movement in Reserves Statement

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

	General Fund Balance £000	Housing Revenue Account £000	Capital Grants Unapplied Account £000	Capital Fund £000	Renewal & Repair Fund £000	Insurance Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2013	(9,695)	-	(7,320)	(2,205)	(5,838)	(439)	(25,497)	(475,758)	(501,255)

Movement in Reserves During 2013/2014

(Surplus) or Deficit on Provision of Services	20,261	21,896	-	-	-	-	42,157	-	42,157
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	29,391	29,391
Total Comprehensive Income & Expenditure	20,261	21,896	-	-	-	-	42,157	29,391	71,548
Adjustments Between Accounting Basis & Funding Basis Under Regulations (note 5)	(18,600)	(22,560)	376	1,484	-	-	(39,300)	39,300	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	1,661	(664)	376	1,484	-	-	2,857	68,691	71,548
Transfers to/(from) Earmarked Reserves	(36)	664	-	48	(415)	(261)	-	-	-
(Increase)/Decrease in 2013/2014	1,625	-	376	1,532	(415)	(261)	2,857	68,691	71,548

MOVEMENT IN RESERVES STATEMENT 2014/2015

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

BALANCE SHEET

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

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



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

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

CASHFLOW STATEMENT

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

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

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NOTES TO THE CORE FINANCIAL STATEMENTS

1 Accounting Policies

A General Principles

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

B Accruals of Income and Expenditure

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

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

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

C Cash and Cash Equivalents

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

D Changes in Accounting Policies and Estimates and Errors

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

NOTES TO THE CORE FINANCIAL STATEMENTS

E Charges to Revenue for Non-Current Assets

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

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

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

F Construction Contracts

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

G Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

Post Employment Benefits

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

The Local Government Pension Scheme

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

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

The assets of the Tayside Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.
- The change in the net pensions liability is analysed into the following components:
Service Cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - past service cost – the increase in liabilities arising as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - net interest on the net defined benefit liability/asset, ie net interest expense for the authority – the change during the period in the net defined benefit liability/asset that arises from the passage of time, charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period, taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.
- Remeasurements* comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability/asset – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Tayside Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

NOTES TO THE CORE FINANCIAL STATEMENTS

H Events After the Reporting Period

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

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

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

I Financial Liabilities

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

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

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

J Financial Assets

Financial assets are mainly classified into two types:

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

Loans and Receivables

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

Available-for-Sale Assets

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

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

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

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

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

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

K Government Grants and Contributions

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

L Heritage Assets

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

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

Museum and Art Gallery Collections

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

Other Heritage Assets

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

Heritage Assets Not Recognised in the Balance Sheet

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

Heritage Assets - Impairment

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

M Interests in Companies and Other Entities

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

N Inventories

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

NOTES TO THE CORE FINANCIAL STATEMENTS

O Investment Properties

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

P Leases

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

The Council as Lessee

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

The Council as Lessor

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

Q Overheads and Support Services

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

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

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

R Property, Plant and Equipment

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

Recognition

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

Impairment

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

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

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

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Assets Held for Sale / Disposals

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

S Private Finance Initiative (PFI) and Similar Contracts

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

T Provisions, Contingent Liabilities and Contingent Assets

Provisions - General

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

Provisions - Carbon Reduction Commitment

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

Contingent Liabilities

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

Contingent Assets

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

U Reserves

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

NOTES TO THE CORE FINANCIAL STATEMENTS

V VAT

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

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

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

IFRS 13 Fair Value Measurement (May 2011)

Annual Improvements to IFRSs (2011 – 2013 Cycle)

IFRIC 21 Levies

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

3 Critical Judgements in Applying Accounting Policies

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

5.

Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

2014/2015	Balance at 1 April 2014 £000	Transfers Out 2014/2015 £000	Transfers In 2014/2015 £000	Balance at 31 March 2015 £000	Purpose of the Earmarked Reserve
General Fund:					
Schools' DSM Balances	(1,043)	76	-	(967)	Balance of funds devolved to schools
Car Parking Balances	(195)	177	-	(18)	To fund future car parking projects
Total - Earmarked Balances	(1,238)	253	-	(985)	
Other General Fund Balances	(6,832)	-	(5,210)	(12,042)	
Total - General Fund Balances	(8,070)	253	(5,210)	(13,027)	
2013/2014					
General Fund:					
Schools' DSM Balances	(1,258)	215	-	(1,043)	Balance of funds devolved to schools
Car Parking Balances	23	-	(218)	(195)	To fund future car parking projects
Total - Earmarked Balances	(1,235)	215	(218)	(1,238)	
Other General Fund Balances	(8,460)	1,628	-	(6,832)	
Total - General Fund Balances	(9,695)	1,843	(218)	(8,070)	

NOTES TO THE CORE FINANCIAL STATEMENTS

7 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

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

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

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

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

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

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

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

11 Balance Sheet – Usable Reserves

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

NOTES TO THE CORE FINANCIAL STATEMENTS

12 Balance Sheet – Unusable Reserves

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

Revaluation Reserve

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Available for Sale Financial Instruments Reserve

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

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

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

Capital Adjustment Account

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Financial Instruments Adjustment Account

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Pensions Reserve

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Accumulating Compensated Absences Adjustment Account

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

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

13 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

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

14 Cash Flow Statement – Investing Activities

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

15 Cash Flow Statement – Financing Activities

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

NOTES TO THE CORE FINANCIAL STATEMENTS

16 Cash Flow Statement – Cash and Cash Equivalents

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

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

17 Amounts Reported for Resource Allocation Decisions

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

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

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

Departments / Budget Heads Reported to Policy & Resources Committee

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

Subjective Analysis of Surplus or Deficit on the Provision of Services

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

NOTES TO THE CORE FINANCIAL STATEMENTS

18 Acquired and Discontinued Operations

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

19 Trading Operations

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

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

20 Agency Services

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

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

21 Pooled Budgets

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

22 Members' Allowances

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

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

23 Officers' Remuneration

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

24 External Audit Costs

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

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

25 Termination Benefits & Exit Packages

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

26 Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by The Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and The Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by Councils. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of these Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

27 Defined Benefit Pension Schemes

Participation in pension schemes

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

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

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

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

Transactions relating to post employment benefits

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme Assets

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

Basis for estimating assets and liabilities

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

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

Sensitivity Analysis

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Impact on Future Cash Flows

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

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

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

28 Events After the Reporting Period

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

Related Parties

Central Government

Members

Officers

Pension Fund

	During 2013/2014	As at 31 March 2014
	Charges To	Amounts Due From
	£000	£000
	1,043	-
		1,211

	During 2014/2015	As at 31 March 2015
Charges	Charges	Amounts
To	From	Due To
£000	£000	£000
1,012	-	2,675

NOTES TO THE CORE FINANCIAL STATEMENTS

Other Entities Controlled or Significantly Influenced by the Council

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

	During 2013/2014		As at 31 March 2014		During 2014/2015		As at 31 March 2015	
	Charges To	Charges From	Amounts Due From	Amounts Due To	Charges To	Charges From	Amounts Due From	Amounts Due To
	£000	£000	£000	£000	£000	£000	£000	£000
	1,395	4,213	3,229	65	3,065	6,359	1,582	300
	14	144	7	-	30	144	24	-
	24	143	37	-	1	10	-	-
	11	289	113	-	12	286	101	4
	18	603	-	16	18	978	1	69
	2,367	24,903	7,278	1,367	3,278	24,616	7,588	1,875
	48	2	88	2	66	2	94	2
	51	11	-	14	277	12	15	107
	372	7,848	391	61	427	7,832	425	39
	-	10,406	-	871	-	10,685	-	901
	8	61	-	213	26	1	-	169
	4,847	-	95	663	4,841	-	114	726

Dundee Energy Recycling Ltd
Dundee City Developments Ltd
Dundee Ice Arena Ltd
Dundee Contemporary Arts Ltd
Dovetail Enterprises (1993) Ltd
Tayside Contracts
Tayside Valuation Joint Board
Tay Road Bridge Joint Board
Leisure and Culture Dundee
Discovery Education PLC
Tay Plan
Tayside Community Justice Authority

NOTES TO THE CORE FINANCIAL STATEMENTS

30 Leases

Council as Lessee

Finance Leases

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

Operating Leases

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

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

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

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

Council as Lessor

Finance Leases

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

Operating Leases

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

31 Investment Properties

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

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

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

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

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

32 Intangible Assets

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

33 Impairment Losses

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

34. Property, Plant and Equipment

Movements on Balances

Movements in 2014/2015:

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative Movements in 2013/2014:

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Depreciation

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

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

Capital Commitments

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

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

Effects of Changes in Estimates

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

Revaluations

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

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

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

35 Capital Expenditure and Capital Financing

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

36 Private Finance Initiatives and Similar Contracts

Education Services PFI Scheme

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

Property Plant and Equipment

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

Payments

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

37 **Assets Held for Sale**

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

38 **Inventories**

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

NOTES TO THE CORE FINANCIAL STATEMENTS

39 Construction Contracts

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

40 Short Term Debtors

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

41 Short Term Creditors

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

42 Provisions

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

Council Tax

A provision has been made in respect of potential reductions to the amount of net Council Tax levied by the Council. Such reductions arise every year for a variety of reasons, the most common being delays by Council Tax payers in submitting requests for exemptions from, or discounts on, the charge levied. Provision is made with reference to the value of such transactions arising during the current financial year and is anticipated to cover the value of transactions which will arise in the subsequent financial year. The value of the provision is reviewed each year.

Self-Insured/Uninsured Losses

As part of the Council's Risk Management policy, certain categories of risk are not covered through a conventional insurance policy with an insurance company. In these circumstances the Council has a self-insurance arrangement which makes provision against potentially material risks. The provision disclosed

NOTES TO THE CORE FINANCIAL STATEMENTS

above has been made taking into account all known liabilities likely to be incurred by the Council in respect of self-insured and uninsured losses. There is no set pattern for settlement of outstanding claims or provisions made for future claims. Settlement profiles are established by the happening of the event, the inclination of the potential claimant and the availability of Court time. The Council has no control over these factors. As well as operating its own Insurance Fund, the Council is also responsible for running off the ex-Tayside Regional Council Fund and the balance of the ex-Dundee District Council Fund.

Bad Debt Provisions

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

- Council Tax - the provision of £17.496m has been calculated using the non-collection rate anticipated when each financial year's Council Tax was set, or a lower figure where the anticipated collection rate has been exceeded.
- Statutory Additions - the provision of £3.557m has been calculated by applying the overall percentage relating to the charge elements (i.e. Non Domestic Rates and Council Tax) to which the Statutory Addition was applied.
- Miscellaneous Invoiced and Other Debt - the provision of £3.681m has been calculated by applying non-collection rates to an aged debt analysis. The percentage increases according to the age of the debt. Higher percentages are also applied to types of debt which have proven difficult to collect.
- Housing Rents - the provision of £2.004m has been calculated by applying various percentages to a value-banded debt analysis. The percentage increases according to the value of the debt.
- Housing Benefit Overpayments - the provision of £1.952m has been calculated by applying an anticipated non-collection rate to the total debt.

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

43 **Contingent Liabilities**

Equal Pay / Single Status

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

Holiday Pay

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

44 **Contingent Assets**

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

45 **Grant Income**

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

46 Financial Instruments

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

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

Categories of financial assets and financial liabilities

The following categories of financial instrument are carried in the Balance Sheet:

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Income, Expense, Gains and Losses

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

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

Fair Values of Assets and Liabilities

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

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

The fair values are as follows:

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

NOTES TO THE CORE FINANCIAL STATEMENTS

i Borrowing Repayable

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

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

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

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

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

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

ii Temporary Advances from Other Accounts

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

iii Bank Overdraft

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

- i Cash and Bank / Other Short term Deposits
The fair value is the same as the carrying amounts as these balances relate to short term lending or deposits held with the Council's bank.
- ii Soft Loans
The fair value of these loans is the same as the carrying amount. These loans comprise of a small number of loans that the Council has made to external parties at less than market rates. Soft loans have been restated from historical cost to fair value basis by discounting future cash receipts using the prevailing market rate of interest.
- iii Investments
This long-term investment relates to cash held on deposit with a building society. As this investment is held at market value the carrying value and fair value will not be materially different. The investment was transferred to cash and bank / other short term deposit accounts during financial year 2013/2014.
- iv Other Loans at Market Rates
These balances are made up of loans to various bodies at market rates and are included on the Council's Balance Sheet as long-term debtors. As these loans are held at market rates the carrying value and fair value will not be materially different

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

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

47. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

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

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

Liquidity risk

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

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

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

Interest rate risk

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Price risk

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

Foreign exchange risk

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

NOTES TO THE CORE FINANCIAL STATEMENTS

48 Charitable Trust Funds Account (Registered Charities)

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

	Income & Expenditure Account	2014/2015				
2013/2014 Actual £000		Interest on Investments £000	Other Income £000	Total Income £000	Expenditure £000	(Surplus)/ Deficit £000
(9)	Hospital Fund	(3)	(46)	(49)	44	(5)
(1)	Dundee Festival Trust	-	(5)	(5)	7	2
1	A T Cathro Bequest	-	-	-	1	1
(1)	Other Various	(1)	(8)	(9)	9	0
	Smaller Trusts (26 in total)					
(10)	Total	(4)	(59)	(63)	61	(2)
2014 £000	Balance Sheet as at 31 March	2015 £000				
4,749	Tangible Fixed Assets	4,891				
<u>4,749</u>		<u>4,891</u>				
	Current Assets					
1,101	Short Term Investments	1,104				
<u>1</u>	Bank	<u>1</u>				
<u>1,102</u>		<u>1,105</u>				
	Less Current Liabilities					
<u>1</u>	Sundry Creditors	<u>1</u>				
<u>1</u>		<u>1</u>				
<u>1,101</u>	Net Current Assets	<u>1,104</u>				
5,850	Total Assets Plus Net Current Assets	5,995				
<u>5,850</u>	Net Assets	<u>5,995</u>				
	Financed By Fund Balances and Reserves					
	Not Available for Use:					
4,749	Revaluation Reserve	4,891				
<u>4,749</u>		<u>4,891</u>				
	Available for Use:					
<u>1,101</u>	Fund Balances	<u>1,104</u>				
<u>5,850</u>		<u>5,995</u>				

NOTES TO THE CORE FINANCIAL STATEMENTS

NATURE AND PURPOSE OF VARIOUS FUNDS

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

Hospital Fund

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

Dundee Festival Trust

This Trust was created from the income that was received from events to mark the 800th anniversary of the foundation of Dundee as a Royal Burgh. The Trust is used to promote summer festival events. The balance on the Trust at 31 March 2015 was £41,000 (31 March 2014 £43,000).

A T Cathro Bequest

This Bequest was established from the residue of the estate received in 1948. It is used to give as many children as might have need an opportunity of enjoying an outing in the country or at the seaside. The balance on the Bequest at 31 March 2015 was £17,000 (31 March 2014 £18,000).

CHARITABLE TRUSTS REGISTERED WITH OFFICE OF THE SCOTTISH CHARITY AND REGULATOR

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET

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

NOTES TO THE CORE FINANCIAL STATEMENTS

ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET (CONTD)

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

NOTES TO THE CORE FINANCIAL STATEMENTS

49. Charitable Trust Funds Account (Unregistered Charities)

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

FLEMING TRUST

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

NATURE AND PURPOSE OF VARIOUS FUNDS

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

Fleming Trust

This Trust was established with sums gifted in 1929 by Robert Fleming for the purchase of land and buildings and the provision of suitable accommodation for re-housing the displaced occupants of slum property in Dundee. The balance on the Trust at 31 March 2015 was £8.050m (31 March 2014 £7.877m).

ANALYSIS OF CHARITABLE TRUST FUNDS BALANCE SHEET

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

NOTES TO THE CORE FINANCIAL STATEMENTS

50 Heritage Assets

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

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

Museum and Art Gallery Collections

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

Other Heritage Assets

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

Additions & Disposals of Heritage Assets

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

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

51 Heritage Assets: Summary of Transactions

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

52 Heritage Assets: Further Information

Museum and Art Gallery Collections

The Dundee Art Galleries and Museums Collection which is largely housed at the McManus Art Gallery & Museum in the City Centre, forms the major part of the heritage assets held by the Council.

The Art Gallery & Museum's major collection groups include Community History, Decorative Arts/Crafts, Early History, Fine Art, Natural History, Social History and World Cultures.

Community History

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

Decorative Arts / Crafts

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

Early History

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

Fine Art

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

Natural History

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Social History

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

World Cultures

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

Further information about these and other collections can be found at:

www.mcmanus.co.uk

Library Collections of Rare Books, Manuscripts and Archives

The Rare Book Collections, Manuscripts and Archives are mainly held in the Central Library.

Among the collections and features are:

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

Further information about these and other collections can be found at:

[www.leisureandculturaldundee.com/library/local history](http://www.leisureandculturaldundee.com/library/local%20history)

Preservation and Management

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

<http://www.dundee.gov.uk/reports/reports/462-2013.pdf>

53 Other Long Term Liabilities

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

COUNCIL TAX INCOME ACCOUNT

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

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

The calculation of the Council Tax Base 2014/2015:

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

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

Dundee City Council £ per year for 2014/2015:

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

NON-DOMESTIC RATE INCOME ACCOUNT

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

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

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

Net Rateable Value Calculation

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

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

HOUSING REVENUE ACCOUNT MOVEMENT IN RESERVES STATEMENT

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

HOUSING REVENUE ACCOUNT COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

HOUSING REVENUE ACCOUNT DISCLOSURES

1 Adjustments between Accounting Basis and Funding Basis under Statute

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

2 Transfers (to) or from Reserves

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

3 Housing Stock

The Council's housing stock at 31 March 2015 was as follows:

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

4 Rent Arrears

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

5 Impairment of Debtors

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

6 Voids

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

GROUP MOVEMENT IN RESERVES STATEMENT 2013/2014

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

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

GROUP MOVEMENT IN RESERVES STATEMENT 2014/2015

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

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

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

GROUP BALANCE SHEET

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

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



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

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

GROUP CASH FLOW STATEMENT

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

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

NOTES TO THE GROUP ACCOUNTS

1 Impact of Consolidation on Reserves

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

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

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

2 Impact of Consolidation on Cash and Cash Equivalents

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

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

3 Group Accounting Policies

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

NOTES TO THE GROUP ACCOUNTS

4 Group Entities – Basis of Consolidation

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

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

NOTES TO THE GROUP ACCOUNTS

Subsidiaries:

Common Good Fund and Fleming Trust

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

Dundee Energy Recycling Limited

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

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

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

Associates:

Tayside Valuation Joint Board

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

Dundee City Developments Limited

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

Leisure and Culture Dundee

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

Tayside Contracts Joint Committee

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

NOTES TO THE GROUP ACCOUNTS

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

5 Non-Material Interests in Other Entities

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

Discovery Education Companies (3 no)

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

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

Dundee Contemporary Arts Limited

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

Dovetail Enterprises (1993) Limited

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

Design Dundee Limited

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

6 Related Entities Not Consolidated

Tay Road Bridge Joint Board

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

COMMON GOOD FUND ACCOUNT

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

2013/2014 £000		2014/2015 £000
	<u>Income & Expenditure Account</u>	
	<u>Income</u>	
(101)	Dividends on Bonds / Shares	(140)
(101)		(140)
	<u>Expenditure</u>	
136	Other Expenditure	150
136		150
35	(Surplus)/Deficit for Year	10
2014 £000	<u>Balance Sheet as at 31 March</u>	2015 £000
	<u>Current Assets</u>	
3,283	Short Term Investments	3,459
-	Sundry Debtors	25
3,283		3,484
	<u>Current Liabilities</u>	
(20)	Sundry Creditors	(10)
(20)		(10)
3,263	Net Assets	3,474
	Financed By Fund Balances and Reserves	
	Not Available for Use:	
=	- Available-for-sale Financial Instruments Reserve	221
=		221
	Available for Use:	
3,263	- Common Good Balance	3,253
3,263		3,474

MM Stewart

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

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

1 SHORT TERM INVESTMENTS

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

GLOSSARY

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

Accounting Period

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

Actuarial Gains and Losses (Pensions)

Changes in actuarial deficits or surpluses that arise because events have not coincided with previous actuarial assumptions or actuarial assumptions have changed.

Asset

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

Associate

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

Balance Sheet

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Financing

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

Capital Grants Unapplied Account

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

Capital Receipt

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

Capital Receipts Reserve

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

Cash Flow Statement

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

Common Good Fund

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

Community Assets

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

Comprehensive Income & Expenditure Statement

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

GLOSSARY

Corporate and Democratic Core

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

Council Tax Income Account

Details the gross and net income from Council Tax.

Creditor

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

Current Service Cost (Pensions)

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

Debtor

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

Defined Benefit Pension Scheme

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

Depreciation

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

Discretionary Benefits (Pensions)

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

Employee Statutory Adjustment Account

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

Entity

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

Events after the Balance Sheet Date

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

Fair Value

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

Financial Instruments Adjustment Account

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

Finance Lease

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

General Fund

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

GLOSSARY

Government Grants

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

Gross Expenditure

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

Gross Income

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

Group Accounts

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

Heritage Asset

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

Housing Revenue Account

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

Impairment

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

Infrastructure Assets

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

Insurance Fund

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

Interest Cost (Pensions)

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

Inventories

Items of raw materials and stock the Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

Liability
A liability is where the Council owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A long term liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

Movement in Reserves Statement

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

National Non-Domestic Rates Pool

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

Net Book Value

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

Non Current Assets

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

GLOSSARY

Non Distributed Costs

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

Non-Domestic Rate Income Account

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

Notes to the Core Financial Statements and Other Various Accounts

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

Operating Lease

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

Past Service Cost (Pensions)

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

Pension Reserve

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

Pension Scheme Liabilities

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

Post Employment Benefits

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

Prior Year Adjustment

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

Provision

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

Public Works Loan Board (PWLB)

A Central Government Agency, which provides loans for one year and above to Councils at interest rates only based on those at which the Government can borrow itself

Rateable Value

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

Related Parties

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

Remuneration

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

Repairs and Renewal Fund

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

Reserves

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

GLOSSARY

Residual Value

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

Revaluation Reserve

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

Revenue Expenditure

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

Significant Interest

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

Soft Loan

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

Subsidiary

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

INDEPENDENT AUDITORS REPORT

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

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

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

Respective responsibilities of the Director of Corporate Services and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other prescribed matters

In our opinion:

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

INDEPENDENT AUDITORS REPORT

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.



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

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

30 September 2015



**DUNDEE CITY COUNCIL
CHARITABLE TRUSTS**

**ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015**

AUDITED

September 2015

DUNDEE CITY COUNCIL CHARITABLE TRUSTS

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

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LEGAL & ADMINISTRATIVE INFORMATION

Trustees

Dundee City Council comprises 29 Councillors who are elected to serve for a period of four years. The last full Council election was held on 3 May 2012. The following Councillors were in office during the 2014/15 financial year:

Bailie Ian Borthwick JP
 John Alexander
 Stewart Hunter
 Kevin Keenan
 Alan Ross
 Bob Duncan (Lord Provost)
 Tom Ferguson
 Norma McGovern
 Bill Campbell
 Vari McDonald
 Fraser Macpherson
 Richard McCready
 Mohammed Asif
 Jimmy Black
 David Bowes
 Bailie Helen Wright JP
 Georgia Cruickshank
 Ken Lynn
 Craig Melville
 Gregor Murray
 Brian Gordon
 Bailie Willie Sawers
 Will Dawson
 Lesley Brennan
 Christina Roberts JP
 Laurie Bidwell
 Ken Guild (Leader of the Administration)
 Bailie Derek Scott
 Kevin Cordell

Charitable Trusts' Principal Address

c/o Dundee City Council
 City Square Complex
 Dundee

External Auditor

The Charitable Trusts' appointed external auditor is:

KPMG LLP
 191 West George Street
 Glasgow
 G2 2LJ

Bankers

The Charitable Trusts' bankers are:

Royal Bank of Scotland plc
 3 High Street
 Dundee
 DD1 9YL

TRUSTEES' ANNUAL REPORT

Administrative Details

Dundee City Council acts as sole trustee for 29 Charitable Trusts and Endowments that are registered with the Office of the Scottish Charity Regulator (OSCR). The Council administers these funds but the associated assets are not available to the Council and have not been included in the Council's Single Entity or Group Balance Sheets.

Objectives & Activities

The key objectives and activities of the 29 registered Charitable Trusts and Endowments for which the City Council acts as sole trustee are listed below. Those trusts and endowments marked with an asterisk (*) were effectively dormant during 2014/15, with no disbursement of funds made during the period. The only financial activity during the period on these dormant charities related to interest accruing on capital balances invested with the City Council's loans fund. The trustees have not identified any major risks to which the Charitable Trusts and Endowments are exposed.

A T Cathro Bequest (SC018898)

Residue of estate handed over to the Town Council of Dundee in 1948, the free annual income therefrom to be used to give as many children as might have need an opportunity of enjoying an outing in the country or at the seaside.

Charles Ower Bequest (SC018907) *

A bequest of £3,223.84 in 1929 by Charles Ower, Esquire. The free income to be applied to form an Art Fund for the acquisition of works of art for the former Dundee Corporation Art Collection.

Dundee Festival Trust (SC020365)

A trust created to manage and control income received and expenditure made in respect of the programme of events carried out to mark the 800th anniversary of the foundation of Dundee as a Royal Burgh. This charity has been reorganised, however the funds are currently still held by the Council.

Charles Ower Mafeking Gift (SC018906)

Founded in 1900 by Charles Ower, Esquire. The proceeds to be handed over yearly to the Public Library Committee for the purchase of books as specified and on conditions quoted in the Deed of Mortification.

John Hoggan Trust for the Poor of Alyth (SC018892) *

One-half of the estate handed over to the trustees, the Lord Provost, the Town Clerk, and the two senior councillors for the 8th ward of the City of Dundee in 1935, for the benefit of the poor of Lochee.

Johnston Charity (SC018893) *

Issued under The Dundee Churches and Hospital Act 1864, "for behoof of the Poor of the Town".

Mortification for Scots Episcopal Clergymen (SC018919) *

Founded in 1798 by Mrs E.Fyffe of Pitcarro, the proceeds to be paid to the incumbent of the Scottish Episcopal Church in Dundee.

Miss Elizabeth Halyburton Mortification (SC018903) *

Founded in 1826, the annual revenue to be distributed among three, four or five maiden ladies in decayed circumstances.

Admiral Duff Mortification (SC018304) *

A bequest in 1858 by Admiral Duff of Drummuir and Hopeman for the support of a Protestant Scripture Reader.

Robert Saunders Bequest (SC018915)

For providing prizes for a photographic competition to be run annually by the Parks and Recreation Dept.

Meritorious Service (Police) Fund (SC018916) *

For providing awards for Meritorious Service.

Public Libraries Art Fund (SC018917) *

For the acquisition of works of art for the former Dundee Corporation Art Collection.

Curr Night Refuge Fund (SC018901) *

Heritable Property and Feuduties handed over to the former Dundee Corporation on winding up of the former Voluntary Organisation of that name. The balance on the fund was expended on homelessness services during 2008/09 and an application has been made to OSCR to have the fund wound-up and de-registered.

Belmont Trust Estate (SC018900)

Estate gifted in 1918 by the late Mrs Emma Caird or Marryat of Roseangle, Dundee, in memory of her husband and her brothers, to be utilised for the benefit of the citizens of Dundee.

Miss Elizabeth McLean Bequest (SC018902)

A bequest in 1878, the annual revenue to be applied for the benefit of the Inmates of the Dundee Poorhouse.

Baxter Park Endowment Fund (SC018910)

For keeping Baxter Park in proper order. Formerly administered by trustees appointed by Sir David Baxter, Bar, of Kilmaron, and transferred to the Corporation by Section 67 of the Dundee Corporation Order 1907.

Lochee Park Endowment Fund (SC018897)

A gift by Messrs Cox Brothers, Ltd of Lochee for keeping the Lochee Park in proper order.

Dundee Day Nurseries Endowment Fund (SC018911)

For the maintenance of Day Nurseries in Dundee. Formerly administered by the Trustees of the Dundee Day Nurseries and handed over to the Corporation on 28 May 1919.

Law Hill War Memorial Fund (SC018912)

Part of sum raised by public subscription and handed over to the former Dundee Corporation for the maintenance and lighting of and supplying wreaths for the Memorial.

Mills Observatory Endowment Fund (SC018913)

Residue of legacy by John Mills, Esquire. Handed over by his trustees towards maintenance of Observatory.

D W Crichton Trust (SC018914)

For the purchase and display of manuscripts.

Gilroy Mausoleum Perpetuity Keep Fund (SC018921)

From Gilroy Trust for upkeep of Gilroy Mausoleum at Barnhill Cemetery. Surplus Income in hand in excess of £250 may be released to Town Council for general upkeep of Cemetery.

Lochee Day Nursery Fund (SC018918)

Investments and cash balance handed over by trustees of Lochee Day Nursery in 1946 for the endowment of said Day Nursery taken over by the former Dundee Corporation.

Camperdown Estate Trust (SC018899)

Purchased in the interest and for the benefit of the Community on 11 November 1945, at a cost of £58,100 which was provided by the Sir James Caird Land Acquisition Fund.

William Dawson Trust (SC018920) *

Residue of estate handed over to the Lord Provost and Magistrates of the City of Dundee as trustees in 1948, for the purpose of acquiring ground for use as playing fields in wards X and XI.

Thomas H Cox Bequest (SC018909)

A bequest in 1893 by Thomas H Cox, Esquire, of Strathmartine and Maulesden for the endowment of a library in Lochee.

Alexander Wilson Bequest (SC018908) *

A legacy of £46.16 in 1923 by Alexander Wilson, Esquire, for the preservation of Photographic Negatives bequeathed by him to Dundee Public Libraries Committee.

Mrs Gibson Mortification (SC018904) *

A mortification in 1833 by Mrs Gibson to endow an annual sermon in Dundee against Cruelty to Animals.

Hospital Fund (SC018896)

Issued under The Dundee Churches and Hospital Act 1864, "for behoof of the Poor of the Town".

Governance & Management Arrangements

The City Council is, in law, the sole trustee for the 29 registered Charitable Trusts and Endowments listed above. Elected members of the Council are automatically appointed as trustees on an ex-officio basis. In most cases, however, responsibility for the day-to-day management of these trusts and endowments has been delegated to the relevant chief officers of the Council. The exceptions to this, where the elected members of the Council have a more active role as trustees, are as follows:

A T Cathro Bequest (SC018898)

Nine elected members meet annually as the Alexander Torrance Cathro Bequest Committee to approve disbursements from the bequest. The Committee is chaired by the Lord Provost.

John Hoggan's Trust (SC018892)

Four elected members and the Chief Executive meet annually as the Trustees of John Hoggan's to approve disbursements from the trust. The meeting is chaired by the Lord Provost.

Hospital Fund (SC018896) & Johnston Bequest (SC018893)

The Council's Policy & Resources meets annually to approve disbursements from the Hospital Fund and Johnston Bequest. All 29 members of the Council sit on the Policy & Resources Committee, which is chaired by the Leader of the Administration. An extract from the minutes of the meeting held on are attached. At a meeting held on 14 January 2013 it was agreed that no new applications would be invited and that instead a budget of £25,000 would be provided to pilot a targeted welfare benefit advice service in Dundee in 2013/14. At a meeting held on 8 September 2014 it was agreed to extend the period of the pilot through to 31st March, 2015 at a cost of £12,500 which would be met from available funds in the Hospital Fund and Johnston Bequest. Further it was noted that a review of the outcomes would be carried out near the end of the extended pilot and a recommendation would be brought to the Committee on whether it should be continued on a long-term basis after that review.

Financial Administration

The financial administration of the 29 registered Charitable Trusts and Endowments for which the City Council acts as sole trustee is undertaken in accordance with the Council's approved Financial Regulations. The Financial Regulations contain the following specific references to Trusts and Charitable Funds:

- "24.1 The Director of Corporate Services shall ensure the proper and safe custody and control of all charitable funds held by the Council and shall ensure that all expenditure is in accordance with the conditions of the trustees etc.
- 24.2 All officers acting as trustees by virtue of their official position shall deposit all securities etc relating to the trust or charitable fund with the Director of Corporate Services.
- 24.3 All investments of money shall be made by the Director of Corporate Services in the name of Council. Any investments made will be made in accordance with the policy determined by the Policy and Resources Committee.
- 24.4 The Director of Corporate Services and other relevant officers shall ensure compliance with the requirements of the Office of the Scottish Charities Regulator (OSCR)."

Charity Reorganisation

The City Council has been actively considering the options available for reorganising the charities portfolio under the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Reorganisation (Scotland) Regulations 2007. At a meeting of the Policy & Resources Committee held on 9 March 2015, reorganisation proposals were agreed including the establishment of a new charity with appropriate charitable

purposes named the Dundee Trust. (The Committee report can be accessed via the Council's website at: www.dundee.gov.uk/reports/reports/66-2015.pdf). The required applications to OSCR are now being made.

Financial Review

For the 2014/15 financial year, the total net surplus on the 29 registered Charitable Trusts and Endowments was £2,980. Total income was £64,516 comprising investment income of £4,498 and other incoming resources of £60,018. Investment income relates solely to interest on surplus funds that are deposited with Dundee City Council's Loans Fund. Other incoming resources relate principally to: donations from to Dundee Festival Trust (£4,714); income from property leases at Belmont Trust Estate (£8,222); rental income from the buildings in Reform Street Dundee that are owned by the Hospital Fund (£47,082). Total expenditure was £61,536 and was incurred entirely on charitable activities (see below). The net surplus of £2,980, together with property revaluation gains of £141,880, increased the total charity funds to £5,995,245 as at 31 March 2015.

Achievements & Performance

In terms of charitable activities during the 2014/15 financial year, within the total expenditure of £61,536 the following items are included:

AT Cathro Bequest – in the 2014/15 financial year, the trustees approved 7 grants to various local charitable organisations totalling £1,000. Applications are invited each year with the stipulation that the grant be used to give children an opportunity to enjoy an outing in the country or at the seaside.

Dundee Festival Trust – 7 grants totalling £6,592 were made to local cultural organisations.

Robert Saunders Bequest - £208 was made available as prize money for photographic competitions.

Belmont Trust Estate – £8,982 was spent on repairs and maintenance.

Hospital Fund – actual expenditure on grants to local pensioners in financial need during the 2014/15 financial year was £10,560 (132 grants of £80). A contribution from the fund of £24,978 was again provided to pilot a targeted welfare benefit advice service in Dundee. In addition, expenditure of £9,086 was incurred on property costs related to the buildings in Reform Street Dundee that are owned by the Hospital Fund.

Trustee Remuneration & Expenses

No trustees received any remuneration during the 2014/15 financial year.

Signed on behalf of the trustees

Bailie Willie Sawers
Senior Councillor with responsibility for Finance
Dundee City Council
25 September 2015

Willie *Sawers*

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND THE FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements for each financial year which show a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the recommendations of the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue its activities.

The trustees are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006 (as amended). They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

FINANCIAL STATEMENTS INTRODUCTION

Basis of Preparation

The following accounts have been prepared in accordance with the "connected charities" provision contained in Regulation 7 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Connected charities are defined as those having common or related charitable purposes, or charities which have common control or unity of administration. The City Council considers the 29 Charitable Trusts and Endowments for which it acts as sole trustee to be "connected" and has therefore taken the opportunity to prepare accounts collated into a single document.

Accounting Policies

The following accounting policies set out the basis upon which the financial statements have been prepared and explain the accounting treatment of both general and specific items.

General Basis of Preparation

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and, in particular, in accordance with the 2005 Charities SORP and the Charities Accounts (Scotland) Regulations 2006 (as amended). They have also been prepared in accordance with the fundamental accounting principles and pervasive concepts identified in Financial Reporting Standard 18 (Accounting Policies) ie : relevance, reliability, comparability, understandability, materiality, accruals, going concern and primacy of legislative requirements. The historical cost accounting convention has been adopted in the preparation of the financial statements, modified for the revaluation to a current value basis of certain tangible fixed assets. The financial statements have been prepared on a fully accrued basis.

Incoming Resources

Interest on Investments and Other Income has been accounted for on an accruals basis.

Resources Expended

Expenditure on Charitable Activities has been accounted for on an accruals basis.

Tangible Fixed Assets - Basis of Valuation

The following valuation bases have been used to value the different types of tangible fixed asset shown in the Balance Sheet:

Council Dwellings - open market value, with appropriate allowance for location of properties.

Operational Land & Buildings - considered to be specialised assets for which there is no market value, therefore valued at depreciated replacement cost with appropriate allowance for age and obsolescence.

Infrastructure & Community Assets - included at historical cost, where relevant.

Non-Operational Investment Properties - open market value.

All tangible fixed assets were re-valued at 31 March 2015 and the resultant revaluation gains of £141,880 are recognised in the 2014/15 financial statements. The valuations were carried out by Mr John Dobbie FRICS, an employee of the City Council's City Development Department.

Investments

There are no external investments, rather all surplus funds are deposited with Dundee City Council's Loans Fund. All such deposits are valued at historical cost in the Balance Sheet.

External Audit

The financial statements are the subject of an external audit. Also, details of Charitable Trust Funds are incorporated within the City Council's annual Statement of Accounts. This includes a separate disclosure note on the 29 charities included within this report. The Charitable Trust Funds Account is audited as part of the wider audit of the City Council's annual Statement of Accounts.

Further Information

Any queries regarding this document should, in the first instance, be addressed to:

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Dundee City Council
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Dundee
DD1 3RF
(Email: george.manzie@dundeecity.gov.uk)
(Telephone: 01382-433636)

DUNDEE CITY COUNCIL CHARITABLE TRUSTS
STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2015

OSCR Registration Number	Charity Name	INCOMING RESOURCES			RESOURCES EXPENDED			Net Incoming / (Outgoing) Resources Before Transfers	Other Recognised Gains & Losses	RECONCILIATION OF FUNDS		
		Investment Income	Other Resources	Total Incoming Resources	Charitable Activities	Resources Expended	Total Resources Expended			Total Funds Brought Forward	Net Movement In Funds	Total Funds Carried Forward
		£	£	£	£	£	£	£	£	£	£	
SC018898	AT Cathro Bequest	74	0	74	1,000	1,000	1,000	(926)	0	18,409	(926)	17,483
SC018907	Charles Ower Bequest	71	0	71	0	0	0	71	0	17,429	71	17,500
SC020365	Dundee Festival Trust	167	4,714	4,881	6,592	6,592	6,592	(1,711)	0	42,631	(1,711)	40,920
SC018906	Charles Ower Mafeking Gift	2	0	2	2	2	2	0	0	524	0	524
SC018892	John Hoggan Trust for the Poor of Alyth	4	0	4	0	0	0	4	0	945	4	949
SC018893	Johnston Charity	90	0	90	0	0	0	90	0	22,199	90	22,289
SC018919	Mortification for Scots Episcopal Clergymen	0	0	0	0	0	0	0	0	127	0	127
SC018903	Miss Elizabeth Halyburton Mortification	57	0	57	0	0	0	57	0	13,953	57	14,010
SC018304	Admiral Duff Mortification	43	0	43	0	0	0	43	0	10,583	43	10,626
SC018915	Robert Saunders Bequest	2	0	2	208	208	208	(206)	0	521	(206)	315
SC018916	Meritorious Service (Police) Fund	69	0	69	0	0	0	69	0	16,924	69	16,993
SC018917	Public Libraries Art Fund	168	0	168	0	0	0	168	0	41,414	168	41,582
SC018901	Curr Night Refuge Fund	0	0	0	0	0	0	0	0	0	0	0
SC018900	Belmont Trust Estate	760	8,222	8,982	8,982	8,982	8,982	0	24,280	2,168,424	24,280	2,192,704
SC018902	Miss Elizabeth McLean Bequest	1	0	1	1	1	1	0	0	316	0	316
SC018910	Baxter Park Endowment Fund	20	0	20	20	20	20	0	0	4,955	0	4,955
SC018897	Lochee Park Endowment Fund	4	0	4	4	4	4	0	0	1,088	0	1,088
SC018911	Dundee Day Nurseries Endowment Fund	4	0	4	4	4	4	0	0	1,084	0	1,084
SC018912	Law Hill War Memorial Fund	1	0	1	1	1	1	0	0	150	0	150
SC018913	Mills Observatory Endowment Fund	6	0	6	6	6	6	0	0	1,474	0	1,474
SC018914	D W Crichton Trust	6	0	6	6	6	6	0	0	1,500	0	1,500
SC018921	Gilroy Mausoleum Perpetuity Keep Fund	18	0	18	18	18	18	0	0	4,422	0	4,422
SC018918	Lochee Day Nursery Fund	8	0	8	8	8	8	0	0	1,873	0	1,873
SC018899	Camperdown Estate Trust	10	0	10	10	10	10	0	106,300	2,126,718	106,300	2,233,018
SC018920	William Dawson Trust	25	0	25	0	0	0	25	3,500	191,748	3,525	195,273
SC018909	Thomas H Cox Bequest	50	0	50	50	50	50	0	0	12,313	0	12,313
SC018908	Alexander Wilson Bequest	0	0	0	0	0	0	0	0	66	0	66
SC018904	Mrs Gibson Mortification	1	0	1	0	0	0	1	0	145	1	146
SC018896	Hospital Fund	2,837	47,082	49,919	44,624	44,624	44,624	5,295	7,800	1,148,450	13,095	1,161,545
		4,498	60,018	64,516	61,536	61,536	61,536	2,980	141,880	5,850,385	144,860	5,995,245

Note :
1. All funds are deemed to be "restricted" in terms of the 2005 Charities SORP.
2. Other Recognised Gains & Losses includes only gains on revaluation of fixed assets for the charitable trusts' own use.

DUNDEE CITY COUNCIL CHARITABLE TRUSTS
STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2014

OSCR Registration Number	Charity Name	INCOMING RESOURCES			RESOURCES EXPENDED			Net Incoming /(Outgoing) Resources Transfers	Other Recognised Gains & Losses	Net Movement in Funds	RECONCILIATION OF FUNDS		
		Investment Income	Other Income	Total Income	Charitable Activities	Resources Expended	Total Resources Expended				Total Funds Brought Forward	Total Funds Carried Forward	Total Funds
		£	£	£	£	£	£	£	£	£	£	£	£
SC018898	AT Cathro Bequest	69	0	69	1,000	1,000	1,000	(931)	0	(931)	19,340	18,409	18,409
SC018907	Charles Ower Bequest	62	0	62	0	0	0	62	0	62	17,367	17,429	17,429
SC020365	Dundee Festival Trust	150	549	699	0	0	0	699	0	699	41,932	42,631	42,631
SC018906	Charles Ower Mafeking Gift	2	0	2	2	2	2	0	0	0	524	524	524
SC018892	John Hoggan Trust for the Poor of Alyth	4	0	4	0	0	0	4	0	4	941	945	945
SC018893	Johnston Charity	79	0	79	0	0	0	79	0	79	22,120	22,199	22,199
SC018919	Mortification for Scots Episcopal Clergymen	1	0	1	0	0	0	1	0	1	126	127	127
SC018903	Miss Elizabeth Halyburton Mortification	49	0	49	0	0	0	49	0	49	13,904	13,953	13,953
SC018304	Admiral Duff Mortification	37	0	37	0	0	0	37	0	37	10,546	10,583	10,583
SC018915	Robert Saunders Bequest	2	0	2	90	90	90	(88)	0	(88)	609	521	521
SC018916	Meritorious Service (Police) Fund	59	0	59	0	0	0	59	0	59	16,865	16,924	16,924
SC018917	Public Libraries Art Fund	324	0	324	0	0	0	324	0	324	41,090	41,414	41,414
SC018901	Curr Night Refuge Fund	0	0	0	0	0	0	0	0	0	0	0	0
SC018900	Belmont Trust Estate	674	8,221	8,895	8,895	8,895	8,895	0	1,242,982	1,242,982	925,442	2,168,424	2,168,424
SC018902	Miss Elizabeth McLean Bequest	1	0	1	1	1	1	0	0	0	316	316	316
SC018910	Baxter Park Endowment Fund	18	0	18	18	18	18	0	0	0	4,955	4,955	4,955
SC018897	Lochee Park Endowment Fund	4	0	4	4	4	4	0	0	0	1,088	1,088	1,088
SC018911	Dundee Day Nurseries Endowment Fund	4	0	4	4	4	4	0	0	0	1,084	1,084	1,084
SC018912	Law Hill War Memorial Fund	1	0	1	1	1	1	0	0	0	150	150	150
SC018913	Mills Observatory Endowment Fund	5	0	5	5	5	5	0	0	0	1,474	1,474	1,474
SC018914	D W Crichton Trust	5	0	5	5	5	5	0	0	0	1,500	1,500	1,500
SC018921	Gilroy Mausoleum Perpetuity Keep Fund	16	0	16	16	16	16	0	0	0	4,422	4,422	4,422
SC018918	Lochee Day Nursery Fund	7	0	7	7	7	7	0	0	0	1,873	1,873	1,873
SC018899	Camperdown Estate Trust	9	0	9	9	9	9	0	0	0	2,126,718	2,126,718	2,126,718
SC018920	William Dawson Trust	22	0	22	0	0	0	22	0	22	191,726	191,748	191,748
SC018909	Thomas H Cox Bequest	44	0	44	44	44	44	0	0	0	12,313	12,313	12,313
SC018908	Alexander Wilson Bequest	0	0	0	0	0	0	0	0	0	66	66	66
SC018904	Mrs Gibson Mortification	0	0	0	0	0	0	0	0	0	145	145	145
SC018896	Hospital Fund	2,450	36,363	38,813	29,380	29,380	29,380	9,433	9,225	18,658	1,129,792	1,148,450	1,148,450
		4,098	45,133	49,231	39,481	39,481	39,481	9,750	1,252,207	1,261,957	4,588,428	5,850,385	5,850,385

Note :
1. All funds are deemed to be "restricted" in terms of the 2005 Charities SORP.
2. Other Recognised Gains & Losses includes only gains on revaluation of fixed assets for the charitable trusts' own use.

DUNDEE CITY COUNCIL CHARITABLE TRUSTS BALANCE SHEET AS AT 31 MARCH 2015

OSCR Registration Number	Charity Name	ASSETS			THE FUNDS OF THE CHARITIES				
		Tangible	Short- Term	Total	Property Reserve	Capital Account	Surplus Income	Total Charity Funds	
		Fixed Assets	Investments	Assets					
		£	£	£	£	£	£	£	
SC018898	AT Cathro Bequest	0	17,483	17,483	0	14,197	3,286	17,483	
SC018907	Charles Ower Bequest	0	17,500	17,500	0	1,185	16,315	17,500	
SC020365	Dundee Festival Trust	0	40,920	40,920	0	40,920	0	40,920	
SC018906	Charles Ower Mafeking Gift	0	524	524	0	524	0	524	
SC018892	John Hoggan Trust for the Poor of Alyth	0	949	949	0	717	232	949	
SC018893	Johnston Charity	0	22,289	22,289	0	16,384	5,905	22,289	
SC018919	Mortification for Scots Episcopal Clergymen	0	127	127	0	63	64	127	
SC018903	Miss Elizabeth Halyburton Mortification	0	14,010	14,010	0	578	13,432	14,010	
SC018304	Admiral Duff Mortification	0	10,626	10,626	0	327	10,299	10,626	
SC018915	Robert Saunders Bequest	0	315	315	0	91	224	315	
SC018916	Meritorious Service (Police) Fund	0	16,993	16,993	0	0	16,993	16,993	
SC018917	Public Libraries Art Fund	0	41,582	41,582	0	0	41,582	41,582	
SC018901	Curr Night Refuge Fund	0	0	0	0	0	0	0	
SC018900	Belmont Trust Estate	2,007,209	185,495	2,192,704	2,007,209	185,495	0	2,192,704	
SC018902	Miss Elizabeth McLean Bequest	0	316	316	0	55	261	316	
SC018910	Baxter Park Endowment Fund	0	4,955	4,955	0	4,955	0	4,955	
SC018897	Lochee Park Endowment Fund	0	1,088	1,088	0	1,088	0	1,088	
SC018911	Dundee Day Nurseries Endowment Fund	0	1,084	1,084	0	1,084	0	1,084	
SC018912	Law Hill War Memorial Fund	0	150	150	0	150	0	150	
SC018913	Mills Observatory Endowment Fund	0	1,474	1,474	0	1,474	0	1,474	
SC018914	D W Crichton Trust	0	1,500	1,500	0	1,500	0	1,500	
SC018921	Gilroy Mausoleum Perpetuity Keep Fund	0	4,422	4,422	0	715	3,707	4,422	
SC018918	Lochee Day Nursery Fund	0	1,873	1,873	0	1,873	0	1,873	
SC018899	Camperdown Estate Trust	2,230,484	2,534	2,233,018	2,230,484	2,534	0	2,233,018	
SC018920	William Dawson Trust	188,987	6,286	195,273	188,987	0	6,286	195,273	
SC018909	Thomas H Cox Bequest	0	12,313	12,313	0	12,313	0	12,313	
SC018908	Alexander Wilson Bequest	0	66	66	0	66	0	66	
SC018904	Mrs Gibson Mortification	0	146	146	0	63	83	146	
SC018896	Hospital Fund	464,032	697,513	1,161,545	464,032	680,954	16,559	1,161,545	
		4,890,712	1,104,533	5,995,245	4,890,712	969,305	135,228	5,995,245	

Signed on behalf of the trustees

Baillie Willie Sawers
Senior Councillor with responsibility for Finance
Dundee City Council

Willie Sawers

The unaudited accounts were issued on 26 June 2015 and the audited accounts were authorised for issue on 25 September 2015.

**DUNDEE CITY COUNCIL CHARITABLE TRUSTS
BALANCE SHEET AS AT 31 MARCH 2014**

OSCR Registration Number	Charity Name	ASSETS			THE FUNDS OF THE CHARITIES					
		Tangible Fixed Assets	Short- Term Investments	Total Assets	Property Reserve	Capital Account	Surplus Income	Charity Funds	Total	
		£	£	£	£	£	£	£	£	
SC018898	AT Cathro Bequest	0	18,409	18,409	0	14,197	4,212	18,409		
SC018907	Charles Ower Bequest	0	17,429	17,429	0	1,185	16,244	17,429		
SC020365	Dundee Festival Trust	0	42,631	42,631	0	42,631	0	42,631		
SC018906	Charles Ower Mafeking Gift	0	524	524	0	524	0	524		
SC018892	John Hoggan Trust for the Poor of Alyth	0	945	945	0	717	228	945		
SC018893	Johnston Charity	0	22,199	22,199	0	16,384	5,815	22,199		
SC018919	Mortification for Scots Episcopal Clergymen	0	127	127	0	63	64	127		
SC018903	Miss Elizabeth Halyburton Mortification	0	13,953	13,953	0	578	13,375	13,953		
SC018304	Admiral Duff Mortification	0	10,583	10,583	0	327	10,256	10,583		
SC018915	Robert Saunders Bequest	0	521	521	0	91	430	521		
SC018916	Meritorious Service (Police) Fund	0	16,924	16,924	0	0	16,924	16,924		
SC018917	Public Libraries Art Fund	0	41,414	41,414	0	0	41,414	41,414		
SC018901	Curr Night Refuge Fund	0	0	0	0	0	0	0		
SC018900	Belmont Trust Estate	1,982,929	185,495	2,168,424	1,982,929	185,495	0	2,168,424		
SC018902	Miss Elizabeth McLean Bequest	0	316	316	0	55	261	316		
SC018910	Baxter Park Endowment Fund	0	4,955	4,955	0	4,955	0	4,955		
SC018897	Lochee Park Endowment Fund	0	1,088	1,088	0	1,088	0	1,088		
SC018911	Dundee Day Nurseries Endowment Fund	0	1,084	1,084	0	1,084	0	1,084		
SC018912	Law Hill War Memorial Fund	0	150	150	0	150	0	150		
SC018913	Mills Observatory Endowment Fund	0	1,474	1,474	0	1,474	0	1,474		
SC018914	D W Crichton Trust	0	1,500	1,500	0	1,500	0	1,500		
SC018921	Gilroy Mausoleum Perpetuity Keep Fund	0	4,422	4,422	0	715	3,707	4,422		
SC018918	Lochee Day Nursery Fund	0	1,873	1,873	0	1,873	0	1,873		
SC018899	Camperdown Estate Trust	2,124,184	2,534	2,126,718	2,124,184	2,534	0	2,126,718		
SC018920	William Dawson Trust	185,487	6,261	191,748	185,487	0	6,261	191,748		
SC018909	Thomas H Cox Bequest	0	12,313	12,313	0	12,313	0	12,313		
SC018908	Alexander Wilson Bequest	0	66	66	0	66	0	66		
SC018904	Mrs Gibson Mortification	0	145	145	0	63	82	145		
SC018896	Hospital Fund	456,232	692,218	1,148,450	456,232	692,218	0	1,148,450		
		4,748,832	1,101,553	5,850,385	4,748,832	982,280	119,273	5,850,385		

NOTES TO THE FINANCIAL STATEMENTS

1 Analysis of Tangible Fixed Assets

	Council Dwellings £	Operational Land & Buildings £	Infrastructure & Community Assets £	Non- Operational Investment Properties £	Total £
Belmont Trust Estate	236,000	25,573	184,636	1,561,000	2,007,209
Camperdown Estate Trust	112,500	1,867,146	168,838	82,000	2,230,484
William Dawson Trust	-	148,500	40,487	-	188,987
Hospital Fund	-	-	1,232	462,800	464,032
	<u>348,500</u>	<u>2,041,219</u>	<u>395,193</u>	<u>2,105,800</u>	<u>4,890,712</u>

The assets owned by these charities are as follows:

Belmont Trust Estate - Estate of Belmont, Belmont Castle, Belmont Camp, Stables Flats x3

Camperdown Estate Trust - Estate of Camperdown, Mansion House, Golf Course, Kiosks x2, Recreational Facilities, Gardener's Cottage

William Dawson Trust - Dawson Park & Extension, Pavilion, Car Park, Entrance Gate

Hospital Fund - Properties at 63 Reform Street Dundee, Ground at Stirling Street, Stirling Park and Carmichael Street Dundee

2 Investment Income

There are no external investments, rather all surplus funds are deposited with Dundee City Council's Loans Fund. Interest receivable is based on the Loans Fund interest on revenue balances (IORB) rate and is paid twice yearly. The average IORB rate during 2014/15 was 0.41%.

3 Other Income

The other income shown in the Statement of Financial Activities relates to external rents receivable.

4 Resources Expended

Expenditure shown in the Statement of Financial Activities relates entirely to charitable activities. There were no governance costs incurred.

5 Related Party Transactions

During 2014/15, all surplus funds were deposited with Dundee City Council's Loans Fund. At 31 March 2015, the balance on the Capital Account (£969,305) and the Surplus Income (£135,228) were held with Dundee City Council. Investment income of £4,498 was received from Dundee City Council's Loans Fund during 2014/15.

6 Comparative Information

The 2013/14 Statement of Financial Activities and the Balance Sheet as at 31 March 2014 are shown on pages 13 and 15 respectively, for comparative purposes.

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

We certify that we have audited the financial statements of Dundee City Council Charitable Trusts for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the statement of the financial activities, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the trustees and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2015 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Independent auditor's report to the trustees of Dundee City Council Charitable Trusts and the Accounts Commission for Scotland (continued)

Opinion on other prescribed matter

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Andrew Shaw

Andrew Shaw, for and on behalf of KPMG LLP, Statutory Auditor

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

30 September 2015

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

SCOTTISH CHARITY NUMBER : SC027022

LORD PROVOST OF DUNDEE CHARITY FUND

TRUSTEES REPORT AND AUDITED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

LORD PROVOST OF DUNDEE CHARITY FUND**SCOTTISH CHARITY NUMBER SC027022****Trustees' Report and accounts for the year ended 31 March 2015**

The Lord Provost of Dundee Charity Fund was established for the benefit of the public of the City of Dundee. The purposes of the Charity Fund, as recorded in the Deed of Trust, are to relieve the poverty and advance the education of, and to provide recreational or leisure facilities in the interests of social welfare for, the public of the City of Dundee and in order to make donations to registered charities and to Scottish Charities.

During the 2014/15 financial year, the charity continued to provide financial assistance to the public of the City of Dundee, through donations to registered charities, senior citizen groups and vulnerable groups within Dundee. The major fundraising event of 2014/15 was the Annual Ball. This fundraising event was very successful and supported by many local companies.

Next year, we will continue with our fundraising activities in order to provide financial assistance to the public of the City of Dundee and make donations to registered charities.

The Charity's Trustees are defined in the Deed of Trust. The Charity's Trustees are:

- Lord Provost (Councillor Bob Duncan)
- Chief Executive (David Martin)
- Head of Legal and Democratic Services (Roger Mennie)

The Charity can be contacted at the following address, The Lord Provost, City Chambers, 21 City Square, DUNDEE, DD1 3BT.

The accounts for the year are attached and form part of this report.

This report was approved by the Trustees on 25 September 2015.

Signed, on behalf of the Trustees



David R Martin
Trustee
25 September 2015

Statement of Trustees' responsibilities in respect of the Trustees' annual report and the financial statements

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements for each financial year which show a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the recommendations of the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue its activities.

The trustees are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, and regulation 9(1), (2), and (3) of The Charities Accounts (Scotland) Regulations 2006 (as amended). They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

LORD PROVOST OF DUNDEE CHARITY FUND

SCOTTISH CHARITY NUMBER SC027022

STATEMENT OF RECEIPTS AND PAYMENTS FOR YEAR ENDED 31 MARCH 2015

<u>Receipts</u>	Note	2014/15	2013/14
		£	£
Donation & Gift Aid	4	3,667.95	-
Fund Raising	5	16,455.30	14,242.00
Interest on fund Dundee City Council	6	179.98	106.94
Bank Interest	6	77.63	65.49
Total Receipts		<u>20,380.86</u>	<u>14,414.43</u>
<u>Payments</u>			
Cost of Fund Raising	7	6,687.33	5,003.20
Grants & Gift Aid	4	-	500.00
Grants / Donations	9	4,228.03	2,704.86
Total Payments		<u>10,915.36</u>	<u>8,208.06</u>
<u>Surplus / (Deficit) For Year</u>		<u>9,465.50</u>	<u>6,206.37</u>

STATEMENT OF BALANCES AS AT 31 MARCH 2015

<u>Funds Reconciliation</u>	2014/15	2013/14
	£	£
Cash At Bank 31/3/2014 (31/3/2013)	43,959.66	37,753.29
Surplus/ (Deficit) for year	9,465.50	6,206.37
Cash At Bank 31/3/2015 (31/3/2014)	<u>53,425.16</u>	<u>43,959.66</u>

Bank & Cash Balances

Bank Accounts	23,425.16	13,959.66
Temporary Loan Invested with Dundee City Council	<u>30,000.00</u>	<u>30,000.00</u>
	<u>53,425.16</u>	<u>43,959.66</u>

All Funds are unrestricted

The Notes on page 4 form an integral part of these accounts.

Approved by the trustees on 25 September 2015 and signed on their behalf by:-



David R Martin
Trustee
25 September 2015

Notes to the Accounts – For year Ended March 2015**1 Basis Of Accounting**

These accounts have been prepared on the Receipts & Payments basis in accordance with the charities & trustee investment (Scotland) Act 2005 and the charities Accounts (Scotland) Regulations 2006 (as Amended).

2 Nature Purpose of funds

All funds are unrestricted and may be used at the discretion of the trustees in furtherance of the objects of the Charity.

3 Remuneration & Expenses

No remuneration or Expenses were paid to a charity trustee or anyone connected to a charity trustee.

4 Donations

The charity received various donations in 2014/15.

5 Fundraising

The main fund raising event is the annual ball, which includes ticket, tombola and auction. The amount raised was £16,455 in 2014/15 (£14,242 in 2013/14).

6 Interest Receivable

The Charity has monies deposited with Dundee City Council of £30,000 and receives interest on this alongside bank interest.

7 Cost of Fund Raising

The cost of organising the ball is significant expenditure of £6,687 (£5,003 in 2013/14).

8 Governance Cost

This is bank charges incurred in 2014/15

9 Grants & Donations Made

The charity made 11 donations to organisations to the value of £3,328 and 7 donations to individuals valuing £900 in 2014/15. (17 donations to organisations £1,636 and 10 donations to individuals £1,069 in 2013/14).

10 External Audit

The financial statements are the subject of a separate external audit.

Further Information

Any queries regarding this document should, in the first instance, be addressed to:

Elaine Rowan

Accountant

Finance Department

Dundee City Council

50 North Lindsay Street

Dundee

DD1 3NZ

(Email: elaine.rowan@dundeecity.gov.uk)

(Telephone: 01382-433355)

Independent auditor's report to the trustees of Lord Provost of Dundee Charity Fund and the Accounts Commission for Scotland

We certify that we have audited the financial statements of Lord Provost of Dundee Charity Fund for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the statement of receipts and payments, statement of balances and the related notes. The financial reporting framework that has been applied in their preparation is a receipts and payments basis.

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

Respective responsibilities of the trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements which properly present the receipts and payments of the charity. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- properly present the receipts and payments of the charity for the year ended 31 March 2015 and its statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1),(2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

Opinion on other prescribed matter

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the trustees of Lord Provost of Dundee Charity Fund and the Accounts Commission for Scotland (continued)

Matters on which we are required to report by exception

We are required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



Andrew Shaw, for and on behalf of KPMG LLP, Statutory Auditor

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

30 September 2015

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006



cutting through complexity

ITEM No ...11(b).....

Report No 377-2015

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Dundee City Council

Annual audit report to the Members of Dundee City Council and the
Controller of Audit

Audit: year ended 31 March 2015

30 September 2015

The contacts at KPMG in connection with this report are:

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About this report

This report has been prepared in accordance with the responsibilities set out in Audit Scotland's *Code of Audit Practice* ("the Code").

This report is for the benefit of Dundee City Council ("the Council") and is made available to Audit Scotland and the Controller of Audit (together "the beneficiaries"), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes, but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the circumstances set out in the executive summary: scope and responsibilities.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

Our audit work is undertaken in accordance with Audit Scotland's *Code of Audit Practice* ("the Code"). This specifies a number of objectives for the audit.

In accordance with ISA (UK and Ireland) 260: *Communication with those charged with governance*, this report summarises our work in relation to the annual accounts for the year ended 31 March 2015.

We wish to record our appreciation of the continued co-operation and assistance extended to us during the course of our work.

Area	Summary observations	Analysis
Strategic overview		
Key issues and update	The challenges faced by the Council to deliver services with less resources over the past five years have required careful management and monitoring. Public sector reform continues to gather pace against a backdrop of continuing financial pressures. The introduction of integrated health and social care partnerships, coupled with welfare reforms, will require effective leadership and governance. We consider that the Council has so far progressed well in managing these changes.	Page 6
Financial position	The Council reported a deficit of the provision of services of £36.4 million in 2014-15 (2013-14: £42.2 million). This gave rise to an increase in general fund reserves of £5.0 million, a decrease of £5.5 million in the capital grants unapplied account and an increase in other reserve balances of £2.0 million.	Pages 9 - 14
Financial statements and accounting		
Audit conclusions	<p>We have issued an unqualified audit opinion on the 2014-15 annual accounts, following their approval by the scrutiny committee in September 2015.</p> <p>The annual accounts, statement of responsibilities, governance statement and remuneration report were received by the start of audit fieldwork and were supported by high quality working papers.</p>	Page 16
Significant risks and audit focus areas	<p>The areas highlighted below are the specific audit focus areas identified within our audit strategy document:</p> <ul style="list-style-type: none"> ■ fraud risk from management override of controls; ■ fraud risk from revenue recognition; ■ the Council's financial position; ■ accounting for provisions; ■ the valuation of property, plant and equipment and preparation for the requirements of the 2016-17 Code; and ■ retirement benefit obligations. <p>Audit work was completed to satisfy the requirements of ISA 330 <i>The auditor's responses to assessed risks</i>, including tests of key financial controls. In respect of each matter, we are content with management's judgements and accounting treatment.</p>	Pages 17-20

Area	Summary observations	Analysis
Financial statements and accounting (continued)		
Going concern	The annual accounts have been prepared on a going concern basis, as the revenue support grant has been approved for 2015-16 and forms the basis of a budget which is considered to be manageable within existing facilities. The Council added to the general fund reserve in 2014-15, and had net assets of £563.2 million at the balance sheet date.	Page 22
Accounting policies	There have been no changes to accounting policies applied by the Council in 2014-15. No newly effective accounting standards are expected to have a material impact on the 2015-16 annual accounts. The requirements of the <i>Code of practice on transport infrastructure assets</i> ("the transport code"), will apply from 2016-17.	Page 21
Governance and narrative reporting		
Governance	Over-arching and supporting corporate governance arrangements remain primarily unchanged and provide a sound framework for organisational decision-making.	Page 26 - 27
Internal controls	Testing of the design and operation of financial controls over significant risk points was undertaken as part of our audit. Our work concluded that controls relating to financial systems and procedures are designed appropriately and operating effectively. Since the finalisation of our interim report there have been no changes to the operation of the controls subject to review.	Page 28
Performance management		
Performance management	Our work has identified that the Council's performance management arrangements are generally robust, however, a number of areas for improvement were identified in relation to statutory performance indicators ("SPIs") by Audit Scotland. Internal audit reviews, conducted as part of the internal audit plan, provide assurance over performance reporting and Best Value considerations.	Page 35

Purpose of this report

The Accounts Commission has appointed KPMG LLP as auditor of Dundee City Council under part VII of the Local Government (Scotland) Act 1973 ("the Act"). The period of appointment is 2011-12 to 2015-16, inclusive.

Our annual audit report is designed to summarise our opinion and conclusions on significant issues arising from our audit. It is addressed to both those charged with governance at Dundee City Council and the Controller of Audit. The scope and nature of our audit were set out in our audit strategy document which was presented to the scrutiny committee at the outset of our audit.

Audit Scotland's Code of Audit Practice ("the Code") sets out the wider dimensions of public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance.

Accountable officer responsibilities

The Code sets out Dundee City Council's responsibilities in respect of:

- preparation of financial statements that show a true and fair view;
- systems of internal control;
- prevention and detection of fraud and irregularities;
- standards of conduct and arrangements for the prevention and detection of bribery and corruption;
- financial position; and
- Best Value.

Auditor responsibilities

This report reflects our overall responsibility to carry out an audit in accordance with our statutory responsibilities under the Act and in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Code.

Scope

An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance.

Weaknesses or risks identified are only those which have come to our attention during our normal audit work in accordance with the Code, and may not be all that exist.

Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Under the requirements of International Standard on Auditing (UK and Ireland) ('ISA') 260 *Communication with those charged with governance*, we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity.

This annual audit report to members and our presentation to the scrutiny committee, together with previous reports to the scrutiny committee throughout the year, discharges the requirements of ISA 260.

Strategic overview

Our perspective on key business issues and financial position

Public sector reform and financial pressures have caused challenges for local authorities in delivering services with reduced resources.

Sector overview

Local authorities have faced challenges over the past few years as a result of public sector reform and the UK's continued financial pressures. Councils are faced with real term funding decreases, combined with increasing demand for services resulting in challenging decisions to achieve a balanced budget. The integration of health and social care presents additional challenges. Councils are aware of the need to deliver services efficiently and effectively, with fewer resources.

These challenges are highlighted in Audit Scotland's report "An overview of local government in Scotland 2015", which highlights that the real-terms reduction in councils funding from the Scottish Government between 2011-12 and 2013-14 was 8.5%.

The report recommends that councillors ensure that council officers provide high-quality financial and performance information to support effective scrutiny and decision-making. Management has reviewed this report and completed the self assessment tool to assess current performance and identify areas for improvement. With the exception of the workforce strategy, where management action to develop it by March 2016 is required, all other recommendations from the report were "in place" or "in place but needing further improvement". Areas the Council noted for improvement included capital and revenue budget monitoring.

We set out our views on the Council's progress with key public sector reforms over the following pages and provide commentary on its financial position from page eight.

Local area network / shared risk assessment

Local area networks ("LANs"), comprising representatives from scrutiny bodies perform an annual shared risk assessment and plan shared scrutiny activity. The 2014-15 local scrutiny plan, (formally the assurance and improvement plan), noted that the Council continues to make improvements and as such no specific areas were identified as 'scrutiny required' or 'further information required' beyond that already planned by participants (outlined below).

2015-16 included a change in the process of shared risk assessments ("SRAs") and how the LANs work with local authorities. The 2015-16 local scrutiny plan highlights the Council's continued progress with the significant transformation programme 'Changing for the Future' and maintained or improved performance in a number of areas. The SRA process is intended to support local authorities in performance improvement, and the 2015-16 SRA identified planned scrutiny as:

- joint inspection of services for children and young people led by the Care Inspectorate;
- a planned Joint Thematic Review of Multi-Agency Public Protection Arrangements (MAPPA) in Scotland during 2014 to 2015;
- Scottish Housing Regulator (SHR) planned programme of thematic inquiries into housing services; and
- validated self-evaluation (VSE) of educational psychology services with Education Scotland over a two-year period beginning in 2015-16.
- KPMG's scrutiny activity, as part of the external audit is:

"monitoring of the Council's progress with the development of a medium-term financial strategy."

"monitoring of the progress with, and outcomes of the McClelland Review of the Victoria and Albert (V&A) museum in Dundee project."

Service and management structures

The policy and resources committee approved proposed service and management structures which realign Council services to better reflect policy priorities. There are three main elements to the new structure:

- streamlining departmental structures;
- introducing a single pay model for all employees; and
- providing additional career development opportunities for young people.

It is anticipated that the new departmental structures will result in cost savings of £400,000 per annum; achieved through a planned approach to voluntary early retirement and voluntary redundancy. This has led to a reduction from seven directors and 24 heads of service to six directors and 14 to 15 heads of service.

Welfare changes

As a result of the Welfare Reform Act 2012, a number of significant changes in how councils deliver benefit services were implemented on 1 April 2013. The most significant change is the introduction of 'universal credits', which is an integrated working age benefit which will replace existing benefits, including housing benefit. Universal credits will be administered by the Department of Work and Pensions ("DWP").

The Council Plan for 2012-17 anticipates that welfare reform will have a significant impact on the city's population, as 22.3% are in receipt of benefits. While the full financial impact for the City has not yet been quantified, members have been provided with the Scottish Government's report of 11 April 2013 which estimated that the impact on Dundee's economy would be an annual loss of £58 million.

In response, a corporate welfare reform group has been formed to address the potential impact of welfare reform on the city's population. Regular updates from management on the impact of welfare reform have been provided to members for consideration via the policy and resources committee.

The Council has been proactive in its approach to welfare reform and mitigating the effects on the local population. Additional external grant funding has enabled the Council to fund community teams to help local people in hardship to access available advice and resources.

Integrated health and social care

In March 2014 the Public Bodies (Joint Working) (Scotland) Act was passed by the Scottish Parliament. This requires all councils and NHS boards to formally and legally establish integration of health and social care by April 2016. In response the Council set up a joint board with NHS Tayside to meet the requirements of the Act. The chief officer post has been filled and the chief finance officer post is being recruited.

The partnership will integrate adult and elderly services; children's services will not be transferred to the new partnership, however, the Council has a strategy for children's services which requires joint working. We consider the joint board's arrangements in more detail at pages 31 - 33.

Bringing together staff from NHS Tayside and the Council, under one single management structure in the integration joint board is a significant challenge for the Council. It requires a scheme of delegation to be agreed which sets out the services which will be transferred from the Council to the integration joint board. This scheme has been substantially agreed by Council but will require ongoing management and operational staff time and resources to manage through the transition period and continued liaison and negotiation with the integration joint board in respect of outcomes and resources available to support their delivery.

The V&A at Dundee will be the first ever purpose-built design museum in the UK outside of London.

Work began on the building in March 2015, with no funding provided by the Council as at 31 March 2015.

The review of the combination project for the V&A, written by John McClelland CBE, was issued on 27 July 2015.

V&A at Dundee

The V&A museum is the largest single item of expenditure included in the 2016-21 capital plan. The phasing of planned expenditure and associated funding is summarised below:

	Expenditure	External funding	Council funding
Actual prior to 31 March 2015	6.2	(6.2)	-
2015-16	22.4	(18.3)	4.1
2016-17	27.2	(24.0)	3.2
2017-18	21.9	(15.0)	6.9
2018-19	2.4	-	2.4
Total	80.1	(63.5)	16.6
Original budget per 2014-18 capital plan	49.0	(49.0)	-
Variance	31.1	14.5	16.6

Source: Capital Plan 2016-21 and 2014-18, P&R Committee 279-2015 and 59-2014

Following the increase in estimated cost of the V&A, the Council appointed John McClelland CBE to conduct an independent review of the project. The key focus of the review was to examine the reasons for the increase in the estimated construction costs. This review was reported to the policy and resources ("P&R") committee on 24 August 2015 and included eight recommendations. In summary, the report found that the main reason for the variance in budget was underestimates in the original budget (£18.1 million, 58.2%), programme delays (£5.4 million, 17.4%) and cost increases and design changes (£7.6 million, 24.4%). The P&R committee accepted the recommendations of the report. We will consider implementation in respect of the ongoing and other capital projects in our 2015-16 audit. We have substantively audited the £1.8 million grant funded V&A expenditure incurred during 2014-15.

Design Dundee Limited ("DDL")

The company is a partnership between the Council, University of Dundee, Abertay University and the Victoria and Albert Museum. DDL was set up with the aim of organising the development and delivery of the V&A Dundee. Its objectives include:

- advancement of the arts, heritage, culture and science, education and research, citizenship and community development; and
- to advance such similar charitable purposes as the directors may consider appropriate from time to time.

The McClelland review notes that there was a lack of clarity in the governance arrangements between DDL and the Council, following the decision to transfer responsibility for construction of the V&A from DDL to the Council. While the V&A building is in the construction phase most activity undertaken by DDL is in promoting the V&A and securing private investment. Most of its expenditure is staff costs and are met by revenue grant funding; the Council does not currently fund DDL.

Once the V&A museum is operational, DDL will be responsible for running the museum and the Council will own the asset. DDL will pay the Council a 'peppercorn rent' for its use and the Council will make revenue contributions to DDL in respect of running costs. Responsibility for total revenue funding will be shared with the other partners in DDL. The Council should finalise the development, lease and management agreements with DDL as soon as possible.

Recommendation one

DDL has nine directors, one of whom is a representative of the Council. As such the Council does not consider that it exercises 'joint control' or 'significant influence' by being DDL's sole funder and does not consider DDL a subsidiary, associate or joint venture and as such does not require to be consolidated in the Council's group accounts. This position must be considered as the relationship develops.

Recommendation two

The Council recorded a deficit on the provision of services of £36.4 million in 2014-15. This resulted in a transfer to the general reserve of £5.0 million.

Financial position

The 2014-15 deficit on the provision of services of £36.4 million compares to the 2013-14 deficit of £42.2 million.

A total of £1.6 million was transferred to usable reserves in 2014-15, compared to a transfer from reserves of £2.9 million in 2013-14. Of the transfer, £5.0 million relates to an increase in general fund balances and £1.8 million relates to an increase to the renewal and repair fund. There was a decrease of £5.4 million to the capital grants unapplied account. The composition of the Council's reserves is shown below:

Reserve	31 March 2015	31 March 2014	Variance
General fund balance	13,027	8,070	4,957
Housing revenue account	-	-	-
Capital grants unapplied account	1,493	6,944	(5,451)
Capital fund	676	673	3
Repairs and renewals fund	8,070	6,253	1,817
Insurance fund	926	700	226
Total usable reserves	24,192	22,640	1,552
Unusable reserves	539,056	407,067	131,989
Total reserves	563,248	429,707	133,541

Source: KPMG analysis of Dundee City Council's annual accounts 2014-15.

The Council aims to maintain uncommitted reserves at a minimum level of £5 million (around 1.5% of budgeted net expenditure). As a result no amounts were taken from uncommitted reserves in setting the 2014-15 budget. The level of uncommitted general reserves at 31 March 2015 was £5.1 million (2013-14: £5.0 million).

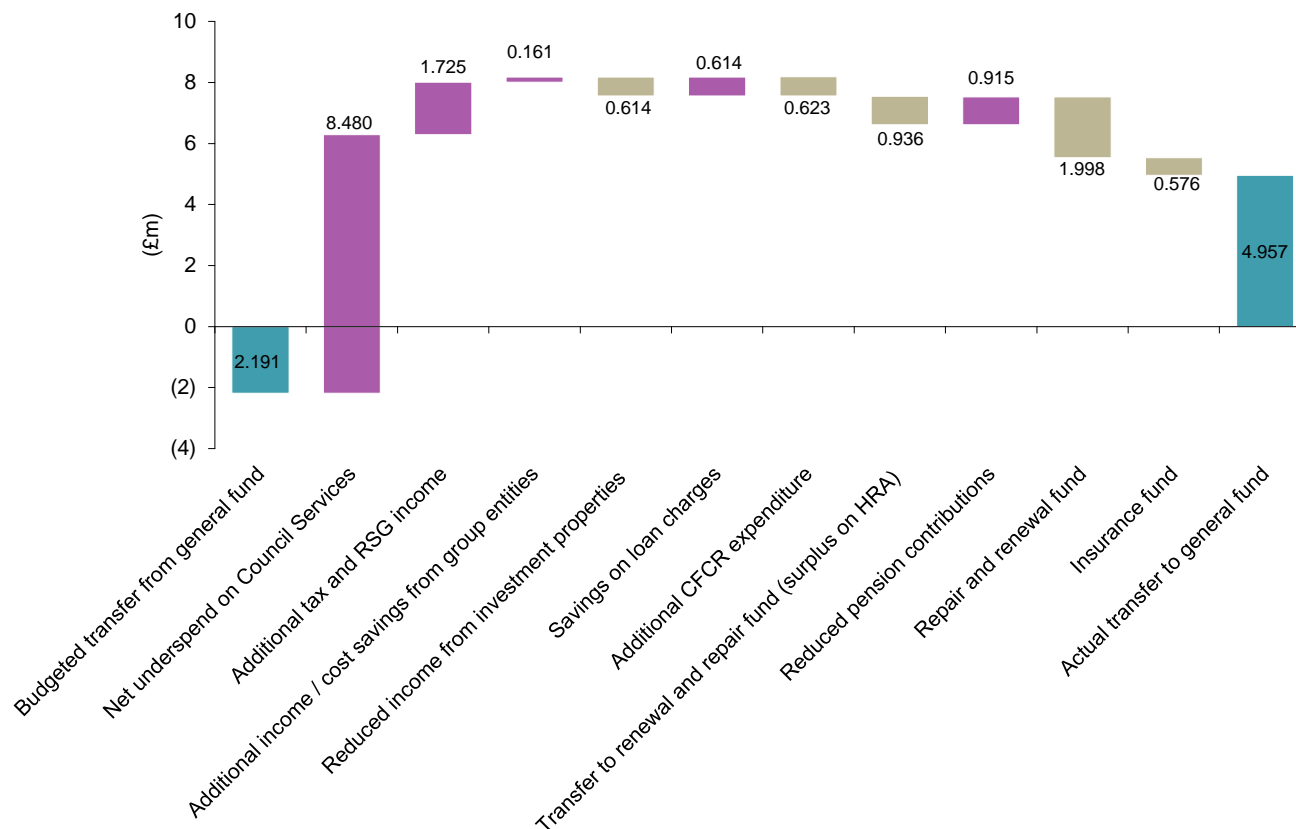
Comprehensive income and expenditure statement			
	2014-15 £'000	2013-14 £'000	Variance £'000
Cost of services	(193,931)	(187,901)	(6,030)
Taxation and non specific grant income	(384,127)	(363,797)	(20,330)
Net income from investment properties	(53)	(389)	336
Changes in the fair value of investment properties	1,113	2,339	(1,226)
Share of Tayside Contracts surplus	(397)	(367)	(30)
Interest receivable	(466)	(848)	382
Total income	(577,861)	(550,963)	(26,898)
Cost of services	569,405	552,345	17,060
Other operating expenditure	1,140	1,897	(757)
Interest payable and similar charges	25,479	25,743	(264)
Net interest on the net defined benefit liability (asset)	18,257	13,135	5,122
Total expenditure	614,281	593,120	21,161
Deficit on the provision of services	36,420	42,157	(5,757)
Surplus on revaluation of non current assets	(6,200)	(65,340)	59,140
Surplus or (deficit) on revaluation of available for sale financial assets	(157)	357	(514)
Remeasurements of the net defined benefit	(163,604)	94,374	(257,978)
Total comprehensive income and expenditure	(135,541)	71,548	(205,089)

Source: KPMG analysis of Dundee City Council's annual accounts 2014-15.

The budgeted outturn was for a transfer from general fund reserves of £2.2 million. The Council achieved a transfer to the general fund reserve of £5.0 million in 2014-15.

We provide a summary of the movements from original budget to outturn position in the graph.

2014-15 budgeted transfer to outturn



Key under spends in the year included:

- lower payments to third sector bodies in relation to adult services (£3.85 million);
- savings in staff costs (£3.85 million);
- lower level of residential and secure placements for children (£1.122 million); and
- higher than anticipated housing rental income and lower cost rents (£0.999 million).

Key over spends in the year included:

- additional nursing and residential placements for older people and a continuing increase in demand for free personal care placements (£0.4 million);
- income shortfall in commercial property rentals (£0.5 million);
- income shortfall in car parking (£0.3 million); and
- income shortfall in environmental protection services for the sale of recyclable materials (£0.2 million).

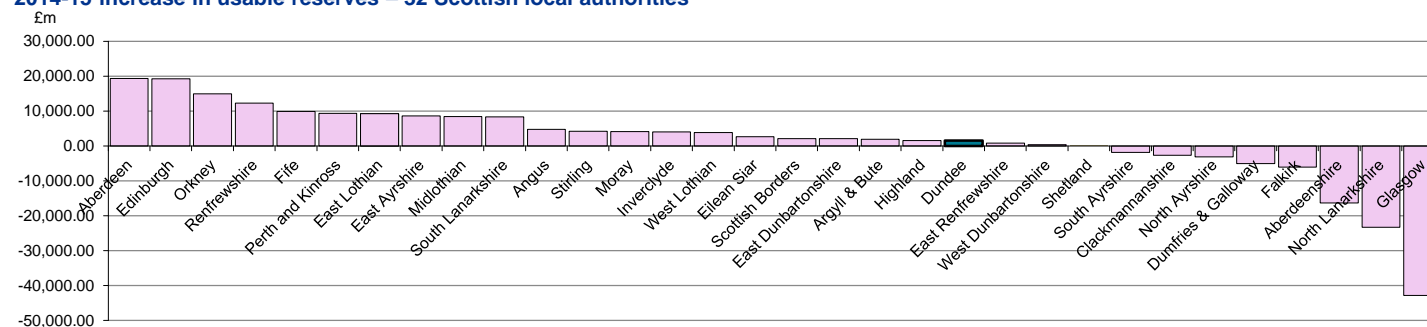
Audit Scotland performs benchmarking on various financial indicators across the 32 local authorities, drawn from the unaudited financial statements.

In benchmarking undertaken by Audit Scotland from analysis of the 2014-15 unaudited financial statements of Scotland's 32 local authorities, Dundee City Council had a movement in total useable reserves just above the average movement. The carried forward usable revenue reserves as a proportion of revenue were the third lowest in Scotland.

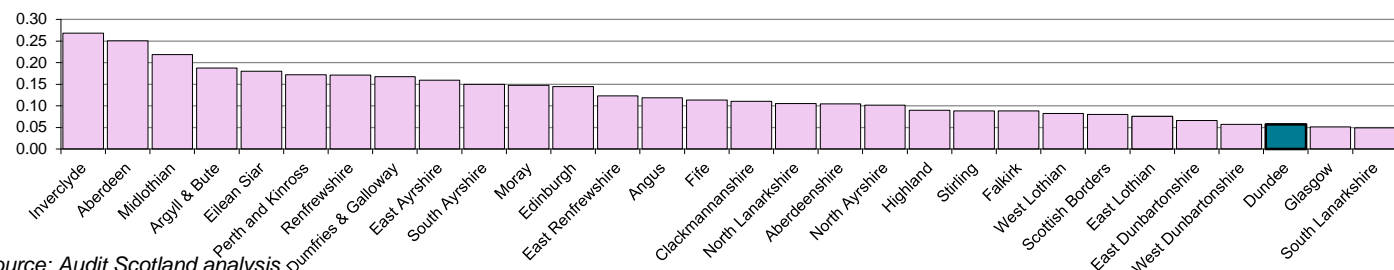
The Council's uncommitted reserves as a percentage of net revenue spend continues to be low. The Council reviews the adequacy of its minimum target for uncommitted reserves when setting the budget each year.

In setting the 2014-15 revenue budget, management advised the policy and resources committee that the target level of reserves should remain at £5m (around 1.5% of budgeted expenditure). To achieve this it was recommended that funds should not be taken from the general fund when setting the council tax for 2014-15. The same approach has been taken for 2015-16.

2014-15 increase in usable reserves – 32 Scottish local authorities



2014-15 carried forward usable revenue reserves as a proportion of revenue – 32 Scottish local authorities



Source: Audit Scotland analysis

Please note that it was necessary to omit Orkney and Shetland as their levels of reserves are much higher than other councils and it would distort the scale used.

The Council's total capital spend in 2014-15 was £73.1 million, £19.3 million below budget. Capital grants provided the primary source of capital funding in 2014-15, however a large proportion of capital expenditure continues to be funded through borrowing.

Borrowing

The Council's capital expenditure is primarily funded through capital grants and borrowing, in line with the capital plan approved by the policy and resources committee.

The capital expenditure programme gives rise to greater borrowings and management incorporates the debt service costs into budgets. In Audit Scotland's 2014-15 benchmarking, the Council has the fifth highest level of net external debt when taken as a proportion of revenue expenditure. The Council also has the fifth highest external debt per head of population at £3,655 per head (2013-14: £3,647). We recognise that this benchmarking does not differentiate between demographic differences or the split between general services and housing related borrowing.

Capital programme

Total capital expenditure in 2014-15 was £73.1 million, below the original budget of £92.4 million. £58.6 million related to general services capital spend and £14.5 million to the housing revenue account. This represents a 15% decrease from the 2013-14 spend of £86.2 million.

The largest underspend in 2014-15 related to the National Housing Trust (phase 1 and 2) with £4.8 million being rephased into the 2016-17 capital plan.

£13.9 million of the capital underspend relates to general services capital expenditure. The majority of this underspend will be re-phased into future years capital budgets.

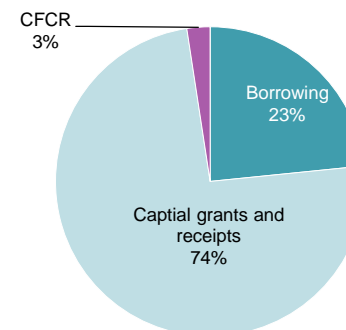
The remaining £5.4 million relates to underspends and re-phasing of other housing projects.

Key capital expenditure incurred in 2014-15 related to:

- £13.3 million on Harris Academy;
- £9.2 million on Central Waterfront;
- £8.9 million on heating, kitchens and bathrooms in council housing;
- £2.6 million on external insulation and cavity fill in council housing;
- £2.4 million on Seabraes Pedestrian Bridge;
- £2.2 million on road reconstructions;
- £1.9 million on Barnhill Primary School;
- £1.9 million on street lighting renewal;
- £1.8 million on the V&A at Dundee; and
- £1.5 million on Dundee Railway Station concourse.

The majority of capital expenditure (£54.2 million; 74%) has been funded by capital grants applied in year. Capital expenditure compared to budget and the sources of capital finance are shown below.

Capital expenditure funding



Source: KPMG analysis of Dundee City Council's annual accounts and year end report 2014-15.

The 2015-16 budget incorporates budget savings of £6.9 million which were required in order to freeze council tax without utilising reserve balances.

Financial plans 2015-16

The budget has been set on the assumption that council tax will remain frozen in 2015-16; the Scottish Government has confirmed its support for this policy in 2015-16.

	2015-16 £m	2014-15 £m	Variance £m
Education	141.9	135.7	6.2
Social Work	105.0	105.9	(0.9)
City Development	22.1	21.3	0.8
Environment	23.7	26.2	(2.5)
Chief Executive	30.9	27.4	3.5
Corporate services	7.6	6.8	0.8
Other housing	2.6	2.8	(0.2)
Supporting people	11.6	11.6	-
Capital financing costs	26.7	26.6	0.1
Other, including Welfare Reform	18.9	14.9	4.0
Subtotal	391.0	379.2	11.8
Less: capital charges	(38.6)	(34.7)	(3.9)
Total net revenue budget	352.4	344.6	7.8

Increases in costs across departments includes a 1.5% allowance for estimated pay awards in 2015-16 for all categories of staff. Allowance has also been made for the increased National Living Wage of £7.85 per hour.

As part of the budget setting process the Council re-stated its medium term financial outlook. The key elements of this outlook are as follows:

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

The Council estimates it will need to identify further budget savings of around £22.7m over the two year period 2016-2018 in order to maintain a Council Tax freeze. It has set out the key aspects of a medium term financial strategy, however, this could be enhanced with the inclusion of financial budgeting. A three year budget based on current year budget and updated for known changes to income and expenditure would help management to identify and manage future cost pressures. It is normal for such a budget to be appropriately informed by reference to savings plans and changes in operations.

Recommendation three

Total projected capital resources of £390.7 million are included within the 2016-21 capital plan.

Capital plan

The capital plan 2016-21 includes both general services and housing revenue account capital expenditure. This plan updates the 2015-18 capital plan which was approved in February 2015. The CIPFA Prudential Code principles are used to develop the capital plan.

The total projected capital resource for 2015-16 to 2020-21 is shown below, which has been matched to planned expenditure projects.

Funding source	15-16 £m	16-17 £m	17-18 £m	18-19 £m	19-20 £m	20-21 £m	Total £m
Borrowing	54.6	64.4	75.5	25.9	18.2	24.4	263.0
Capital grants	51.5	48.9	47.8	20.0	20.0	17.8	206.0
Capital receipts	5.2	6.1	3.8	4.1	4.2	4.0	27.4
Slippage	8.2	3.1	2.5	0.0	0.0	0.0	13.8
Total projected capital resources	119.5	122.5	129.6	50.1	42.4	46.2	510.2

Source: Capital Plan 2016-21, Policy & Resources Committee 279-2015

Key projects	Amount £m
General services:	
Road reconstructions/recycling (net Council contribution)	30.6
Primary school investment	23.0
Menzieshill Primary, Nursery and community provision (net Council contribution)	20.9
Purchase computer equipment	19.6
Vehicle fleet purchases (net Council contribution)	19.3
Road schemes/minor schemes (net Council contribution)	18.0
V&A at Dundee (net Council contribution)	16.6
Longhaugh - St Lukes & St Matthews and St Vincents - Replacement	16.0
Coldside Primary and community facilities	14.7
Structural improvements & property upgrades	14.0
Street lighting renewal (net Council contribution)	13.2
Victorian / Edwardian schools	13.0
Coastal protection works (net Council contribution)	12.4
Regional Performance Centre for Sport (net Council contribution)	12.0
Harris Academy refurbishment (net Council contribution)	12.0
Housing revenue account:	
Energy efficient: heating replacement	21.8
External insulation and cavity fill (net Council contribution)	20.8
SHQA capital: roof	13.1
Increased supply of Council housing	10.2

Financial statements and accounting

Our perspective on the preparation of the
annual accounts and key accounting
judgements made by management

We have issued an unqualified audit opinion. The annual accounts, including the governance statement, were made available on a timely basis and were accompanied by high quality working papers.

Audit conclusions

Following approval of the annual accounts by the scrutiny committee we have issued an unqualified opinion on the truth and fairness of the state of the Council's affairs as at 31 March 2015, and of the Council's deficit for the year then ended. There are no matters identified on which we are required to report by exception.

In gathering the evidence for our opinion we have:

- performed controls testing and substantive procedures to ensure that key risks to the annual accounts have been covered;
- communicated with internal audit and reviewed its reports as issued to the scrutiny committee to ensure all key risk areas which may be viewed to have an impact on the annual accounts have been considered;
- reviewed estimates and accounting judgements made by management and considered these for appropriateness;
- considered the potential effect of fraud on the annual accounts through discussions with senior management and internal audit to gain a better understanding of the work performed in relation to prevention and detection of fraud; and
- attended scrutiny committees to communicate our findings to those charged with governance, and to update our understanding of the key governance processes.

Annual accounts preparation

- High quality working papers and draft accounts were provided at the start of the audit fieldwork on 6 July 2015, including a statement of responsibilities, remuneration report, governance statement and management commentary.
- In advance of our audit fieldwork, we issued a 'prepared by client' request setting out a list of required analyses and supporting documentation. Reflective of the long standing working relationship with the Council the standard of documentation was very good and management quickly responded to queries.
- Throughout the course of the year we had regular discussion with the Council's finance team to ensure that disclosure within the annual accounts was consistent with the requirements of the Code. We provided feedback to management on the content of the annual accounts, management commentary, governance statement and remuneration report and we are pleased to report that these were prepared appropriately.
- There is one audit adjustment set out at appendix two. There are no significant matters in respect of auditor independence and non-audit fees; and management representation letter content, as reported in appendix one.
- We consider that management has maintained a robust control environment throughout 2014-15.

The significant areas of risk identified in our audit strategy were in respect of:

- management override of controls fraud risk; and
- the Council's financial position;

and other focus areas of:

- fraudulent revenue recognition;
- accounting for provisions;
- valuation of property, plant and equipment and preparation for the 2015-16 Code; and
- retirement benefits.

We summarise below the risks of material misstatement as reported within the audit strategy. We set out the key audit procedures to address those risks and our findings from those procedures, in order that the scrutiny committee may better understand the process by which we arrived at our audit opinion.

We have no changes to the risk or our approach to addressing the assumed ISA risks of fraud in management override of controls and risks of fraudulent revenue recognition. We do not have findings to bring to your attention in relation to these matters. No control overrides were identified.

Significant risk	Our response	Audit findings
<p>Financial position</p> <p>In 2014-15 the Council recorded an accounting deficit of £36.4 million in the comprehensive income and expenditure account (2013-14: £42.2 million)</p> <p>The net movement on the useable funds balance was an increase of £1.5 million (2013-14: decrease £2.9 million), while uncommitted general fund balances remained at £5.0 million. The Council reported an overall underspend against budget for services of £8.4 million.</p> <p>In benchmarking undertaken by Audit Scotland from analysis of the 2014-15 unaudited financial statements of Scotland's 32 local authorities, the Council's uncommitted reserves as a percentage of net revenue spend continued to be one of the lowest.</p>	<p>We have updated our understanding of the Council's financial position and year end outturn position through review of quarterly reports and other management information. We have commented on this on pages 9 to 14.</p> <p>We performed controls testing over the budgeting process including the monitoring of budgets throughout the year.</p> <p>We performed substantive procedures, including substantive analytical procedures, over income and expenditure comparing the final position to budget and investigating significant variances.</p>	<p>We found that management is adequately monitoring the financial position through regular internal reporting. This is communicated to members on a regular basis.</p> <p>Management has applied the going concern assumption in preparing the annual accounts. We have considered this assumption on page 20 and concluded that this is appropriate.</p> <p>The McClelland review (page 32) includes a recommendation that the Council "should fully adopt and integrate the V&A project into its existing structures for dealing with construction projects and fully allocate accountability and responsibility across appropriate Council functions and departments". The Council has integrated all V&A capital expenditure into its 2016-21 capital plan and will prepare capital budget monitoring reports to include whole project costs, not just the Council share.</p>

Focus area	Our response	Audit findings
<p>Accounting for provisions (holiday pay and landfill sites)</p> <ul style="list-style-type: none"> ■ Following a European Court of Justice ruling in May 2014, employers are required to pay holiday pay to staff at a rate commensurate with any commission or over time that they regularly earn. Management has updated its process for holiday pay going forward following consultation with trade unions. Management considered whether there was a provision or contingent liability that required disclosure as at 31 March 2015. ■ Whilst the Council does not operate landfill sites, coal mines or other sites which carry significant obligations for rectification, Tayside Contracts Joint Committee operates quarries which carry obligations for rectification. We reported in our audit strategy that further analysis was required by management to identify whether appropriate provisions are held for this required expenditure. 	<p>Under IAS 37 a provision should be recognised when:</p> <ul style="list-style-type: none"> ■ an entity has a present obligation as a result of a past event; ■ it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and ■ a reliable estimate can be made of the amount of the obligation. <p>We monitored legislative changes on holiday pay and considered the Council's position in relation to the above criteria.</p> <p>We updated our understanding of Tayside Contract's provisions and reviewed the calculation and application of provisions associated with quarry reinstatement and environmental legislation, taking into account future intentions for use.</p> <p>We challenged management's year end judgements and assessed the provision values. We also discussed other risk areas in respect of provisions, such as equal pay, to verify no further provisions are required.</p>	<p>We found that:</p> <ul style="list-style-type: none"> ■ management has implemented actions to mitigate the impact of the legislation in relation to holiday pay by adding 8.3% on eligible hours paid one year in arrears. The estimated annual cost is £0.1 million. There are 263 open cases which the Council aims to settle with the trade unions. Management consider it to be unlikely that there would be a material settlement in respect of this. ■ We concur with management's assessment that a provision is not required as at 31 March 2015. ■ A provision is held by Tayside Contracts in respect of reinstatement costs and remedial works. Our testing as auditor of Tayside Contracts concluded that the provisions balance is appropriately stated and the estimate is free from management bias.

Focus area	Our response	Audit findings
<p>Property, plant and equipment</p> <p>In order to comply with the requirements of the Code, Council assets are subject to rolling valuations; the assets valued in 2014-15 were:</p> <ul style="list-style-type: none"> ■ depots and workshops; ■ off street car parks (and associated land); and ■ industrial units and shops. <p>The revaluations were carried out by City Development and resulted in a gain of £6.2 million recognised in the revaluation reserve in 2014-15.</p> <p>It is expected that the 2016-17 Code will adopt requirements of the <i>Code of practice on transport infrastructure assets</i> ("the transport code"), which requires measurement of these assets on a depreciated replacement cost basis. This will represent a change in accounting policy from 1 April 2016 and require full retrospective restatement. Local authorities are advised to develop a project plan to during 2014-15 to help achieve successful implementation.</p>	<p>Our audit work consisted of:</p> <ul style="list-style-type: none"> ■ engaging KPMG valuation specialists to challenge the valuation assumptions used by the valuer; and ■ agreeing the values posted in the financial statements to those provided by the external valuer. <p>We also considered the Council's plan for the requirements of the transport code, including reviewing the project plan and whole of government accounts ("WGA") submission. We evaluated the extent to which the Council is prepared for the change in accounting policy.</p> <p>We reviewed all transactions in relation to the V&A museum during 2014-15 including income and expenditure.</p>	<p>From the work of our valuation specialists, which included direct contact and challenge of the valuer, we consider that the revaluation is materially appropriate with the exception of the Wellgate Centre revaluation (appendix two). We also consider that:</p> <ul style="list-style-type: none"> ■ the methodology and approach taken by the external valuer is appropriate and in line with KPMG expectations; ■ the valuation is appropriately recognised and disclosed in the annual accounts. <p>An audit adjustment was agreed with management in respect of the downwards revaluation of the Wellgate Centre.</p> <p>In respect of readiness for the 2016-17 Code, we consider the Council to be generally well prepared with a detailed project plan supported by a cross departmental working group. The Council received the transport infrastructure valuations in time for the WGA submission but had queries on this data which remain outstanding. Management anticipates that this will be completed prior to the final WGA submission in October 2015.</p> <p style="text-align: right;">Recommendation four</p>

Focus area	Our response	Audit findings
<p>Retirement benefit obligations</p> <p>The Council accounts for its participation in the Tayside Pension Fund in accordance with IAS 19 <i>Retirement benefits</i>, using a valuation report prepared by actuarial consultants.</p> <p>The Council's actuaries use membership data and a number of assumptions in their calculations based on market conditions at the year end, including a discount rate to derive the anticipated future liabilities back to the year end date and assumptions on future salary increases.</p> <p>IAS 19 requires the discount rate to be set by reference to yields on high quality (i.e. AA) corporate bonds of equivalent term to the liabilities. The calculation of the pension liability is inherently judgemental.</p>	<p>Our work consisted of:</p> <ul style="list-style-type: none"> ■ KPMG specialists reviewing the financial assumptions underlying actuarial calculations and comparison to our central benchmarks, the results of which are outlined on page 40; ■ testing of scheme assets and rolled-forward liabilities; ■ testing of the level of contributions used by the actuary to those actually paid during the year; ■ testing of membership data used by the actuary to data from the Council; and ■ agreeing actuarial reports to financial statement disclosures. 	<p>We are satisfied that the retirement benefit obligation:</p> <ul style="list-style-type: none"> ■ is correctly stated in the balance sheet as at 31 March 2015; ■ has been accounted for and disclosed correctly in line with IAS19 <i>Retirement benefits</i>; and ■ assumptions used in calculating this estimate and management's judgements are appropriate and within the acceptable KPMG range. <p>Management informed us that in 2014-15 66 employees, who are members of the Tayside Pension Fund, transferred from Dundee City Council to Tayside Contracts Joint Committee. The change in employer was not reflected by the actuary for the purposes of calculating the Council's pension liability as at 31 March 2015. The impact of the change in the liability, excluding these members, is not likely to be material and we are content that the Council's pension liability is appropriately stated. There would be no impact on the group accounts.</p> <p>We set out further information in respect of the defined benefit obligation on pages 37 and 38. The net defined benefit obligation decreased by £131.9 million compared to 31 March 2014, driven by experience re-measurements of £141.5 million; reflecting the trueing up of the IAS 19 deficit to the 2014 actuarial valuation.</p>

The Council prepares annual accounts in accordance with the 2014-15 Code. There have been no changes to accounting policies in the year, however the requirements of the transport code will represent a change in accounting policy from 2016-17.

Accounting framework and application of accounting policies		
Area	Summary observations	Audit findings
Accounting policies	<ul style="list-style-type: none"> There have been no changes to adopted accounting policies in the year. Critical accounting judgements continue to relate to the valuation of property, plant and equipment as well as the valuation the present value of defined benefit obligations under IAS 19 (as calculated by the Council's actuary, Barnett Waddingham) using agreed financial assumptions. The requirements of the transport code will apply from 2016-17, and represent a change in accounting policy. This will require a retrospective restatement for the Council's 2015-16 balance sheet. 	We are satisfied that the accounting policies and estimates adopted remain appropriate to the Council. We have not identified any indications of management bias.
Financial reporting framework	<p>Dundee City Council prepares annual accounts in accordance with the Code of Practice of Local Authority Accounting in the United Kingdom ("the 2014-15 Code") which is based upon International Financial Reporting Standards ("IFRS").</p> <p>The 2014-15 Code has a number of amendments from the 2013-14 version. The amendments include:</p> <ul style="list-style-type: none"> adoption of the new group accounting standards IFRS 10, IFRS 11, IFRS 12 and IAS 28; amendments in respect of the restated opening balance sheet; and changes to the requirements for accounting for combinations of bodies and transfer of functions. <p>We have considered the adoption of the new group accounting standards on page 24. We do not consider these changes to have a material impact on the Council's annual accounts. There was no requirement for a restated opening balance sheet and no combinations or transfer of funds.</p>	We are satisfied that the accounting policies adopted remain appropriate to the Council and have been correctly applied.

The annual accounts have been appropriately prepared on a going concern basis, having due consideration of the agreement of revenue support grant in respect of 2015-16.

Accounting framework and application of accounting policies		
Area	Summary observations	Audit findings
Going concern	<ul style="list-style-type: none"> ■ The Council had net assets of £563.2 million (2013-14 £429.7 million) at the balance sheet date. Although this has increased from 2013-14 by £133.5 million, this is primarily in relation to the decrease in the pension liability (£131.9 million). ■ Management considers it appropriate to continue to adopt the going concern assumption for the preparation of the annual accounts. It considers that the confirmed revenue support grant of £297 million is sufficient to meet debts as they fall due. ■ The Council recognised a deficit in the year, however, £5.0 million was transferred to the general fund, providing further comfort over the Council's financial position. Over the past few years there has been a reduction in the overall cost base and further efficiency savings are incorporated in budgets. 	We concur with management's view that the going concern assumption remains appropriate for the reasons noted.

Our testing of the design and operation of financial controls over the production of the annual report and remuneration report are consistent with the annual accounts.

Area	Summary observations	Audit findings
Management commentary	<p>The Local Authority Accounts (Scotland) Regulations 2014 requires the inclusion of a management commentary within the annual accounts, similar to the Companies Act requirements for listed entity financial statements.</p> <p>The requirement notification was issued relatively late in the accounts preparation process, however management commentary was included within the unaudited annual accounts received on 26 June 2015. We reviewed the contents of the management commentary against the guidance contained in the local government finance circular 5/2015 and are content with the proposed report. We provided management with some relatively minor suggestions relating to how the management commentary could be enhanced and where additional information disclosures should be made.</p>	<p>We are required to consider the management commentary and provide our opinion on the consistency of it with the annual accounts. We are satisfied that the information contained within the management commentary is consistent with the annual accounts.</p>
Remuneration report	<p>The remuneration report was included within the unaudited annual accounts and supporting reports and working papers were provided.</p> <p>Amendments were required to the draft remuneration report to ensure its consistency with underlying records and presentational changes to ensure that it complied with the Local Authority Accounts (Scotland) Regulations 2014.</p>	<p>We are satisfied that the information contained within the remuneration report is consistent with the underlying records and the annual accounts.</p>

We have considered the Council's subsidiaries and associates against the requirements of group accounting standards.

We have considered the Council's arrangements in respect of following the public pound and arms-length external organisations.

Requirements	Summary observations	Audit findings
<p>Group accounts</p> <p>The 2014-15 Code includes a requirement for the adoption of the new group accounting standards IFRS 10, IFRS 11, IFRS 12 and IAS 28.</p> <p>As part of adopting the new standards, management was required to identify interests in other entities and determine whether these were classified as subsidiaries, joint ventures or associates and ensure appropriate disclosure in the annual accounts.</p>	<p>We compared management's disclosure of group entities against the requirements of the Code, incorporating the new group accounting standards.</p> <p>Subsidiaries are entities over which the Council can exercise control. Control occurs if the Council has:</p> <ul style="list-style-type: none"> ■ power over the investee; ■ exposure, or rights, to variable returns from its involvement with the investee; and ■ the ability to use its power over the investee to affect the amount of the investor's returns. <p>The Council considers that the Common Good Fund, Fleming Trust, and Dundee Energy Recycling Limited are subsidiaries.</p> <p>Associates are entities in which the Council can exercise a significant influence without support from other participants. The Council considers that the Tayside Valuation Joint Board, Dundee City Developments Limited and Leisure and Culture Dundee are associates.</p> <p>The Council considered Tayside Contracts Joint Committee to be a joint venture following re-classification required to comply with IFRS 10. Management attempted to facilitate early discussion with the other council members of the Joint Committee to ensure a consistent approach was applied by all councils. We consider the Joint Committee to be an associate rather than a joint venture; this is a disclosure issue only as the consolidation method is the same regardless of the classification. This has been updated in the audited annual accounts.</p>	<p>We agree with management's classification of subsidiaries and associates in line with the requirements of group accounting standards, however we consider Tayside Contracts Joint Committee to be an associate rather than a joint venture.</p> <p>The subsidiaries are consolidated within the annual accounts, none of them are material for audit purposes.</p> <p>We agree with management's view that DDL is not part of the Dundee City Council group (page eight).</p>
<p>Following the public pound</p> <p>Auditors are required to consider the Council's arrangements for compliance with the Code of Guidance on Funding External Bodies and Following the Public Pound ("the FtPP Code").</p>	<p>We have considered management's processes to comply with the FtPP Code. Funding provided to external organisations is considered on an annual basis by the policy and resources committee.</p> <p>We prepared a report to management in 2013-14 in relation to the Council's arrangements in respect of arms-length external organisations ("ALEOs"). Our report did not include any significant recommendations, however we highlighted areas where the Council's arrangements could be improved.</p>	<p>No significant recommendations have been made to the Council in respect of weaknesses in compliance with the FtPP Code.</p>

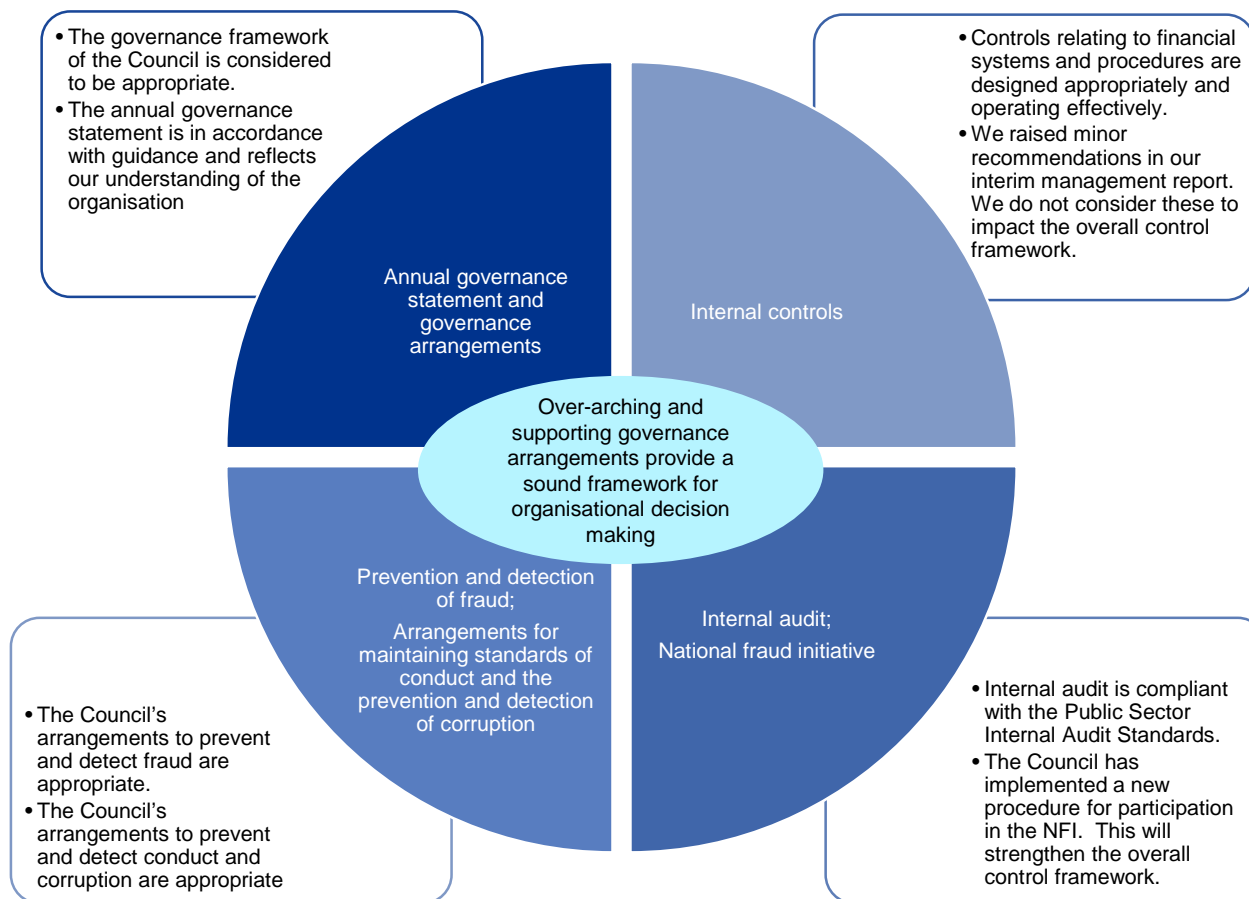
Governance and narrative reporting

Our overall perspective on narrative reporting,
including the annual governance statement

Update on controls findings from our audit

We considered the Council's corporate governance arrangements against a number of key areas which we consider to make up an effective governance framework.

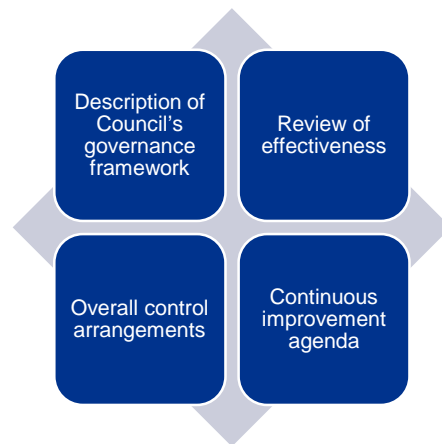
Our audit findings against each key area are provided opposite.



Over-arching and supporting corporate governance arrangements remain primarily unchanged and provide a sound framework for organisational decision-making.

Annual governance statement

The Council includes an annual governance statement within its annual accounts. The following elements have been included.



Governance arrangements

The Council operates a committee structure, and has a scrutiny committee to ensure sound governance arrangements.

Compliance with the Code of Corporate Good Governance

The Councils' local code of corporate governance reflects the requirements of the CIPFA/SOLACE 'delivering good governance in local government' framework. A working group of senior officers reviewed the guidance to assess the Council's current compliance. Overall compliance was found to be good with a score of around 90% compliant. Where areas for improvement have been identified, these have been included in an action plan which will be reviewed during the next annual review of the Council's arrangements.

Risk management

Management is continuing to review risk management arrangements to provide assurance to elected members over the mitigation of identified risks.

The Council's risk management strategic plan was approved by the policy and resources committee in June 2013 and includes a broad description of the Council's risk appetite.

The corporate risk register was updated and approved by the scrutiny committee in June 2014. Following this, the Council introduced the Covalent performance and risk management software. As part of the implementation of the new system, management has reviewed the risk register format which is in the process of being agreed. It is intended that frequent updates of the corporate risk register will be presented to the scrutiny committee once the new format has been agreed.

We have updated our understanding of the governance framework and documented this through our overall assessment of the Council's risk and control environment. We consider the governance framework to be appropriate for the Council and that the governance statement is in accordance with guidance and reflects our understanding of the organisation.

We raised four recommendations in the interim audit report, in respect of bank reconciliations, journals authorisation, NFI data submission and new users to the Northgate system. We welcome the progress in implementing the recommendations.

Internal controls

Council officers are responsible for designing and implementing appropriate internal control systems to ensure a true and fair view of operations within the annual accounts. Our testing, combined with that of internal audit, of the design and operation of financial controls over significant risk points confirms that controls relating to financial systems and procedures are designed appropriately and operating effectively.

The findings of our controls testing relate only to those matters identified during our normal audit work, in accordance with the Code, and there may still be weaknesses or risks within the control environment which have not been identified through this work.

As part of our interim audit report, we raised four recommendations in relation to control weaknesses. We provide an update on the progress of implementation of each of these recommendations below:

- timely completion of bank reconciliation – bank reconciliations were all completed for 2014-15, however the year end bank reconciliation was not prepared and reviewed until June 2015;
- journals authorisation – we confirmed during our year end testing that the quarter three control operated effectively, however the quarter four control was not completed at that time;
- NFI data submission – we completed a further return to Audit Scotland in June 2015 (page 29). The council tax to electoral register dataset remained outstanding in June 2015; and
- new users to Northgate system – management agreed our recommendation and set an implementation date of September 2015. We will follow up progress as part of our interim audit in 2015-16.

Our testing, combined with that of internal audit, of the design and operation of financial controls over significant risk points confirms that controls relating to financial systems and procedures are designed appropriately and operating effectively.

Since the conclusion of our interim work, there has been positive action towards our recommendations, however opportunities remain to improve processes further.

The Council has procedures in place for the prevention and detection of fraud and corruption.

The Council participates in the NFI exercise and has implemented new processes to address the weaknesses we highlighted in our June return to Audit Scotland.

Prevention and detection of fraud

No material fraud or other irregularities were identified during the year. The arrangements include policies and codes of conduct for staff and board members, supported by a fraud prevention policy and response plan. The Council participates in the national fraud initiative ("NFI") exercise, led by internal audit. We have discussed the Council's involvement in NFI opposite.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

The Council has arrangements including policies and codes of conduct for staff and elected members, supported by a whistleblowing policy. Management and members are responsible for setting the 'tone at the top' and are responsible for abiding by the code of conduct and disclosing interests which may be of importance, material or otherwise, to their work at the Council.

National fraud initiative ("NFI")

The National Fraud Initiative ("NFI") is a data matching exercise which compares electronic data within and between participating bodies in Scotland to prevent and detect fraud. This exercise runs every two years and provides a secure website for bodies and auditors to use for uploading data and monitoring matches.

We completed a return to Audit Scotland in December 2014 in respect of the council tax single person discount to electoral roll NFI exercise, and our findings were reported in our interim management report.

We completed a further return in June 2015, where our review of the Council's NFI participation resulted in a red grading overall, indicating improvement is required. The Council did not submit the datasets by the required deadline and some datasets had not been opened or considered by relevant officers; as a result at least 70% of recommended matches had not been considered.

Our review also found that the efficiency of the NFI process could be improved by focussing on recommended matches from high quality data sets.

The scrutiny committee has not been provided with an update on the council's NFI progress in line with good practice.

We note that the council has introduced a new process for NFI from June 2015 whereby the chief internal auditor is now the line manager of the NFI key contact and is responsible for promoting the NFI process. This arrangement is expected to enhance the focus on NFI matches.

Recommendation five

We consider that the Council has appropriate arrangements to prevent and detect fraud.

We consider that the Council has appropriate arrangements to prevent and detect inappropriate conduct and corruption.

The council has implemented new procedures from June 2015 to address the weaknesses highlighted in our NFI return to Audit Scotland.

The Council's internal audit service supports management in maintaining sound corporate governance arrangements and internal controls. We have found internal audit to be compliant with the Public Sector Internal Audit Standards.

Internal audit

Internal audit is provided by the Council's internal audit department and supports management in maintaining sound corporate governance and internal controls through the independent examination and evaluation of control systems and the reporting of any weaknesses to management for action.

Audit Scotland's Code of Audit Practice sets out the wider dimension of public sector audit. It requires external auditors to perform an annual assessment of the adequacy of the internal audit function. We considered the activities of internal audit against the requirements of Public Sector Internal Audit Standards ('PSIAS'), focusing our review on the public sector requirements of the attribute and performance standards contained within PSIAS. This included a review of the internal audit charter, reporting lines, independence, objectivity and proficiency and the range of work carried out by internal audit. We also considered the requirements of International Standard on Auditing 610 (*Considering the Work of Internal Audit*).

From this assessment, and considering the requirements of International Standard on Auditing 610 (*Considering the Work of Internal Audit*), we can apply internal audit's work to inform our procedures, where relevant. The review of internal audit reports and conclusions did not indicate additional risks and there is no impact on our planned substantive testing.

Internal audit has completed its agreed plan for the year ended 31 March 2015 and the controls assurance statement states that reasonable assurance can be placed on the overall adequacy and effectiveness of Dundee City Council's framework of governance, risk management and control for the year to 31 March 2015. Internal audit's work during the year is summarised opposite.

Summary of internal audit work

- Agreed plan completed for the year.
- 25 reviews completed.
- Out of a total of 62 findings, none were categorised as 'critical' risk findings.
- Controls assurance statement provides reasonable assurance on the overall adequacy and effectiveness of the Council's governance framework, risk management and controls.

We have concluded that the internal audit service operates in accordance with Public Sector Internal Audit Standards.

We can apply internal audit's work to inform our procedures, where relevant. The review of internal audit reports and conclusions did not indicate additional risks and there is no impact on our planned substantive testing.

The integration joint board receives its delegated powers as of 1 April 2016.

We have considered the Council's progress against milestones to date and its preparedness for key milestones for activities from 1 April 2016.

We consider the Council's progress to be appropriate and in line with most local authorities.

Health and social care integration

In March 2014 the Public Bodies (Joint Working) (Scotland) Act was passed by the Scottish Government. This requires all Councils and NHS Boards to formally and legally establish integration of health and social care by April 2016. We have considered the Council's progress against milestones to its preparedness for activities from 1 April 2016. All statutory requirements have been met to date.

Milestone	Summary observations	Our view
Establishment of Shadow Board	The shadow board met throughout 2014-15. It revised its terms of reference in March 2015 to reflect the appointment of a chairperson and vice chairperson.	The shadow board has fulfilled its role and is strongly constituted and well attended by members, officers and stakeholders.
Approval of integration scheme and establishment of Integration Joint Board ("IJB")	<p>The draft integration scheme was approved by the Council in March 2015 and subsequently submitted to the Scottish Government.</p> <p>The scheme continues to be updated, with ongoing discussions with the Scottish Government, primarily in respect of description of services and hosting arrangements in respect of some specialist services.</p> <p>The shadow IJB chairperson and vice-chairperson and Council chief executive have liaised in respect of changes, under the delegated authority from Council.</p>	<p>The Council met statutory requirements in relation to the draft integration scheme. The IJB will not be formally established until finalisation of the delegation scheme and standing orders.</p> <p>Good partnership working with Angus Council in particular has been noted in forming the draft scheme.</p>
Governance and membership arrangements	<p>The voting and non-voting members of the shadow IJB were formally appointed.</p> <p>The chief officer has dual responsibility, to the IJB for service delivery and to chief executives of the Council's and health board for operational services and use of resources.</p> <p>Consideration has been given by the shadow board to the clinical, care and professional governance framework of the IJB.</p>	<p>Progress is in line with expectations .</p> <p>Management is aware of the need to consider remits of committees and the Chief Social Work Officer within the Council to ensure they reflect the new responsibilities and maintain scrutiny of services. Summary papers have been prepared by Council officers to consider these arrangements going forward which is good practice.</p>

Health and social care integration (continued)

Milestone	Summary observations	Our view
Appointment of chief officer and chief finance officer	The chief officer has been appointed. In respect of the chief finance officer (section 95 officer), recruitment is ongoing.	A vacancy in the chief finance officer post is not unusual for IJBs at this stage.
Other key positions	<p>A single management structure (across all partner organisations making staff resources available) has been prepared based on delegated functions.</p> <p>The Council has been considering alignment of staff roles and posts with similar staff appointed by the health board and proactively working to eliminate significant differences prior to implementation of the single management structure. The shadow board receives updates on organisational development.</p>	Management is aware of the potential risk of inconsistency in staff terms and conditions between cohorts of staff employed by the Council or health board respectively. This will be more financially significant at senior levels and operationally significant at lower grades. This could lead to disputes or equal pay claims.
Development of strategic plan	<p>Section 32 of the Public Bodies (Joint Working) (Scotland) Act places a duty on IJBs to establish a strategic planning group ("SPG") which is involved in all stages of developing and reviewing the strategic plan.</p> <p>It is anticipated that a strategic plan will begin to be developed to December 2015 in the context delivery targets and current resources (rolled forward from constituent parties). The initial focus is therefore on any shortfall in ability to deliver expected services within financial and operational constraints. A local deliver plan will follow.</p>	We consider that progress with developing the strategic plan is on track and the statutory deadline for its approval will be 90 days from formal establishment of the IJB.
Due diligence	Detailed financial due-diligence was conducted at a half-day seminar and subsequently reported to the shadow board. It included consideration of past and future financial performance, risks and cost pressures together with medium-term financial forecasts.	We consider progress to be appropriate but further focus on other streams of non-financial due diligence could be considered.
Budgets	Annual accounts will be required for the joint board from 2016-17 onwards and it is anticipated that partners will include financial information regarding the joint board in annual accounts. The budget for 2016-17 will be formed drawing on existing functional budgets.	A budget for 2016-17 will need to be formed, and appointment of a chief finance officer is a key step to enable this to happen. There is a dichotomy between a single service provision and separate partner financial requisition.

Health and social care integration (continued)

Milestone	Summary observations	Our view
Communication	<p>The Council keeps stakeholders informed of the progress of integration through the Council website. This has a section which includes the background of integration and progress.</p> <p>An integration scheme consultation and engagement plan has been approved by the shadow board and local events have been well and openly attended by a broad range of local stakeholders.</p>	<p>The website contains some information to inform stakeholders, but is less informative than some other websites which also make available minutes and details of key stakeholders.</p> <p>Local consultation and engagement is well focussed.</p>

Performance management

Our perspective on the performance
management arrangements, including follow
up work on Audit Scotland reports

Our work has identified that the Council's Best Value and performance management arrangements are generally robust.

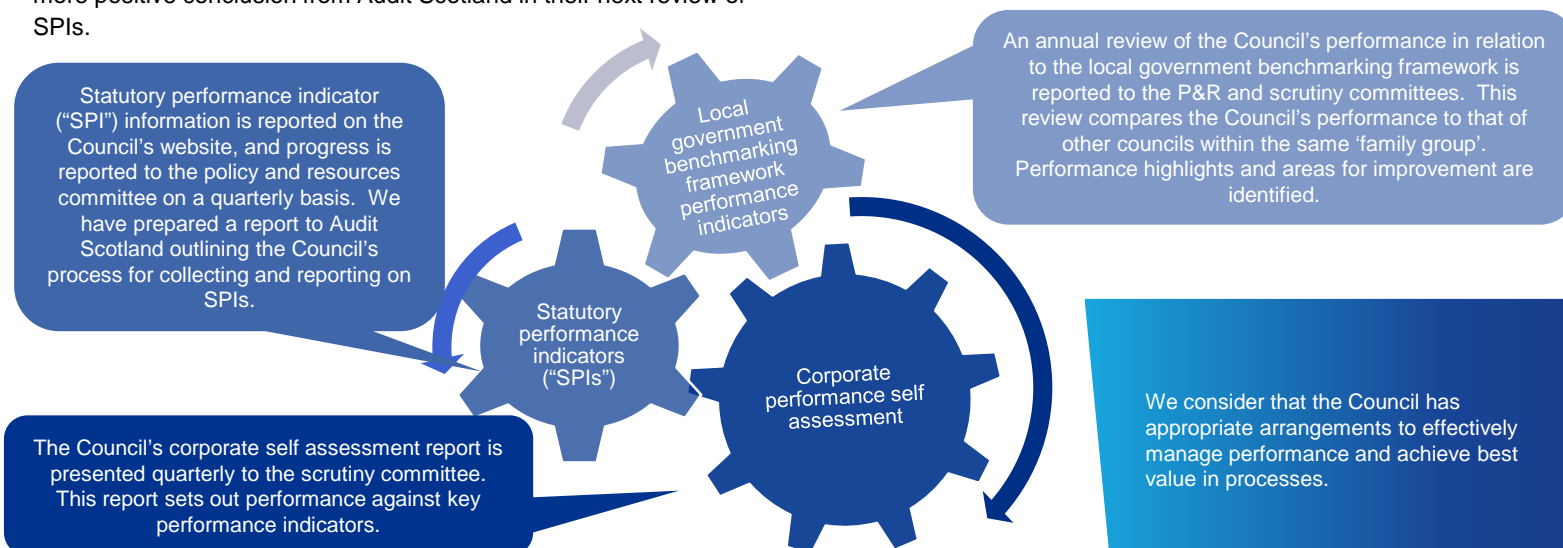
Performance management and Best Value

Scottish Government guidance on Best Value in public services requires a systematic approach to self-evaluation and continuous improvement. The guidance identifies the themes an organisation needs to focus on to deliver the duty of Best Value, but notes that implementation should be appropriate and proportionate to priorities, operating environment, scale and nature of the body's business.

In June 2015 Audit Scotland presented a report to the Accounts Commission summarising a review of all Scottish councils' response to the Commission's Statutory Performance Information Direction (2012). The Council had 11 areas for improvement noted. Audit Scotland had originally noted 14 areas for improvement, however this was lowered to 11 following discussion with management. All SPI data is being loaded onto the Councils' website to ensure it is accessible by all stakeholders. It is anticipated that this will result in a more positive conclusion from Audit Scotland in their next review of SPIs.

Included within the internal audit plan each year is a review of the systems for preparation and reporting of performance indicators, to provide assurance over best value. Internal audit considers best value as part of the audit planning process to ensure that this is considered during all internal audit reviews.

Our consideration of the work of internal audit, as part of our extended control work, did not indicate high risk findings within these areas. We consider that the Council has adequate processes to ensure best value. However we recognise that there are a number of criteria to consider within best value and it is inherently judgemental.



We consider that the Council has appropriate arrangements to effectively manage performance and achieve best value in processes.

The Council has established processes for the consideration of Audit Scotland's national performance audits.

We have prepared a return to Audit Scotland in 2014-15 in respect of our findings on financial capacity within the Council.

Local response to national studies

Audit Scotland periodically undertakes national studies on topics relevant to the performance of local government bodies. To ensure that added value is secured through the role of Audit Scotland and its appointed auditors, auditors consider if audited bodies respond appropriately to reports from Audit Scotland's programme of national performance audits.

The Council has established processes for the consideration of national performance audits. All Audit Scotland performance audit reports are presented to the scrutiny committee which ensures members are aware of sector and national issues, and there is appropriate challenge for management in addressing any potential weaknesses.

Financial capacity in public bodies

Through the process of feedback through annual audit reports, current issues reports and sector meetings, Audit Scotland has identified that overall reductions in staff numbers in public bodies may be affecting the capacity of back-office functions and specifically finance.

Audit Scotland has requested the collation of baseline data across the public sector to inform sector specific overview reports and may inform a follow-up to the joint report on the public sector workforce which was published in November 2013 or support the development of the future performance audit programme.

We have completed a return to Audit Scotland in respect of our findings. Our review in response to the request for data collection identified that there is appropriate financial capacity within the organisation to ensure effective management.

In our view the Council has adequate financial capacity and representation, however, it continues to face numerous financial challenges, complex projects and responsibilities associated with the integration of health and social care. Consequently there is increasing focus on appropriate delegation amongst corporate services team members.

We consider that the Council has appropriate arrangements to effectively respond to national studies.

We consider that the Council has sufficient financial capacity to effectively manage the organisation.

Appendices

There was one adjusted audit difference which resulted in a change to the unaudited core financial statements.

Area	Key content	Reference
Adjusted audit differences Adjustments made as a result of our audit	<p>There was one audit adjustment required to the draft annual accounts which impacted on the net assets and financial and investment income and expenditure for the year.</p> <p>A small number of minor numerical and presentational adjustments were required to some of the financial statement notes.</p>	Appendix two
Unadjusted audit differences Audit differences identified that we do not consider material to our audit opinion	<p>We are required by ISA (UK and Ireland) 260 to communicate all uncorrected misstatements, other than those which are trivial, to you.</p> <p>There are no unadjusted audit differences.</p>	-
Confirmation of Independence Letter issued to the scrutiny Committee	<p>We have considered and confirmed our independence as auditors and our quality procedures, together with the objectivity of the Audit Partner and audit staff.</p>	Appendix three
Schedule of Fees Fees charged by KPMG for non-audit services	<p>There were no non-audit fees in 2014-15.</p>	Appendix four
Draft management representation letter Proposed draft of letter to be issued by the Council to KPMG	<p>There are no changes to the standard representations required for our audit from last year.</p>	-
Materiality The materiality applied to audit testing.	<p>We assessed materiality based on our knowledge and understanding of Dundee City Council's risk profile and annual accounts balances. Materiality was determined at £11 million; approximately 2% of total expenditure, and is consistent with the materiality identified in our audit strategy.</p> <p>We designed our audit procedures to detect errors at a lower level of precision, i.e. £8 million.</p> <p>We report identified errors greater than £250,000 to the scrutiny committee.</p>	

The draft trustees' reports and financial statements for Dundee City Council Charitable Trusts and the Lord Provost of Dundee Charity Fund were received before the statutory date of 30 June 2015.

Our audit work on these statements is complete and we have issued unqualified opinions.

Area	Key content
Adjusted audit differences Adjustments made as a result of our audit	<p>There were no audit adjustments required to the draft accounts which impacted on the net assets and income and expenditure for the year.</p> <p>A small number of minor numerical and presentational adjustments were required to some of the financial statement notes.</p>
Unadjusted audit differences Audit differences identified that we do not consider material to our audit opinion	<p>We are required by ISA (UK and Ireland) 260 to communicate all uncorrected misstatements, other than those which are trivial, to you.</p> <p>There are no unadjusted audit differences.</p>
Confirmation of Independence Letter issued to the scrutiny committee	<p>We have considered and confirmed our independence as auditors and our quality procedures, together with the objectivity of the Audit Partner and audit staff.</p>
Schedule of Fees Fees charged by KPMG for non-audit services	<p>There were no non-audit fees in 2014-15.</p>
Draft management representation letter Proposed draft of letter to be issued by the Council to KPMG	<p>There are no changes to the standard representations required for our audit from last year.</p>
Materiality: Lord Provost of Dundee Charity Fund The materiality applied to audit testing.	<p>We assessed materiality based on our knowledge and understanding of the charities' risk profiles and annual accounts balances. Materiality was determined at £4,800; approximately 10% of net assets. We designed our audit procedures to detect errors at a lower level of precision, i.e. £3,200, with errors greater than £200 reported to the scrutiny committee.</p>
Materiality: Dundee City Council Charitable Trusts The materiality applied to audit testing.	<p>We assessed materiality based on our knowledge and understanding of the charities' risk profiles and annual accounts balances. Materiality was determined at £110,000; approximately 10% of net assets. We designed our audit procedures to detect errors at a lower level of precision, i.e. £82,500, with errors greater than £5,500 reported to the scrutiny committee.</p>

There are no unadjusted audit differences and one adjusted audit difference to the financial statements.

Adjusted and unadjusted audit differences

We are required by ISA (UK and Ireland) 260 to communicate all corrected and uncorrected misstatements, other than those which are trivial, to you. There is one adjusted audit difference and no unadjusted audit differences.

Caption	Nature of adjustment	Balance sheet		Income and expenditure account	
		£m DR	£m CR	£m DR	£m CR
Comprehensive income and expenditure account – financing and investment income and expenditure	The impairment of the Wellgate Centre driven by the reduced forecast rental stream.	-	-	2.285	-
Balance sheet – investment property		-	2.285	-	-

Auditing standards require us to consider and confirm formally our independence and related matters in our dealings with Dundee City Council.

We have appropriate procedures and safeguards in place to enable us to make the formal confirmation in our letter included opposite.

Auditor independence

Professional ethical standards require us to provide to you at the conclusion of an audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed. This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence.

We have considered the fees paid to us by Dundee City Council and its related entities for professional services provided by us during the reporting period. We are satisfied that our general procedures support our independence and objectivity.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Regular communications
- Internal accountability
- Risk management
- Independent reviews

Please inform us if you would like to discuss any of these aspects of our procedures in more detail.

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the board of directors.

Confirmation of audit independence

We confirm that as of 30 September 2015, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Partner and audit staff is not impaired.

This letter is intended solely for the information of the scrutiny committee and should not be used for any other purpose.

Yours faithfully

KPMG LLP

In respect of employee benefits, each of the assumptions used to value the Council's net pension deficit are within an acceptable range of KPMG's expectations.

We are of the view that this therefore represents a reasonable and balanced approach, in accordance with the requirements of IAS 19.

We set out below the assumptions in respect of defined benefit obligations.

Defined benefit pension liability																							
2015 £'000	2014 £'000	KPMG comment																					
(277,312)	(409,199)	<p>In line with our established practice and in advance of the audit fieldwork, our actuarial specialists reviewed the approach and methodology of the actuarial assumptions used in the IAS19 pension scheme valuation.</p> <p>Details of key actuarial assumptions are included in the table, along with our commentary.</p> <table> <tr> <th>Assumption</th><th>Dundee City Council</th><th>KPMG central</th><th>Comment</th></tr> <tr> <td>Discount rate (duration dependent)</td><td>3.30%</td><td>3.25%</td><td>Acceptable. The proposed discount rate is slightly less prudent (lower liability) than KPMG's central rate as at 31 March 2015, but lies within an acceptable range for IAS 19 purposes</td></tr> <tr> <td>CPI inflation</td><td>RPI less 0.8%</td><td>RPI less 1.0%</td><td>Acceptable. KPMG's view is that the differential between RPI and CPI should be closer to 1%. The Council's assumptions could therefore be considered prudent (higher liability).</td></tr> <tr> <td>Net discount rate (discount rate – CPI)</td><td>0.9%</td><td>1.05%</td><td>Acceptable. The proposed assumptions are within the acceptable range of +/- 0.3% from the KPMG central range.</td></tr> <tr> <td>Salary growth</td><td>RPI + 1%</td><td>Typically 0% - 1.5% above inflation</td><td>Acceptable. The proposed assumptions are within the acceptable range.</td></tr> </table> <p>The overall assumptions applied by management are considered to be reasonably balanced for a scheme with a liability duration of around 18 years. The closing deficit decreased by £131.9 million compared to 2013-14, primarily due to a higher return on assets than the discount rate used (14% return compared to 3.3% discount rate). A reconciliation from opening to closing deficit is included on the next page.</p>		Assumption	Dundee City Council	KPMG central	Comment	Discount rate (duration dependent)	3.30%	3.25%	Acceptable. The proposed discount rate is slightly less prudent (lower liability) than KPMG's central rate as at 31 March 2015, but lies within an acceptable range for IAS 19 purposes	CPI inflation	RPI less 0.8%	RPI less 1.0%	Acceptable. KPMG's view is that the differential between RPI and CPI should be closer to 1%. The Council's assumptions could therefore be considered prudent (higher liability).	Net discount rate (discount rate – CPI)	0.9%	1.05%	Acceptable. The proposed assumptions are within the acceptable range of +/- 0.3% from the KPMG central range.	Salary growth	RPI + 1%	Typically 0% - 1.5% above inflation	Acceptable. The proposed assumptions are within the acceptable range.
Assumption	Dundee City Council	KPMG central	Comment																				
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Net discount rate (discount rate – CPI)	0.9%	1.05%	Acceptable. The proposed assumptions are within the acceptable range of +/- 0.3% from the KPMG central range.																				
Salary growth	RPI + 1%	Typically 0% - 1.5% above inflation	Acceptable. The proposed assumptions are within the acceptable range.																				

The table opposite shows the reconciliation of the movement in the statement of financial position.

Increases to the pension scheme deficit in the year have been driven by changes in financial and demographic assumptions.

	£'000	Deficit / loss	Surplus / gain	Impact	Commentary
	Opening pension scheme deficit			(409,199)	The opening IAS 19 deficit for the Scheme at 1 April 2014 was £409.2 million, consisting of assets of £862.0 million and defined benefit obligation of £1,271.2 million.
I & E	Service cost			(34,264)	The scheme remains open to accrual. The employees' share of the cost of benefits accruing over the year is £34.3 million.
	Past service cost			(2,353)	A past service cost of £2.4 million is recognised, relating to early retirement.
	Net interest			(17,939)	This is the interest on the opening deficit of £1,271.2 million. This is made up of £38.6 million interest income on plan assets, and £56.6 million interest cost on obligations.
	Administration expenses			(318)	The fund paid administrative expenses of £0.3 million from the scheme assets.
Cash	Contributions			22,650	The Council made contributions of £22.7 million, broadly in line with contributions made last year.
OCI	Actuarial gain/(loss) – demographic assumptions			38,745	There was an actuarial gain of £38.7 million.
	Actuarial loss – financial assumptions			(123,089)	There was an actuarial loss of £123.1 million, driven by a 1.2% decrease in the discount rate assumption.
	Other experience			141,494	Other experience re-measurements resulted in a gain of £141.5 million, as a result of trueing up the membership data to the 2014 actuarial valuation; as opposed to rolling forward the 2011 valuation results. This is usual practice although the size of the gain suggests greater accuracy is needed in future roll-forwards.
	Other actuarial gains			23,802	There were other actuarial gains of £23.8 million.
	Return on assets			83,159	The return on plan assets, excluding interest of £38.6 million, was £83.2 million.
	Closing pension scheme deficit			(277,312)	The closing IAS19 deficit on the scheme at 31 March 2015 is £277.3 million (consisting of assets of £999.9 million and defined benefit obligation of £1,277.3 million).

I&E – impacts on surplus /(deficit) within statement of comprehensive net expenditure

Cash – cash-flow impact

OCI – charged through other comprehensive income

The action plan summarises specific recommendations arising from our work, together with related risks and management's responses.

We present the identified findings across four risk dimensions:

- financial statements;
- business risks;
- governance risks; and
- performance reporting.

Priority rating for recommendations

Grade one (significant) observations are those relating to business issues, high level or other important internal controls. These are significant matters relating to factors critical to the success of the organisation or systems under consideration. The weaknesses may therefore give rise to loss or error.

Grade two (material) observations are those on less important control systems, one-off items subsequently corrected, improvements to the efficiency and effectiveness of controls and items which may be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified.

Grade three (minor) observations are those recommendations to improve the efficiency and effectiveness of controls and recommendations which would assist us as auditors. The weakness does not appear to affect the availability of the control to meet their objectives in any significant way. These are less significant observations than grades one or two, but we still consider they merit attention.

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
1 Design Dundee Limited (page 8) <i>Risk dimension: Governance</i> <p>Once the V&A museum is operational, DDL will be responsible for running the museum and the Council will own the asset. DDL will pay the Council a peppercorn rent for its use and the Council will make revenue contributions to DDL in respect of running costs.</p> <p>We understand that while expected Council running cost and in-kind contributions have been approved, the management agreement, lease agreement and development agreement are currently in advanced draft form and should be agreed with partners shortly.</p> <p>There is a risk that agreements are not finalised in an appropriate timeframe or do meet the Council's needs.</p>	<p>The remaining draft agreements should be finalised, approved by relevant committee where appropriate and subsequently concluded with partners as soon as possible.</p>	<p>Grade two</p> <p>The draft agreements are currently being finalised and will be reported to the relevant committee at an early date.</p> <p>Responsible officer: Executive Director of Corporate Services</p> <p>Implementation date: 31 December 2015</p>

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<p>2 Design Dundee Limited (page 8)</p> <p><i>Risk dimension: Governance</i></p> <p>DDL has nine directors, one of which is a representative of the Council. The Council does not make a contribution to DDL. As such the Council does not consider that it exercises 'joint control' or 'significant influence' and does not consider DDL to be part of the group.</p>	<p>Although this is reflective of the current position, management should monitor this in advance of the preparation of the 2015-16 financial statements and regularly thereafter to determine whether DDL should be consolidated as part of the Council's group accounts.</p>	<p>Grade three</p> <p>The status of DDL will be considered again as part of the preparations for the 2015/16 accounts and monitored on an ongoing basis thereafter.</p> <p>Responsible officer: Executive Director of Corporate Services</p> <p>Implementation date: 31 March 2016</p>
<p>3 Financial planning (page 13)</p> <p><i>Risk dimension: Business</i></p> <p>The Council estimates it will need to identify further budget savings of around £22.7m over the two year period 2016-18 in order to maintain a Council Tax freeze. The key aspects of a medium term financial strategy have been set out, however, there is a risk that future cost pressures are not identified and understood by members in a timely manner as they are not presented with a longer term budget.</p>	<p>Management should consider presenting a three year budget based on current year budget and updated for known changes to income and expenditure to members.</p>	<p>Grade two</p> <p>The Council will continue to develop its budget projections and medium term financial strategy in response to the forthcoming spending review announcements by the UK and Scottish Governments.</p> <p>Responsible officer: Executive Director of Corporate Services</p> <p>Implementation date: February 2016</p>

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<p>4 Whole of government accounts – transport infrastructure assets (page 19)</p> <p><i>Risk dimension: financial statements</i></p> <p>Management completed the whole of government accounts (“WGA”) data collection tool (“DCT”) slightly later than the deadline for submission to auditors on 24 July 2015. The DCT contains an optional tab for transport infrastructure assets to help local authorities prepare a depreciated replacement cost valuation in line with the transport code. The transport infrastructure assets tab was not completed on the unaudited DCT, however management plan to include this within the financial submission.</p> <p>There is a risk that management will not have the depreciated replacement cost figures for transport infrastructure assets as at 1 April 2015 to allow for a restatement of the 2015-16 balance sheet in line with the requirements of the Code.</p>	<p>Management should ensure the transport infrastructure assets tab of the DCT is completed prior to final submission. Going forward, this should be included in the first submission.</p>	<p>Grade three</p> <p>This data will be completed and returned in the final 2014/15 WGA submission.</p> <p>Responsible officer: Finance Manager (Corporate)</p> <p>Implementation date: 30 September 2015</p> <p>Future arrangements will be considered through the Final Accounts Working Group and the interdepartmental working group that has been formed to implement the requirements of the CIPFA Transport Infrastructure Assets Code.</p> <p>Responsible officer: Finance Manager (Corporate)</p> <p>Implementation date: 31 March 2016</p>

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<p>5 National fraud initiative (page 28)</p> <p><i>Risk dimension: Governance</i></p> <p>We completed a return to Audit Scotland in June 2015 to review the Council's participation. This resulted in a red grading.</p> <p>The Council did not submit the datasets by the required deadline and some datasets had not been opened or considered by relevant officer; as a result at least 70% of recommended matches had not been considered.</p> <p>Council resources were not focussed on high quality recommended matches resulting in inefficient investigations.</p> <p>The scrutiny committee has not been provided with an update on the council's NFI progress.</p>	<p>We note that the council has introduced a new process for NFI from June 2015 whereby the chief internal auditor is now the line manager of the NFI key contact and is responsible for promoting the NFI process.</p> <p>As part of the new processes management should:</p> <ul style="list-style-type: none"> ■ ensure all datasets are submitted by the required deadlines; ■ improve the efficiency of the NFI process by focussing on recommended matches from high quality data sets; and ■ update the scrutiny committee regularly on progress made in the NFI process. 	<p>Grade two</p> <p>To enhance the robustness of the NFI process the improvements contained in the recommendations are in the process of being progressed. As part of this exercise a reporting regime for the Scrutiny Committee in respect of NFI matters will be put in place.</p> <p>Responsible officer: Chief Internal Auditor</p> <p>Implementation date: 31 December 2016</p>



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ITEM No ...11(c).....

REPORT TO: POLICY & RESOURCES COMMITTEE – 26 OCTOBER 2015

REPORT ON: RESPONSE TO EXTERNAL AUDITOR'S ANNUAL AUDIT REPORT TO THE MEMBERS OF DUNDEE CITY COUNCIL AND THE CONTROLLER OF AUDIT FOR THE YEAR TO 31 MARCH 2015

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 378-2015

1 PURPOSE OF REPORT

This report is a response to the report prepared by the Council's external auditor on the audit of Dundee City Council for the year to 31 March 2015. A copy of the external auditor's report (Report No 377-2015), the 2014/2015 Audited Annual Accounts for the City Council (Report No 374-2015), the 2014/2015 Audited Dundee City Council Charitable Trusts Annual Accounts (Report No 375-2015) and the 2014/2015 Audited Lord Provost of Dundee Charity Fund Annual Accounts (Report No 376-2015) are also included on the agenda as separate items.

2 RECOMMENDATIONS

It is recommended that the Committee:

- i notes the contents of the external auditor's report including the completed action plan at Appendix 4, and in particular that KPMG have issued an unqualified audit opinion on each of the 2014/2015 Annual Accounts noted above
- ii endorses this report as the Council's formal response to the external auditor's report

3 FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

4 MAIN TEXT

4.1 Introduction

External audit is one of the key methods by which the activities and performance of local government are independently scrutinised and reported upon. The external audit of Dundee City Council for the financial year 2014/2015 was carried out by Mr Hugh Harvie, Partner, KPMG. Local authority external auditors are appointed for a five year period and the financial year 2014/2015 marked the fourth year of KPMG's appointment.

- 4.2 The 2014/2015 unaudited Annual Accounts were submitted to Scrutiny Committee earlier this year (Article XIII of the Minute of Meeting of the Scrutiny Committee 24 June 2015, Report No: 259-2015 refers). Following this meeting the accounts were submitted to KPMG, prior to the required statutory deadline of 30 June 2015. The accounts have since been subject to a three week statutory public inspection period and no objections were received.

4.3 External Auditor's Report

KPMG have now completed their audit work and, in accordance with auditing standards (ISA 260: Communication with those charged with governance), are required to report the outcome of their work in relation to their review of the financial statements, prior to formally issuing their audit opinions. This requirement has been addressed in the attached report.

4.4 The report summarises the findings in relation to the overall audit of the Council for the year ended 31 March 2015. The attached report describes the scope of audit work undertaken during 2014/2015 and the issues arising from that work are divided into four key areas:

- strategic overview
- financial statements and accounting
- governance and narrative reporting
- performance management

4.5 In addition to the elected members of Dundee City Council, the external auditor's report is also addressed to the Controller of Audit at the Accounts Commission for Scotland. Given this wider audience, and the extent of the external auditor's responsibilities and scope of work, the report is by necessity both fulsome and extensive. It contains much information that has already been reported to the relevant committees of Dundee City Council. Further to this, the external auditor's reports issued previously already include agreed management action plans that are the subject of separate consideration by the Scrutiny Committee. Accordingly, it is not the intention in this report to provide a detailed response or commentary on all of the external auditor's findings.

4.6 Action Plan

The external auditor has identified five key issues arising from the 2014/2015 audit that require further action by the Council. These relate to:

- 1 Service Level Agreement (Design Dundee Ltd)
- 2 Group Accounts (Design Dundee Ltd)
- 3 Financial Planning
- 4 Whole of Government Accounts
- 5 National Fraud Initiative

These matters have been considered carefully by the Chief Executive, Executive Director of Corporate Services and other appropriate officers and the completed action plan, incorporating the "agreed management actions", is attached in Appendix 4 to the external auditor's report. The progress on implementing these agreed action points will be monitored through the Council's established procedures for dealing with external audit reports and reviewing previously agreed action plans. It should be noted that none of these items have been classified by the external auditor as being "significant".

4.7 Conclusions

The external auditor has undertaken a thorough and wide-ranging review of the financial statements and the processes and procedures around their preparation. The report identified one adjusted audit difference and no unadjusted audit differences. This difference related to the valuation of one of the Council's investment properties and further details of the changes made are outlined in Appendix 2 to the external auditors report. Any other amendments made to the accounts following the audit were all minor presentational changes.

In addition to the audit of the accounts, the external auditor examined a number of areas covering a wide range of activities during 2014/2015. Whilst some areas for improvement have been identified, it is pleasing to note that the overall findings and conclusions are satisfactory. In particular, the Council can take encouragement from the following findings:

- the accounts were again submitted on time and there was no qualification to the external auditor's opinions
- working papers relating to the annual accounts were deemed to be of a 'high-quality' standard
- all supporting documentation was provided to external auditor on a timely basis and audit queries were answered promptly

- all accounting policies have been applied appropriately and consistently in the financial statements
- the governance framework of the Council is considered to be appropriate and controls relating to financial systems and procedures are operating effectively
- the internal audit service operates in accordance with Public Sector Internal Audit Standards
- best value and performance management arrangements are generally robust
- arrangements to prevent and detect fraud, conduct and corruption are appropriate
- the level of overall progress on the integration of health and social care is considered as being appropriate and consistent with the level of progress made by most local authorities

5 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of sustainability, strategic environmental assessment, anti-poverty, equality impact assessment and risk management. There are no major issues.

6 CONSULTATIONS

The Chief Executive and Head of Democratic & Legal Services have been consulted on the content of this report.

7 BACKGROUND PAPERS

KPMG: Annual Audit Report to the Members of Dundee City Council and the Controller of Audit – Year Ended 31 March 2015

MARJORY M STEWART
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

16 OCTOBER 2015

ITEM No ...12 (a).....

REPORT TO: POLICY & RESOURCES COMMITTEE – 26 OCTOBER 2015

REPORT ON: TAYSIDE PENSION FUNDS 2014/2015 ACCOUNTS AND AUDIT

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 382-2015

1 PURPOSE OF REPORT

To report on the outcome of the external audit of Tayside Pension Funds for the year to 31 March 2015. A copy of the External Auditor's Annual Audit Report (Report no. 383-2015) and the 2014/2015 Audited Statement of Accounts for the Tayside Pension Funds (Report no. 384-2015) are also to be considered by the Policy and Resources Committee

2 RECOMMENDATIONS

It is recommended that the Committee:

- i notes the contents of External Auditor's Annual Audit Report, in particular that KPMG LLP have issued an unqualified audit opinion

3 FINANCIAL IMPLICATIONS

None.

4 MAIN TEXT

4.1 Introduction

External audit is one of the key methods by which the activities and performance of local government are independently scrutinised and reported upon. The external audit of Tayside Pension Funds for the financial year 2014/2015 was carried out by Mr Hugh Harvie, Partner, KPMG LLP. Local authority external auditors are appointed for a five year period and the financial year 2014/2015 marked the fourth year of KPMG's appointment at the City Council.

The 2014/2015 unaudited Statement of Accounts were submitted to Scrutiny Committee earlier this year (Article XIV of the Minute of Meeting of the Scrutiny Committee 24 June 2015, Report no. 261-2015 refers). Following this meeting the accounts were submitted to KPMG, prior to the required statutory deadline of 30 June 2015. The accounts have since been subject to a three week statutory public inspection period and no objections were received.

4.2 External Auditor's Annual Audit Report

KPMG have now completed their audit work and, in accordance with auditing standards (ISA 260), they are now required to report the outcome of their work in relation to the financial statements. This requirement is addressed via their Annual Audit Report. The report is divided into the following five key areas:

- Executive Summary
- Strategic Overview
- Financial Statements and Accounting
- Benchmarking
- Governance and narrative reporting

- Appendices

4.3 Conclusions

The External Auditor has undertaken a thorough and wide-ranging review of the financial statements and the processes and procedures around their preparation. As part of the audit, they undertook a review of the latest internal control reports issued by the Pension Funds' investment managers. The exceptions reported by the independent auditors of the investment managers were reviewed and they devised their audit approach based on the assurance gained through these reports. Exceptions reported were recognised as mainly internal control deficiencies bearing no direct impact on the Pension Fund and giving comfort over the evidence provided by the investment managers. Independent reviews of each of the reports as at the date of the audit work were also performed for extra comfort over the evidence. In order to introduce an element of unpredictability during the audit and gain comfort over the completeness of the reports, additional testing was performed where the information received from the investment managers was corroborated to the custodian reports that were independently received by them.

To gain assurance over the valuation of the year end investments of both Funds, they obtained third party confirmations over 100% investment of the year end valuation of investments from fund managers directly and compared it to the valuation on draft financial statements. They tested all the investments and performed pricing audit procedures over listed investments. The year end bid values were assessed using their internal research tools to determine the reasonableness of the year end manager's valuations.

It is pleasing to note that the financial statements were to a high standard with no adjustments arising and an unqualified audit opinion has been issued.

5 **POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6 **CONSULTATIONS**

The Chief Executive and Head of Democratic and Legal Services has been consulted on the content of this report.

7 **BACKGROUND PAPERS**

None



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ITEM No ...12(b).....

Tayside Pension Fund and Tayside Transport Pension Fund

Policy and Resources Committee - 26 October 2015- Report no. 383-2015

Annual audit report to Dundee City Council as administering authority for
Tayside Pension Fund and Tayside Transport Pension Fund and the
Controller of Audit

Audit: year ended 31 March 2015

30 September 2015

Contents

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About this report

This report has been prepared in accordance with the responsibilities set out in Audit Scotland's *Code of Audit Practice* ("the Code").

This report is for the benefit of Dundee City Council ("the Council") as administering authority for Tayside Pension Fund and Tayside Transport Pension Fund ("the Funds") and is made available to Audit Scotland and the Controller of Audit (together "the beneficiaries"), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes, but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the circumstances set out in the executive summary: scope and responsibilities.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

Our audit work is undertaken in accordance with Audit Scotland's *Code of Audit Practice* ("the Code"). This specifies a number of objectives for the audit.

In accordance with ISA (UK and Ireland) 260: *Communication with those charged with governance*, this report summarises our work in relation to the financial statements for the year ended 31 March 2015.

We wish to record our appreciation of the continued co-operation and assistance extended to us during the course of our work.

Area	Summary observations	Analysis
Strategic overview		
Key issues and update	The Triennial Funding Valuation as at March 2014 was undertaken during 2014-15 with the last exercise carried out in March 2011. The outcome of the 2014 Valuation was an actuarial value of assets of £2,396.5 million for Tayside Pension Fund ("Main Fund") and an actuarial value of assets of £52.2 million for Tayside Transport Pension Fund. This reflected a slight improvement in the long term funding position of both the Main Fund and Transport Fund from 98.2% and 96.6% to 99.8% and 99.9% respectively. The employers' contribution rate was decreased from 18% to 17% for the Main Fund and from a fixed value of £0.84 million to 33.8% for the Transport Fund. The next triennial valuation will be undertaken as at 31 March 2017.	Page 7
Financial position	For the Main Fund, the net withdrawals from dealings with members in 2014-15 was £1.4 million compared to a net deposit position of £3.7 million in 2013-14. This is primarily due to the number of pensioners having increased in contrast to the relatively stable position of the number of contributing members. For the Transport Fund, the net withdrawals from dealings with members has remained consistent with the prior year at £1.7 million. Investments showed positive returns owing to favourable market conditions evidenced during 2014-15 with the Main Funds' net return on investments being £381.5 million (2013-14: £197.1 million) and the Transport Fund's net return on investments being £7.6 million in 2014-15 (2013-14: £3.8 million). The closing investment assets for 2014-15 were Main Fund; £2,843.1 million (2013-14: £2,463.1 million) and Transport Fund; £60.8 million (2013-14: £56.1 million).	Page 8
Financial statements and accounting		
Audit conclusions	We have issued an unqualified audit opinion on the 2014-15 financial statements, following their approval by the Scrutiny Committee on 23 September 2015. The financial statements, management commentary and governance statement were received by the start of audit fieldwork and were supported by high quality working papers.	Page 13

Area	Summary observations	Analysis
Financial statements and accounting (continued)		
Significant risks and audit focus areas	<p>The areas of audit focus were agreed with the management as part of our planning procedures and audit work has been completed to satisfy the requirements of ISA 330. The areas highlighted below are the significant risks and specific audit focus areas identified within our audit strategy:</p> <ul style="list-style-type: none"> ■ Fraud risk from management override of controls. ■ Fraud risk from income recognition. <p>We performed procedures in response to assessed risks, including tests of key financial controls. In respect of each matter, we are content with management's judgements and accounting treatment.</p>	Page 14
Accounting policies	<p>There have been no changes to accounting policies applied in 2014-15.</p> <p>No newly effective accounting standards are expected to have a material impact on the 2015-16 financial statements.</p>	Page 15
Going concern	<p>The annual accounts have been prepared on a going concern basis. Management consider it appropriate to adopt a going concern basis for the preparation of these financial statements.</p>	Page 15
KPMG Benchmarking Analysis		
Benchmarking analysis	<p>KPMG analysed how financial controls of the Funds compare to those of other pension schemes of a similar size and what we assess as best practice through our pension scheme benchmarking analysis. Our audit practice comprises over 700 pension schemes, including 72 with net assets of over £200 million, giving us a comprehensive database from which to develop authoritative comparative information. Our analysis plots your scheme against a 'benchmark' which is derived from KPMG audit clients of a similar size. We present the results in a 'web-o-gram' across four categories (trustee governance, scheme administration, investments and scheme accounting).</p>	Page 17

Area	Summary observations	Analysis
Governance and narrative reporting		
Governance	Dundee City Council is the administering authority for the Funds. The majority of this responsibility is delegated through the Council's Policy and Resource's Committee to the Pension Funds', Pension Sub-Committee. Over-arching and supporting corporate governance arrangements remain primarily unchanged and provide a sound framework for organisational decision-making. New governance arrangements were introduced by the Scottish Government in February 2015 requiring the set up and operation of local pension boards by April 2015 and gave additional responsibilities to the Pension sub-Committee.	Page 24
Internal controls	Testing of the design and operation of financial controls over significant risk was undertaken as part of our audit. We concluded that controls relating to financial systems and procedures are designed appropriately and operating effectively.	Page 26

Purpose of this report

The Accounts Commission has appointed KPMG LLP as auditor of Dundee City Council and therefore Tayside Pension Fund and Tayside Transport Pension Fund ("the Funds"), under part VII of the Local Government (Scotland) Act 1973 ("the Act"). The period of appointment is 2011-12 to 2015-16, inclusive.

Our annual audit report is designed to summarise our opinion and conclusions on significant issues arising from our audit. It is addressed to both those charged with governance at the Funds and the Controller of Audit. The scope and nature of our audit were set out in our audit strategy document which was presented to the Pension Fund Committee at the outset of our audit.

The Code sets out the wider dimensions of public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance.

Director of Corporate Service's responsibilities

Audit Scotland's *Code of Audit Practice* ("the Code") sets out the Pension Funds' responsibilities in respect of:

- preparation of financial statements that show a true and fair view;
- systems of internal control;
- prevention and detection of fraud and irregularities;
- standards of conduct and arrangements for the prevention and detection of bribery and corruption;
- financial position; and
- Best Value.

Auditor responsibilities

This report reflects our overall responsibility to carry out an audit in accordance with our statutory responsibilities under the Act and in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Code.

Scope

An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance.

Weaknesses or risks identified are only those which have come to our attention during our normal audit work in accordance with the Code, and may not be all that exist.

Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Under the requirements of International Standard on Auditing (UK and Ireland) ('ISA') 260 *Communication with those charged with governance*, we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity.

This annual audit report to members and our presentation to the audit and risk committee, together with previous reports to the Pension Committee throughout the year, discharges the requirements of ISA 260.

Strategic overview

Our perspective on key business issues and financial position

Key high level summary of:

- **The main matter affecting the pension fund in 2014-15 is the triennial valuation. The funding level as at the 31 March 2014 has increased since the last valuation as at 31 March 2011. As at 31 March 2014 funding level was at 99.8% for the Main Fund which corresponds to a deficit of £4.7 million and Transport Fund was at 99.9% which corresponds to a deficit of £0.1 million.**
- **Our team of in-house actuaries reviewed IAS 26 Assumptions proposed by the Fund. These are considered to be appropriate.**

Triennial valuation

In line with the Local Government Pension Scheme Regulations 2014, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The Actuarial Valuation assesses the health of the fund and provides a check that the funding strategy and assumptions used are appropriate. The 2014 Actuarial Valuation was undertaken for the Fund as at 31 March 2014 and was completed during the financial year 2014-15 by the Fund's actuaries, Barnett Waddingham. It was undertaken in accordance with Regulation 32 of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 as amended.

The funding level at 31 March 2014 was above the valuation as at 31 March 2011. As at 31 March 2014 funding level was at 99.8% for the Main Fund, which corresponds to a deficit of £4.7 million and 99.9% for the Transport Fund which corresponds to a deficit of £0.1 million.

The table below shows the results of the triennial valuation:

Past Service Funding Position – The Funds		
	Main Fund (£m)	Transport Fund (£m)
Value of the Scheme Liabilities	(2,401.2)	(54.2)
Smoothed Asset Value	2,396.5	54.1
(Deficit)	(4.7)	(0.1)
Funding Level	99.8%	99.9%

The value of the scheme liabilities is an estimate of the assets required to pay pensions over the coming years. The smoothed asset value is the contributions received from employers and members as well as investment returns. The next detailed actuarial valuation will be carried out for the Fund as at 31 March 2017.

The valuation also introduced and included a 5% volatility reserve set by the actuary within their assumptions in both funds to allow for adverse short term financial experience in the period to next valuation as a result of likely volatility in the market between the valuations.

The triennial valuation resulted in significant other experience re-measurements which increased the level of funding within the scheme. There were two main components of this which were the trueing up of membership data and lower than anticipated salary increases. Our actuaries liaised with the scheme actuaries in order to assess the reasonableness of the experience gain reported. Our view is that while the existence of such experience gains and losses is not unusual the size of the gain suggests greater accuracy is needed when performing future roll-forwards of data.

IAS 26 assumptions review

In addition to the Triennial Funding Valuation, the Fund's actuary also undertakes a valuation of the Funds' liabilities (actuarial present value of promised retirement benefits) at the accounting date as required by International Accounting Standard (IAS) 26, and calculated in line with IAS 19 assumptions.

Our team of in-house actuaries reviewed assumptions used in the valuation. It is understood from the Barnett Waddingham correspondence that:

- the assumptions considered in this report are based on market conditions at 31 March 2015; and
- the average duration of the liabilities is 19 years at the period ending 31 March 2015.

Overall we consider the assumptions proposed by the employer can be considered to be reasonably balanced.

Management does not budget financial performance of the Funds due to the nature of income and expenditure.

For the Main Fund, the net withdrawals from dealings with members for 2014-15 was £1.4 million which has moved from a net deposits position in 2013-14 of £3.7million.

Investments showed strong positive returns owing to favourable market conditions evidenced during 2014-15 with the Main Fund's net return on investments of £381.5 million (2013-14 £197.1 million).

The net increase in the Main Fund during the year was £380.1 million (2013-14: £200.8 million).

Financial position

Current membership of the Main Fund is 42,176 of which 17,622 are actively contributing and 21,839 are in receipt of pension benefits. There has been a relatively static position in relation to active contributing membership and a continuing rise in the number of pensioners. The Main Fund has moved from a net deposit position from dealing with members in 2013-14 to a net withdrawal position from dealing with members in 2014-15. This movement was primarily influenced by an increase in total contributions by £1.4 million and an increase in benefits payable by £5.5 million during the year. The net impact of these and other smaller components is a net withdrawal position from dealing with members of £1.4m shown in the table opposite.

Net return on investment increased by £184.3 million, to £381.5 million in 2014-15 (2013-14: £197.1 million) primarily due to the positive change in market value of investments in line with the investment review performed by the Funds' investment consultants, Aon Hewitt. Investment returns are monitored by the pension sub-committee throughout the year and recent historic performance has been strong.

Management does not budget financial performance of the Funds due to the nature of income and expenditure.

Fund account		
£'000	2015	2014
Contributions and benefits		
Contributions receivable	91,412	89,984
Transfers in	3,324	3,762
	94,736	93,746
Benefits payable	(89,649)	(84,148)
Payment to and on account of leavers	(5,238)	(4,741)
Administration expenses	(1,232)	(1,192)
Net (withdrawals)/deposits from dealing with members	(1,383)	3,665
Return on investments		
Investment income	56,574	59,067
Change in market value of investments	336,802	146,447
Investment management expenses	(11,921)	(8,391)
Net returns on investments	381,455	197,123
Net increase in the fund	380,072	200,788
Opening net assets of the scheme	2,463,063	2,262,275
Closing net assets of the scheme	2,843,135	2,463,063

Investments returns are monitored throughout the year and the performance of investment managers is subject to regular review against benchmarks.

Total net assets increased by £380.2 million during the year ended 31 March 2015.

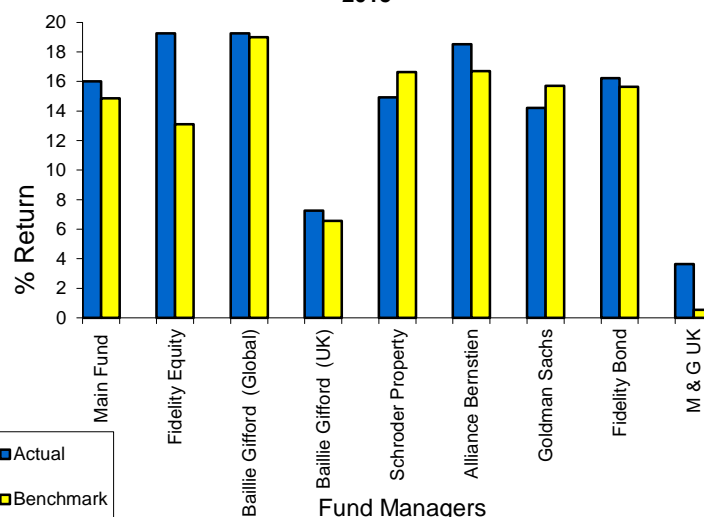
The main reason for the increase in the investment valuations is the strong performance of the assets and favourable market conditions.

Net Assets Statements as at 31 March 2015

The key financial indicator for the Funds is considered to be the performance of the Funds' investments. This is monitored through the year and reported to the pension sub-committee on a quarterly basis. With the exception of Schroders Property and Goldman Sachs all investment managers have outperformed the benchmark in respect of year ended 31 March 2015.

In the financial year to 31 March 2015 the Main Fund returned 16.01% which was 1.14% in excess of the overall benchmark set by the statement of investment principles across different asset classes and mandates for the year.

Average Annual Performance Return to 31 March 2015



The net assets of the Main Fund increased by £380.1 million in the year, primarily as a result of investment income and gains on the market value of investments.

Net assets statement		
£'000	2015	2014
Listed investments		
UK Equities	656,278	593,619
UK Pooled Funds	64,398	57,927
UK Fixed Interest – Public Sector	47,461	39,579
UK Fixed Interest - Other	7,850	11,131
UK Index linked - Public sector	91,285	77,281
Overseas equities	654,486	564,960
Overseas Pooled funds	208,047	175,409
Overseas Open Ended Investment Companies	352,658	290,860
Overseas – Fixed Interest - Other	17,877	12,841
Derivatives (Futures)	286	418
Unlisted investments		
UK Open Ended Investment Companies	339,194	296,038
M&G Fund	11,782	14,529
Overseas Open Ended Investment Companies	68,140	62,821
Property Unit Trusts	304,428	232,546
Cash Balances held by fund Managers	16,093	25,209
Financial Debtors	19,691	11,598
Total investment assets	2,860,054	2,466,766
Financial liabilities		
Cash and Bank	1,340	2,381
Contributions due from employers	7,903	5,614
Sundry Debtors	1,471	1,768
Sundry Creditors	(11,733)	(6,316)
Total net assets	2,843,135	2,463,063

Source: 2014-15 draft financial statements.

For the Transport Fund, the net withdrawals from dealings with members in 2014-15 has remained in line with prior year at £1.7 million.

Investments showed strong positive returns owing to favourable market conditions evidenced during 2014-15, with net return on investments of £7.6 million in 2014-15 (2013-14: £3.8 million).

The net increase in fund during 2014-15 was £5.8 million (2013-14: £2.1 million).

Financial position

Current membership of the Fund is 565 of which 59 are actively contributing and 500 are in receipt of pension benefits. The balance of contributing members and the active pensioners has remained relatively in line with the previous year's dealings. The net withdrawal position remained in line with the prior year mainly as a result of a decrease in total contributions of £0.07 million and a decrease in benefits payable of £0.09 million during the year.

Net return on investment increased by £3.8 million, to £7.6 million in 2014-15 primarily due to the positive change in market value of investments. Investment returns are monitored throughout the year and recent historic performance has been favourable.

Fund account		
£'000	2015	2014
Contributions and benefits		
Contributions receivable	916	988
Benefits payable	(2,551)	(2,647)
Payment on account of leavers	(78)	-
Administration expenses	(36)	(30)
Net withdrawals from dealing with members	(1,699)	(1,749)
Return on investments		
Investment income	810	799
Change in market value of investments	6,981	3,191
Investment management expenses	(199)	(180)
Net returns on investments	7,592	3,810
Net increase in the fund	5,843	2,121
Opening net assets of the scheme	56,291	54,170
Closing net assets of the scheme	62,134	56,291

Source: 2014-15 draft financial statements.

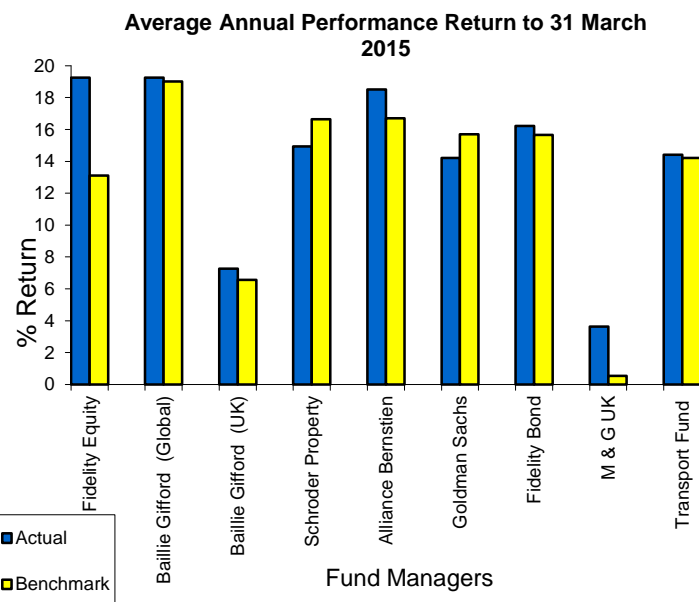
Total net assets increased by £5.8 million during the year ended 31 March 2015.

The main reason for the increase in the investment valuations is the strong performance of the assets and favourable market conditions.

Net Assets Statements as at 31 March 2015

The key financial indicator for the Transport Fund is considered to be the performance of the Funds' investments. This is monitored through the year and reported to the pension sub-committee on a quarterly basis. With the exception of Schroders Property and Goldman Sachs all investment managers have outperformed the benchmark in respect of year ended 31 March 2015.

In the financial year to 31 March 2015 the Transport Fund returned 14.22% which was in line the overall benchmark across different asset classes and mandates for the year.



The net assets of the Transport Fund increased by £5.8 million in the year, primarily as a result of investment income and gains on the market value of investments.

Net assets statement		
£m	2015	2014
Listed investments		
UK Equities	14,811	14,230
UK Fixed Interest – Public Sector	3,608	3,550
UK Fixed Interest - Other	515	596
UK Index linked - Public sector	6,892	6,085
Overseas equities	15,827	14,397
Overseas – Fixed Interest - Other	1,490	1,036
Derivatives (Futures)	18	35
Unlisted investments		
UK Open Ended Investment Companies	12,092	11,137
Overseas Open Ended Investment Companies	105	92
Property Unit Trusts	4,510	3,986
Cash Balances held by fund Managers	700	836
Financial Debtors	1,014	101
Total Investment Assets		
Financial liabilities		
	(753)	(25)
Cash and Bank	1,355	311
Contributions due from employers	6	6
Sundry Debtors	1	-
Sundry Creditors	(58)	(58)
Total net assets	62,134	56,291

Source: 2014-15 draft financial statements.

Financial statements and accounting

Our perspective on the preparation of the
financial statements and key accounting
judgements made by management

We have issued an unqualified audit opinion.

The financial statements, including the governance statement, were made available on a timely basis and were accompanied by high quality working papers.

Audit conclusions

Our audit work is complete. Following approval of the financial statements by the Pension sub-committee we have issued an unqualified opinion on the truth and fairness of the state of the Funds' affairs as at 31 March 2015. There are no matters identified on which we are required to report by exception. There are no significant matters in respect of (i) audit differences; (ii) auditor independence and non-audit fees; and (iii) management representation letter content, as reported in appendix one.

In gathering the evidence for our opinion we have:

- performed controls testing and substantive procedures to ensure that key risks to the financial statements have been covered;
- reviewed estimates and accounting judgements made by management and considered these for appropriateness;
- considered the potential effect of fraud on the financial statements through discussions with senior management and internal audit to gain a better understanding of the work performed in relation to prevention and detection of fraud; and
- attended scrutiny committee to communicate our findings to those charged with governance, and to update our understanding of the key governance processes.

Financial statements preparation

- High quality working papers and full draft financial statements were provided on the statutory deadline of 30 June 2015. This included the explanatory foreword, management commentary, remuneration report and governance statement. The latter had already been considered, along with supporting evidence, and approved by the Pension Fund committee. During the audit we identified an issue with the officers identified to sign the statements within the fund account which is detailed in appendix two.
- In advance of our audit fieldwork, we issued a 'prepared by client' request setting out a list of required analyses and supporting documentation. The standard of documentation was very good.
- The Local Authority Accounts (Scotland) Regulations 2014 came into force on 10 October 2014, replacing regulations which had applied since 1985. The regulations contain provisions for the unaudited annual financial statements as submitted to the auditor to be considered by the audit and risk committee no later than 31 August 2015, and the audited financial statements to be presented to the scrutiny committee for consideration and approval prior to auditor signature before 30 September 2015.

The significant areas of risk identified in our audit strategy were in respect of:

- management override of controls.

and other focus areas of:

- fraud risk from income recognition.

We report on the audit focus area of valuation of investment assets.

We summarise below the risks of material misstatement as reported within the audit strategy document along with additional risks identified during the course of the audit. We set out the key audit procedures to address those risks and our findings from those procedures, in order that the audit and risk committee may better understand the process by which we arrived at our audit opinion.

We have no changes to the risk or our approach to addressing the assumed ISA risks of fraud in management override of controls or revenue recognition fraud risk.

Focus areas	Our response	Audit findings
Valuation of investment assets The investment assets reported in the net assets statements, managed by the fund managers were valued at their market price as at 31 March 2015.	To gain assurance over the valuation of the year end investments for both Funds, we obtained third party confirmations over 100% the year end valuation of investments from the fund managers directly and compared it to the valuation on draft financial statements. We tested all the investments and performed pricing audit procedures over listed investments of the Funds. The year end bid values were assessed using our internal research tools to determine the reasonableness of the year end fund manager's valuation.	No significant differences were noted on the pricing audit procedure to gain reasonable assurance over direct confirmations.

There have been no substantive changes to the financial reporting framework as set out in the *Code of practice on Local Authority Accounting in the United Kingdom 2014-15*

There have been no significant changes to accounting policies in 2014-15.

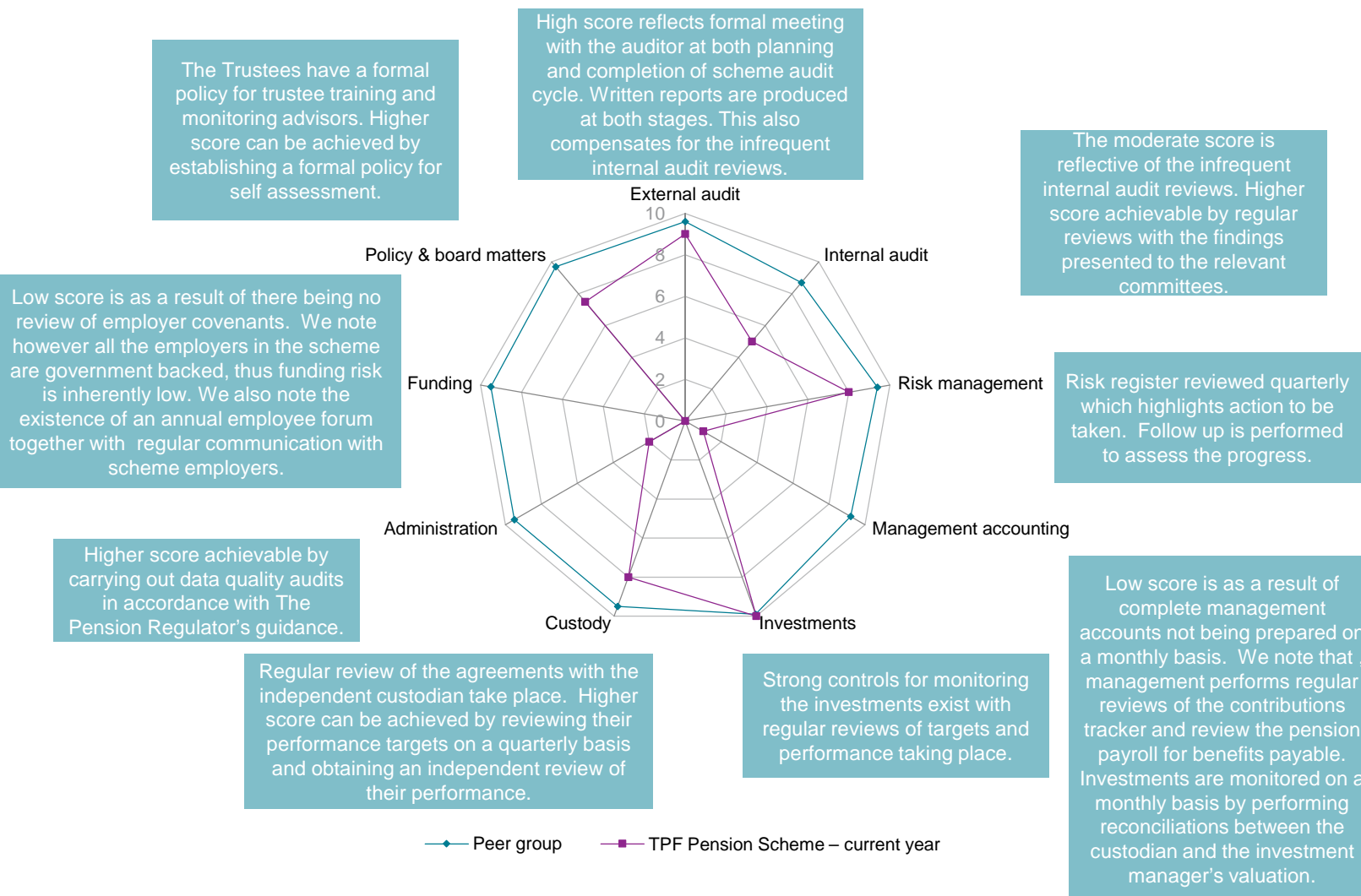
Accounting framework and application of accounting policies		
Area	Summary observations	Audit findings
Code of practice on Local Authority Accounting in the United Kingdom 2014-15 ("the Code")	<p>The 2014-15 financial statements have been prepared in accordance with the Code which is based upon International Financial Reporting Standards ("IFRS"). The 2014-15 Code has a number of amendments from the 2013-14 version. Management have reflected these changes to the reporting requirements in the financial statements, where appropriate. The amendments include:</p> <ul style="list-style-type: none"> ■ adoption of the new group accounting standards IAS 26; ■ amendments in respect of the restated opening balance sheet; and ■ changes to the requirements for accounting for combinations of bodies and transfer of functions. 	We considered whether the impact of adoption of the new accounting would have a material effect on the Funds' financial statements. No material matters were noted.
Going concern	<ul style="list-style-type: none"> ■ Management considers it appropriate to adopt a going concern basis for the preparation of these financial statements. The Net Assets statements show that at 31 March 2015 the Main Fund had net assets of £2,843.1 million and Transport Fund of £62.1 million. 	Given the nature of the high level of funding, 99%+ for both the funds, we are satisfied that it is appropriate for the financial statements to be prepared on the basis adopted.
Management commentary	The financial statements form part of the annual report for the year ended 31 March 2015. We reviewed the content of the management commentary against the disclosure requirements and are content with the proposed reports. We provided management with some relatively minor suggestions relating to how the reports could be enhanced and where additional information disclosures should be made.	<p>We are required to consider information related to the membership of the Funds included as part of the Management comments.</p> <p>We are satisfied that the information contained within the Management commentary is consistent with the financial statements.</p>

KPMG Benchmarking Analysis

Our overall perspective on financial control reporting.

KPMG analyses how financial controls of the Funds compare to those of other pension schemes of a similar size and what we assess as best practice through our pension scheme benchmarking analysis. Our audit practice comprises some 700 pension schemes, including 72 with net assets of over £200 million, giving us a comprehensive database from which to develop authoritative comparative information.

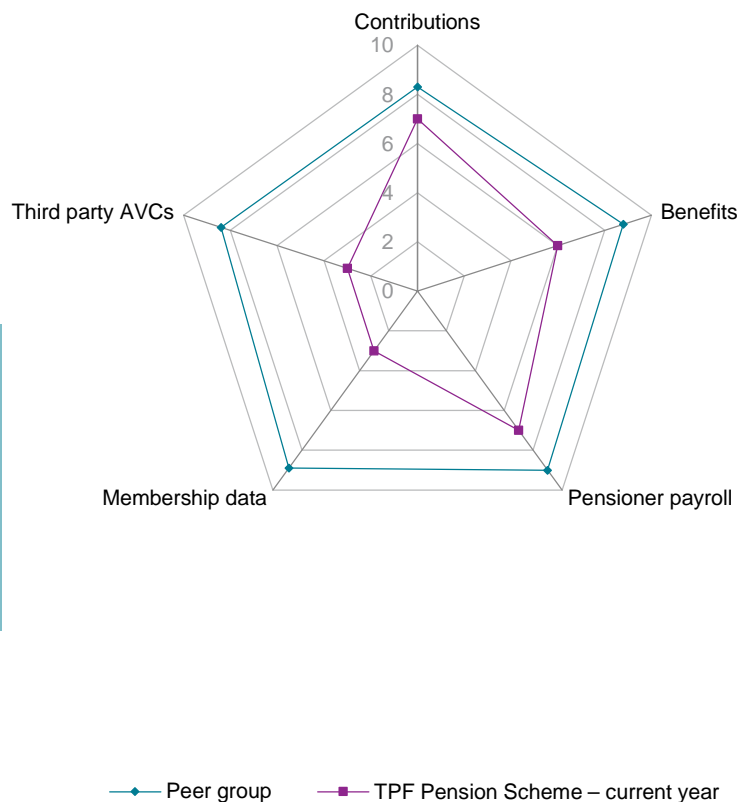
Our analysis plots the Funds against a ‘benchmark’ which is derived from KPMG audit clients of a pension schemes for corporate and public sector schemes with net assets greater than £1 billion. We present the results in a ‘web-o-gram’ across four categories (trustee governance, scheme administration, investments and scheme accounting).



The scheme currently carries out a high level calculation of the employer and employee contributions. Higher score can be achieved by performing expected contribution calculation and comparing them with the actual contribution received from the employers and employees.

Higher score can be achieved by monitoring and checking the AVC accumulations regularly and reviewing the internal controls report of the AVC provider.

Compliance checks should be performed to ensure data quality is maintained in line with guidelines of The Pension Regulator. Higher score can be achieved by performing monthly checks on the membership details and reconciling them against the employer records of membership details.

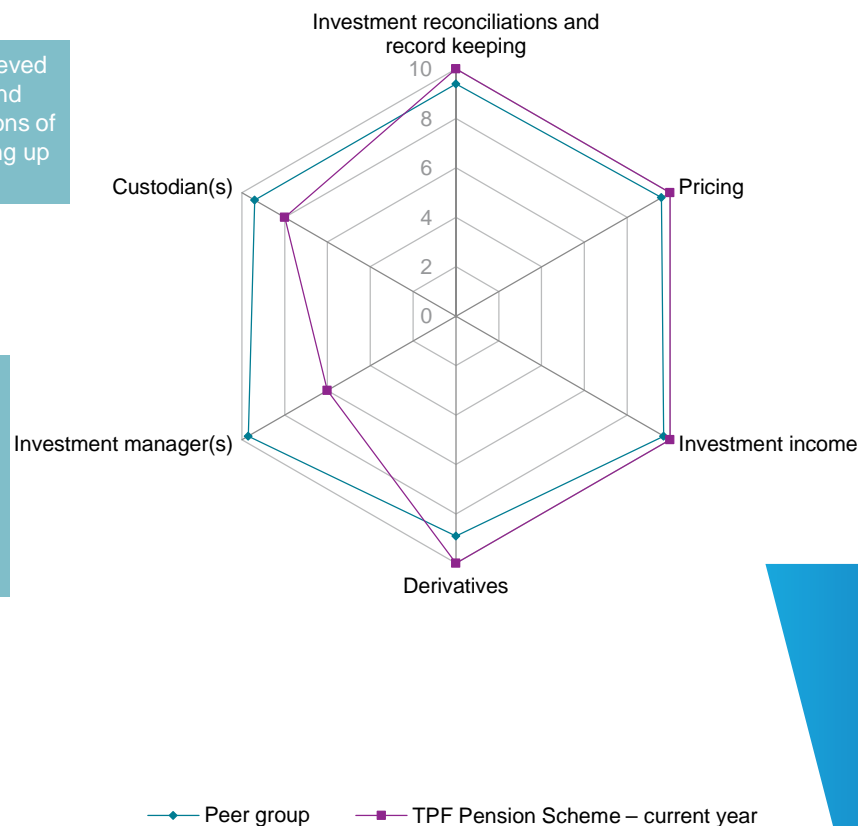


Benefit calculation controls have a high level of manual input. Higher score would be achieved by making the processes automated with periodic checks being carried out by internal audit/management.

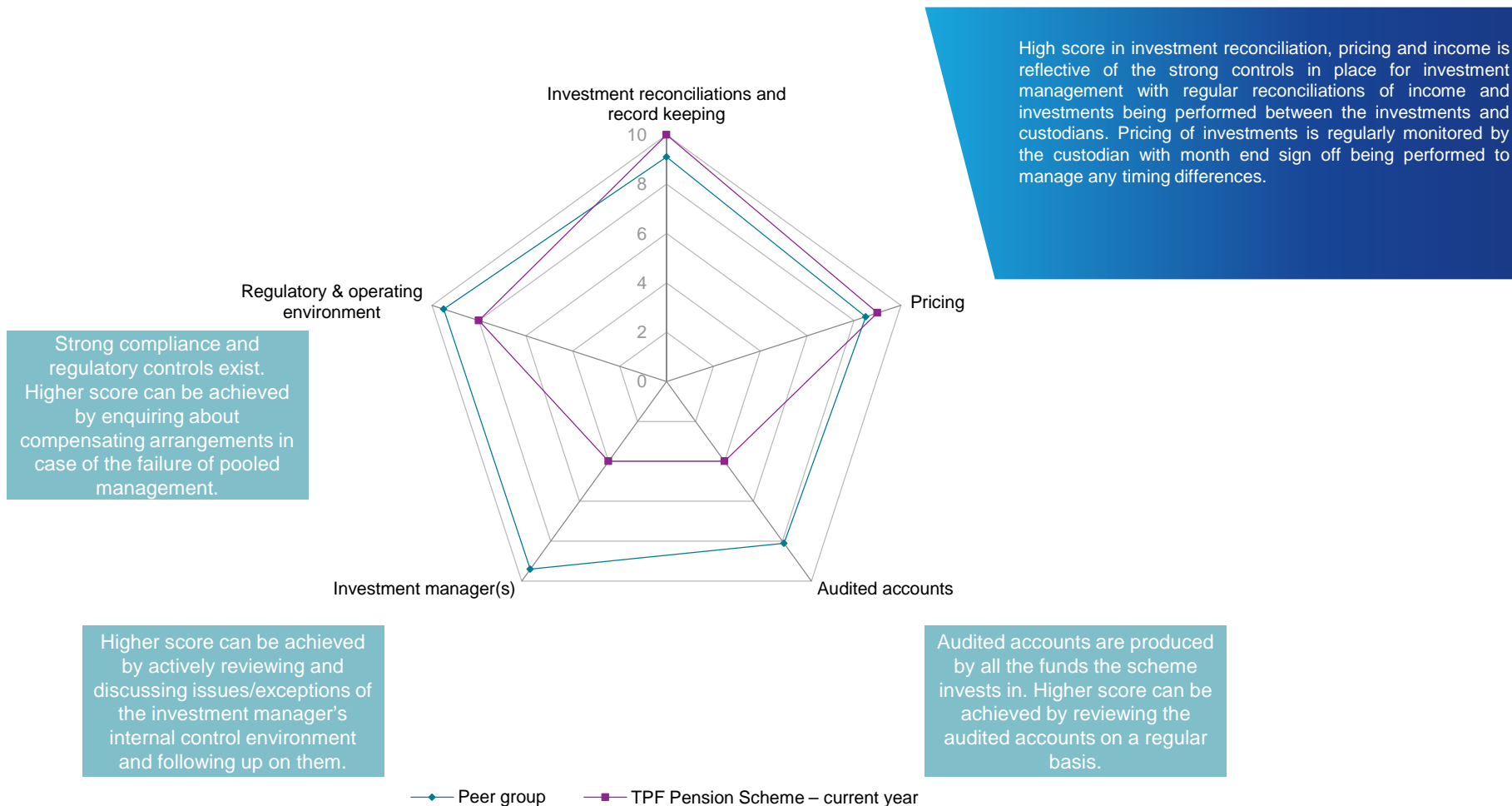
Strong controls exist around pension payroll and administration. Higher score can be achieved by reconciling the pension payroll and administration and maintaining an audit trail for the pension increase checks performed.

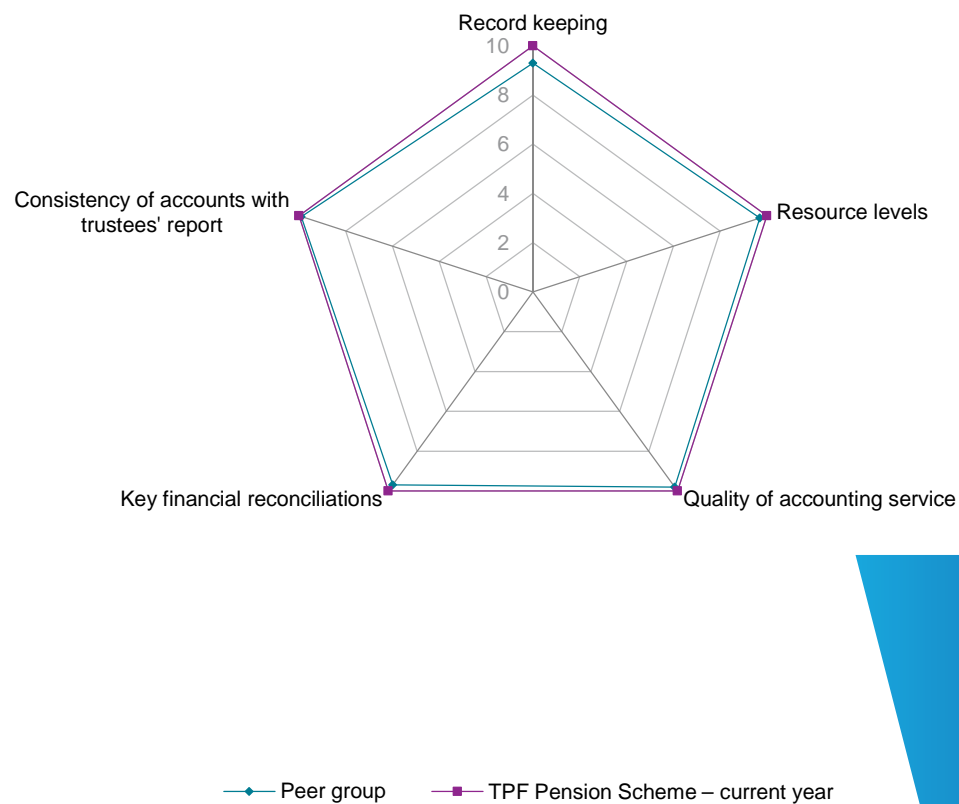
Higher score can be achieved by actively reviewing and discussing issues/exceptions of the custodian and following up on them.

Higher score can be achieved by actively reviewing and discussing issues/exceptions noted in the investment manager's internal control environment and following up on them.

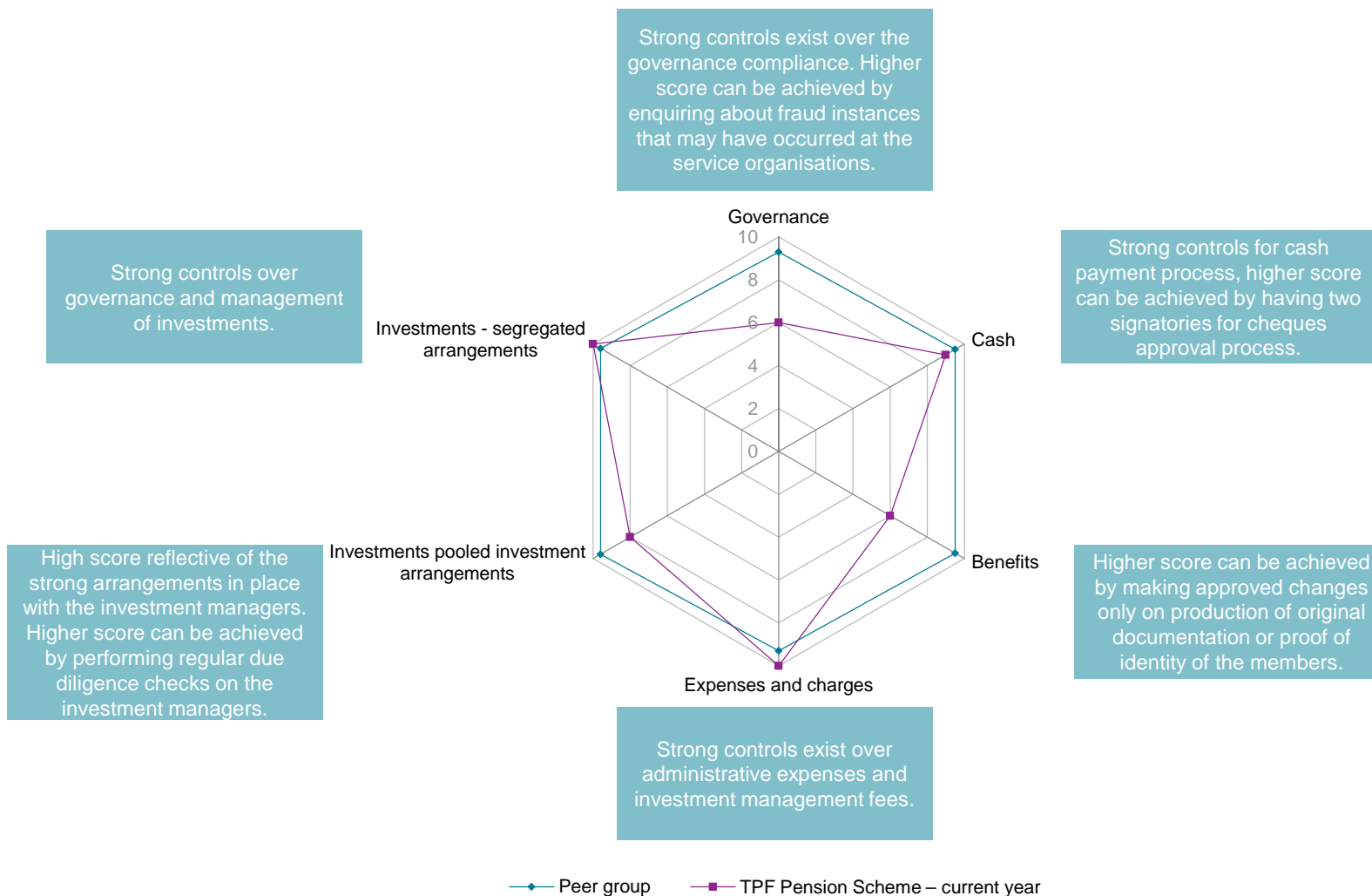


Perfect score in investment reconciliation, pricing, income and derivatives is reflective of the strong controls in place for the investment management with regular reconciliations of income and investments being performed between the investments and custodians. Pricing of investments is regularly monitored by the custodian with month end sign off being performed to manage any timing differences.





High score in scheme accounting parameters is reflective of the strong controls in place for keeping up-to-date information related to investments and pension administration.



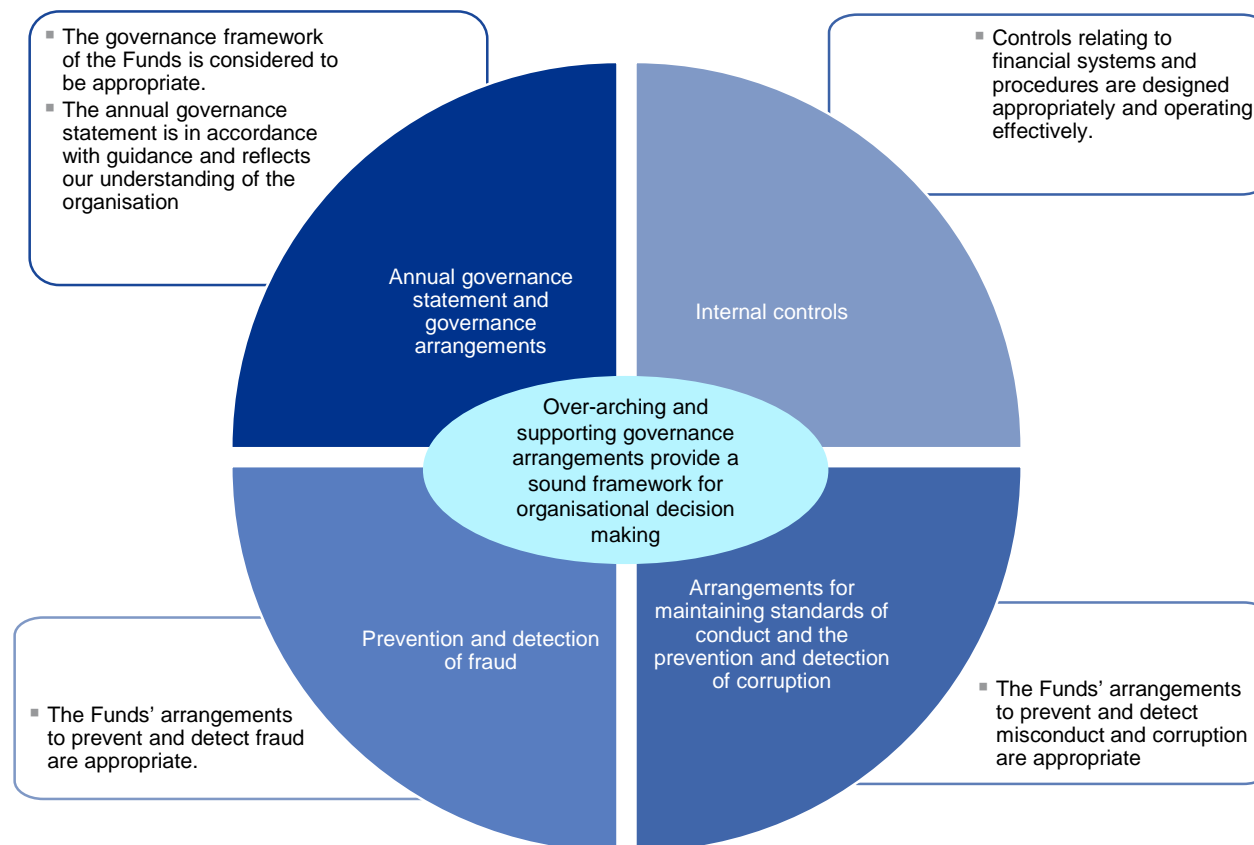
Governance and narrative reporting

Our overall perspective on narrative reporting, including the management commentary, annual governance statement, governance compliance statement and risk management statement.

Controls findings from our audit.

We considered the Fund's corporate governance arrangements against a number of key areas which we consider to make up an effective governance framework.

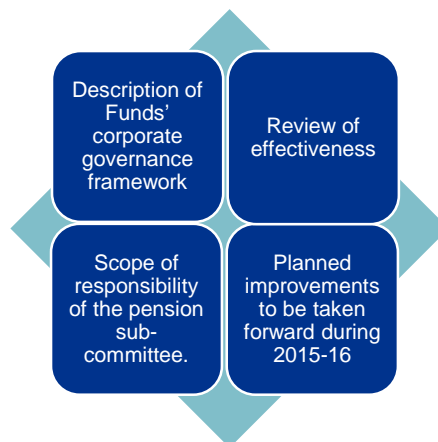
Our audit findings against each key area are provided opposite.



Over-arching and supporting corporate governance arrangements remain primarily unchanged and provide a sound framework for organisational decision-making.

Annual governance statement

The Funds include an annual governance statement within their annual accounts. The following elements have been included.



The governance compliance statement for the Funds was approved by the pension sub-committee on 30 June 2015 and is consistent with our understanding of the governance arrangements. The statement should be subject to an annual review by the pension sub-committee and action taken to enhance any areas which only report partial or non-compliance where appropriate.

We provided management with some relatively minor suggestions relating to how the reports could be enhanced and where additional information disclosures should be made to meet the requirements of the Local authority Accounts (Scotland) regulations 2014. This has been noted in appendix two.

Governance arrangements

The Funds have a pension sub-committee to ensure sound governance arrangements. The Scottish Government published new governance regulations for the pension fund in February 2015 which required the set up and operation of local pension boards by 1 April 2015 and introduced a national scheme advisory board to advise Scottish ministers and individual pension schemes. The Policy and Resource Committee approved a constitution, nomination and selection process and terms of reference in anticipation of the creation of the local pension board and appointed members prior to the 1 April 2015 deadline. There is an agreed training plan to accommodate statutory requirements and the new Pension Board are currently undertaking relevant training.

The new governance arrangements extended to pension administration and, in response to this, the existing Pension Sub-Committee amended their terms of reference and remit to accommodate and became the Pension Sub-Committee and additional training is being provided in respect of additional responsibilities.

We have updated our understanding of the governance framework and documented this through our overall assessment of the Fund's risk and control environment. We consider the governance framework to be appropriate for the Fund and that the governance statement is in accordance with guidance and reflects our understanding of the organisation.

Our work concluded that that controls relating to financial systems and procedures are designed appropriately and operating effectively.

The Funds have procedures in place for the prevention and detection of fraud and corruption.

Internal controls

Management is responsible for designing and implementing appropriate internal control systems to ensure a true and fair view of operations within the financial statements. Our testing of the design and operation of higher level controls designed for pension administration and investments management noted no exceptions.

The findings of our controls testing relate only to those matters identified during our normal audit work, in accordance with the Code, and there may still be weaknesses or risks within the control environment which have not been identified through this work. KPMG's identification of weaknesses, where applicable, does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

As part of our work, we undertook a review of the latest internal control reports issued by the Pension Funds' investment managers. The exceptions reported by the independent auditors of the investment managers were reviewed and we planned our audit approach taking into account the assurance gained through these reports.

Exceptions reported recognised internal control deficiencies that had no direct impact on the Pension Fund audit, giving comfort over the evidence provided by the investment managers. Additional testing was performed to corroborate the information received from the investment managers with the custodian reports that were independently received by us.

Prevention and detection of fraud

No material fraud or other irregularities were identified during the year. The arrangements include policies and codes of conduct for staff and board members, supported by a fraud prevention policy and response plan.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

The Funds have arrangements including policies and codes of conduct for staff and board members, supported by a whistleblowing policy. Board members are responsible for setting the 'tone at the top' and are responsible for abiding by the code of conduct and disclosing interests which may be of importance, material or otherwise to their work at the Funds.

Our testing confirms that controls relating to financial systems and procedures are designed appropriately and operating effectively.

We consider that the Fund has appropriate arrangements to prevent and detect fraud.

We consider that the Fund has appropriate arrangements to prevent and detect inappropriate conduct and corruption.

Appendices

There were no changes to the core financial statement and there are no unadjusted audit differences

Area	Key content	Reference
Adjusted audit differences Adjustments made as a result of our audit	<p>There were no audit adjustments required to the draft financial statements which impacted on the net assets or net operating cost for the year.</p> <p>A small number of minor numerical and presentational adjustments were required to some of the financial statement notes.</p>	Appendix two
Unadjusted audit differences Audit differences identified that we do not consider material to our audit opinion	<p>We are required by ISA (UK and Ireland) 260 to communicate all uncorrected misstatements, other than those which are trivial.</p> <p>There are no unadjusted audit differences.</p>	-
Confirmation of Independence Letter issued to the Scrutiny Committee	<p>We have considered and confirmed our independence as auditors and our quality procedures, together with the objectivity of our Audit Partner and audit staff.</p>	Appendix three
Schedule of Fees Fees charged by KPMG for non-audit services	<p>There were non-audit fees related to overseas tax reclaims for the year.</p>	Appendix three
Draft management representation letter Proposed draft of letter to be issued by audit team to KPMG	<p>There are no changes to the standard representations required for our audit from last year.</p>	-
Materiality The materiality applied to audit testing.	<p>We assessed materiality based on our knowledge and understanding of the risk profile of the Funds and financial statements balances. Materiality was determined at £3.1 million (Main Fund) and £0.04 million (Transport Fund): This represented approximately 2% of total investment income, contribution receivable and transfers in, and is broadly consistent with the materiality identified in our audit strategy.</p> <p>We designed our audit procedures to detect errors at a lower level of precision, i.e. £2.3 million (Main Fund) and £0.03 million (Transport Fund).</p> <p>We report identified errors greater than £0.15 million (Main Fund) and £0.002 million (Transport Fund) to the Pension sub-committee.</p>	

Under auditing standards we are required to bring to the attention of the Fund trustees any misstatements, including omissions or other errors in presentation or disclosure (other than those that are clearly trifling) identified during the course of our normal audit work for which no adjustment has been made in the financial statements. If we have identified any material misstatements which have been corrected by management we should also bring these to your attention in order to assist you in fulfilling your governance responsibilities, which include reviewing the effectiveness of the system of internal control.

Area	Summary observations	Audit findings
Signing of statements in the accounts	We reviewed relevant local authority pension fund guidance and identified that the statements within the draft accounts were not being signed off by the appropriate officers.	We communicated the requirements to management who have updated the financial statements to ensure the statements are signed of in line with the relevant local authority pension fund guidance.
Additional disclosures or statement have been made in the governance statement in line with regulations.	We provided management with some minor suggestions relating to how the governance statement could be enhanced and where additional information disclosures should be made to meet the requirements of the Local authority Accounts (Scotland) regulations 2014.	Management have updated the governance statement to ensure it was in line with the regulations and included an acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control and an indication of the level of assurance that the systems and processes that comprise the pension fund's governance arrangements can provide.

Auditing standards require us to consider and confirm formally our independence and related matters in our dealings with the Funds.

We have appropriate procedures and safeguards in place to enable us to make the formal confirmation in our letter included opposite.

Auditor independence

Professional ethical standards require us to provide to you at the conclusion of an audit a written disclosure of relationships (including the provision of non-audit taxation services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed. This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence.

We have considered the fees paid to us by the Funds and its related entities for professional services provided by us during the reporting period. We are satisfied that our general procedures support our independence and objectivity.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Regular communications
- Internal accountability
- Risk management
- Independent reviews

Please inform us if you would like to discuss any of these aspects of our procedures in more detail.

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the board of directors.

Confirmation of audit independence

We confirm that as of 30 September 2015, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Partner and audit staff is not impaired.

This letter is intended solely for the information of the audit committee and should not be used for any other purpose.

Yours faithfully

KPMG LLP



cutting through complexity

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ITEM No ...12(c).....

Tayside Pension Fund



Audited

**Annual Report and Accounts
2014/15**

Administered by Dundee City Council

September 2015

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Welcome to the Tayside Pension Funds Annual Report and Accounts produced by Dundee City Council for the year ended 31 March 2015.

The Annual Report has been produced to keep members, employers and other interested stakeholders informed about the administration and performance of the two Local Government Pension Scheme (LGPS) Funds that Dundee City Council is responsible for administering. The funds are : Tayside Pension Fund (Main Fund) and Tayside Transport Pension Fund (Transport Fund). The Annual Report includes a review of activities relevant to the funds in general and also provides sections dedicated to each of the funds, covering their investments, financial accounts and actuarial position.

The Main Fund value at 31 March 2015 of £2,843.1m reflected an increase of £380.0m or 15.4% on the equivalent value at 31 March 2014. The Transport Fund value at 31 March 2015 of £62.1m reflected an increase of £5.8m or 10.4% on the equivalent figure at 31 March 2014.

	2014	2015	+ / -
Main Fund value	£2,463.1m	£2,843.1m	£380.0m
Transport Fund value	£56.3m	£62.1m	£5.8m
 Total Contributing Members	 17,623	 17,681	 58
Total Pensioners	13,537	14,070	533
 Scheduled Bodies	 14	 14	 -
Admitted Bodies	30	30	-

I would wish to acknowledge the efforts of Dundee City Council's Pension Section for their patience and diligence in ensuring the continuing smooth operation of the scheme and for the courteous and efficient manner in which they look after the pension needs of contributors, pensioners and deferred pensioners. Further, I would like to thank all the Trustees of the Pensions Committee and officers of the City Council Corporate Services Department for their effort and assistance in managing the Tayside Pension Funds and, in particular, the Chair, Willie Sawers for his leadership of the Committee.



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

FUND UPDATE

Membership

The Local Government Pension Scheme is voluntary and is open to all employees of the Scheduled and Admitted Bodies (see Appendix 1). Membership of the Tayside Funds at 31 March 2015 was:

	<u>Main Fund</u>	<u>Transport Fund</u>	<u>Total Fund</u>
Contributing Members	17,622	59	17,681
Pensioners	13,643	427	14,070
Deferred Pensioners	8,196	73	8,269
Undecided or Frozen	2,715	6	2,721
	42,176	565	42,741

Membership Funding

The Funds are financed by the contributions made by members and their employers as well as income earned from the investment of the Funds' monies. The contribution rates as a percentage of basic pay from 2012/2013 to 2014/2015 were as follows :-

	<u>Employees</u>	<u>Main Fund Employers</u>	<u>Transport Fund Employer</u>
2012/13	5.5% - 12%	18.0%	£800,000
2013/14	5.5% - 12%	18.0%	£820,000
2014/15	5.5% - 12%	18.0%	£840,000

The employees' contribution levels are now tiered based on a percentage of pensionable pay, whereas the employers' contribution levels are reviewed every three years by the Funds' actuaries as part of their actuarial valuation of the Funds. If the actuaries believe that a surplus is likely to materialise they will recommend a reduction in the employers' contribution rate and if they believe a deficit is likely to materialise they will recommend an increase in the employers' contribution rate.

Barnett Waddingham carried out an actuarial valuation as at 31 March 2014. Following discussions with the Transport Fund's employer, administering authority and actuary, the actuary concluded that a change from fixed sum contributions to a percentage of pensionable payroll would be the best way forward. The result of the valuation for the two Funds were as follows :-

	<u>Main Fund</u>	<u>Transport Fund</u>
Actuarial Value of Assets	£2,396.5m	£54.2m
Actuarial Value as a percentage of Accrued Liabilities	99.8%	99.9%

Recommended Employers' Contributions as a Percentage of Pensionable Payroll for the Main Fund and Transport Fund were as follows :-

2015/2016	17.0%	33.8%
2016/2017	17.0%	33.8%
2017/2018	17.0%	33.8%

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 2014. The deficit is spread over the average remaining working lifetime of the existing members.

The Main Fund contribution rates following the 31 March 2014 valuation were calculated using the projected unit actuarial method.

The Transport Fund contribution rates following the 31 March 2014 valuation were calculated using the attained age actuarial method.

The main actuarial assumptions were as follows:

<u>Investment Return</u>	pa
Equities	5.9%
Gilts	3.6%
Cash	3.4%
Bonds	4.1%
Property	5.5%
 <u>Financial Assumptions</u>	pa
Discount Rate	5.4%
Retail Price Index	3.6% (20 year point on Bank of England Inflation curve)
Consumer Price Index	2.8% (Retail Price Index less 0.8%)
Pension Increases	2.8% (Retail Price Index less 0.8%)
Short-term pay increases	In line with Consumer Price Index assumption for 2 years to 31/03/16
Long-term pay increases	4.6% (Retail Price Index plus 1%)

Additional Voluntary Contributions (AVCs)

Under Inland Revenue rules, scheme members are permitted to make contributions towards retirement and death in service benefits, in addition to those which they are required to make as members of the Local Government Pension Scheme. These contributions are known as AVCs and are treated separately from the scheme's assets under arrangement with the Standard Life Assurance Company and Prudential Assurance Company. They are not recorded in the accounts of the Tayside Funds since the AVC scheme works on a defined contribution basis (ie benefit eventually derived will depend upon the amount of the contributions made, the performance of the investments made with these monies and the annuity rates at the point of retiral).

Pension Increases

Pensions and deferred pensions are increased every year under the Pension (Increase) Act 1971 in line with movements in the Retail Price Index. From April 2011, this will be linked to Consumer Price Index rather than Retail Price Index. Recent pension increases are as follows :-

2011	3.1%
2012	5.2%
2013	2.2%
2014	2.7%
2015	1.2%

REVIEW OF THE YEAR

MEMBERS, ADVISORS AND OFFICERS

Pension Sub-Committee

Dundee City Council is the administering authority for the Funds. The majority of this responsibility is delegated through the Council's Policy and Resources Committee to the Pension Sub-Committee. Membership of the Sub-Committee as at 31 March 2015 is as noted below:

Committee Members	Bailie Willie Sawers (Chair)
	Cllr Jimmy Black
	Cllr Kevin Keenan
	Bailie Ian Borthwick
	Cllr Gregor Murray
	Cllr Brian Gordon

All committee members are members of Tayside Pension Funds.

Representatives (non voting)	Mrs C Shepherd (Tayside Trade Union Council)
	Vacant (Unison)
	Vacant (TGWU representing Travel Dundee Ltd)

Fund Managers	Alliance Bernstein
	Baillie Gifford & Co
	Fidelity Pension Management
	Goldman Sachs Asset Management
	Legal & General Investment Management
	M&G Investment Management
	Schroder Property Investment Management

Investment Advisor	Aon Hewitt
Actuary	Barnett Waddingham
Custodian	Northern Trust
Banker	Royal Bank of Scotland
Auditor	KPMG LLP
Corporate Governance Advisor	Pension & Investment Research Consultants Ltd (PIRC)
Performance Measurement	Northern Trust

Officers	Marjory Stewart - Executive Director of Corporate Services
	Sandy Flight - Head of Corporate Finance
	Tracey Russell - Financial Services and Investment Manager
	Roger Mennie - Head of Democratic and Legal Services

INVESTMENT COMMENTARY

The triennial actuarial valuation as at 31 March 2014 was completed during this year. This took into consideration the impact of the new career average pension scheme and, after consultation with employers and actuaries, the employer contribution rates were set for the 3 year period from 1 April 2015 at 17% for the main fund and 33.8% for the transport fund (employer contribution in 2014/15 continued at 18% and £840,000 for main and transport fund respectively). These reduced contribution rates are based on revised actuarial assumptions and funding levels of 99.8% for the main fund and 99.9% for the transport fund respectively. The valuation also introduced and included a 5% volatility reserve in both funds to allow for adverse short term financial experience in the period to next valuation.

Following a consultation process, full new governance regulations were published by Scottish Government in February requiring the set up and operation of local pension boards by 1 April 2015 and introducing a national scheme advisory board to advise Scottish ministers and individual pension schemes. Tayside Pension Fund approved a constitution, nomination and selection process and terms of reference in anticipation of the deadline. With an agreed training plan to accommodate statutory requirements, the new Pension Board are currently undertaking relevant training.

The new governance regulations also extended to pension administration and, in response to this, the existing Pension Investment Sub-Committee amended their terms of reference and remit to accommodate this and became the Pension Sub-Committee. Additional training will be required in respect of these additional responsibilities.

In terms of investment strategy and structure, the current strategy for the main fund comprising of 70% Equities, 18% bonds and 12% real estate based on liability data from the 2011 valuation remains at present, however an asset allocation review is now being considered following the recent valuation outcome which may have impact on future strategy and structure of both the main and transport fund.

Continuous review of investment management fees resulted in a successful negotiation with the last equity manager who had been subject to performance fee agreements. The fund incorporates fee assessment as part of independent performance review with investment consultants to ensure that fee rates remain as low as possible and in line with services delivered.

Investment Performance**Economic & Market Background - Financial Year to 31 March 2015**

Over the period, all major investment markets delivered positive returns, with markets showing clear economic improvement and increased investor confidence, helped by the continuing loose monetary policies within the developed countries. The UK equities market delivered growth of 7% over the 12 months, reaching record levels towards the end of the period.

Uncertainty in global security markets caused a number of short periods of volatility, thankfully with limited impact. The drop in oil value resulted in weakening Russian currency and market volatility ensued, but this also benefitted net oil importing countries, airlines and travel companies as well as consumers which was reflected in UK economic data suggesting improvement in growth and revised GDP figures.

The strength of sterling did however contribute to disappointing economic performance due to the exposure to the European export market and the effect of the weak euro.

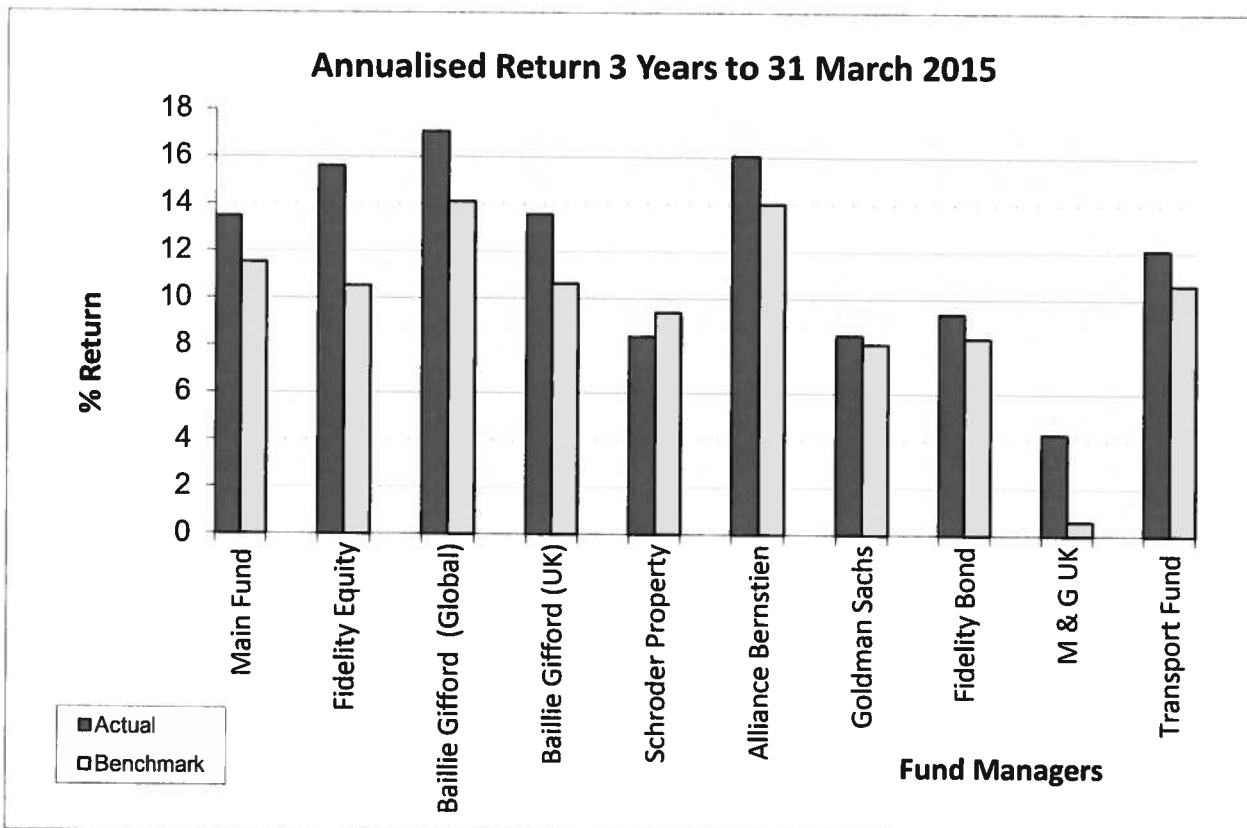
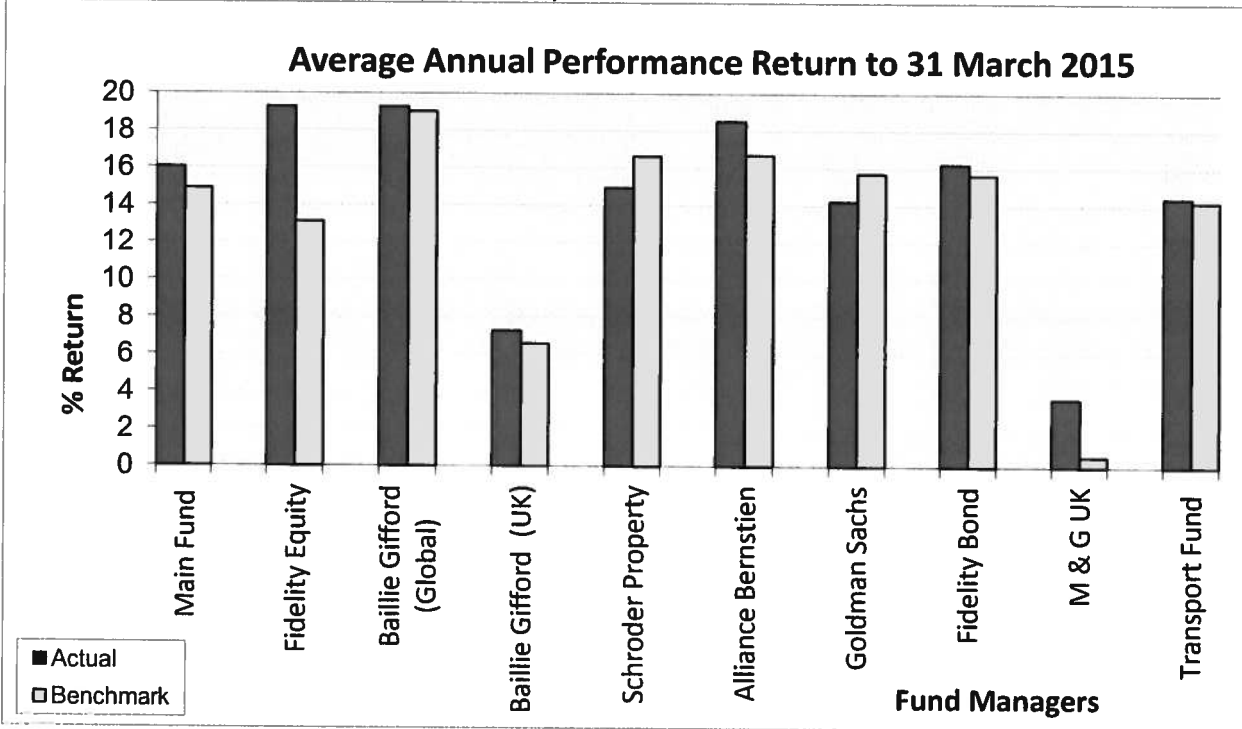
The stagnancy of the Eurozone continued throughout the financial period and the currency suffered, consistently weakening against the US Dollar and Sterling. The ECB unveiled an unprecedented package of measures in June 2014, which although strengthened by lowering interest rates further, failed to drive the recovery and growth it hoped for.

The US markets and economy was the key beneficiary of economic improvement with consecutive growth across the period. Japan entered recession once again despite improving employment and sales and the Chinese slowdown had significant impact on emerging market performance.

There was a return to stability in the latter stages of the financial period with the rise (albeit slow) in oil prices and potential green shoots of recovery in the Eurozone (albeit somewhat subdued).

Performance Measurement

In the financial year to 31 March 2015 the Main Fund returned 16.01% which was 1.14% in excess of the overall benchmark for the year. This outperformance is attributable to the individual investment managers and for Tayside Transport Fund for both 1 year and 3 year timescales is as follows:



Principal Equity Holdings (Top Five by Value) as at 31 March 2015

<u>Investment</u>	<u>Value (£000)</u>	<u>% of Total Equity Holding</u>	<u>Activities</u>
Prudential	35,938	1.779	Life Insurance
HSBC	22,453	1.111	Banks
Glaxo Smithkline PLC	21,245	1.052	Pharmaceuticals
Vodafone	19,065	0.944	Telecommunications
SABMiller	18,956	0.938	Beverage
Top Five Total	117,657	5.824	

Total Value of Equities 2,020,154

Asset Allocation and Value

These performance returns in relation to the assets invested had the following impact on the value of the funds:

Main Fund

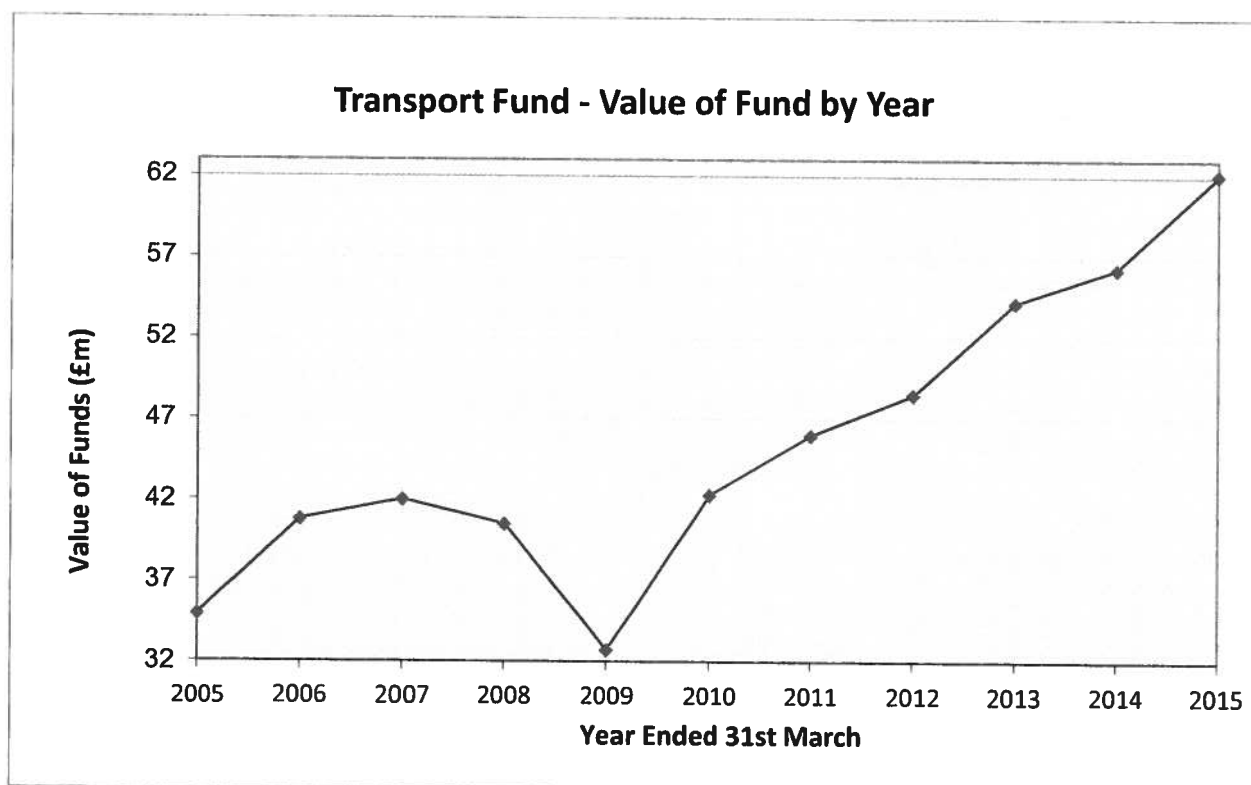
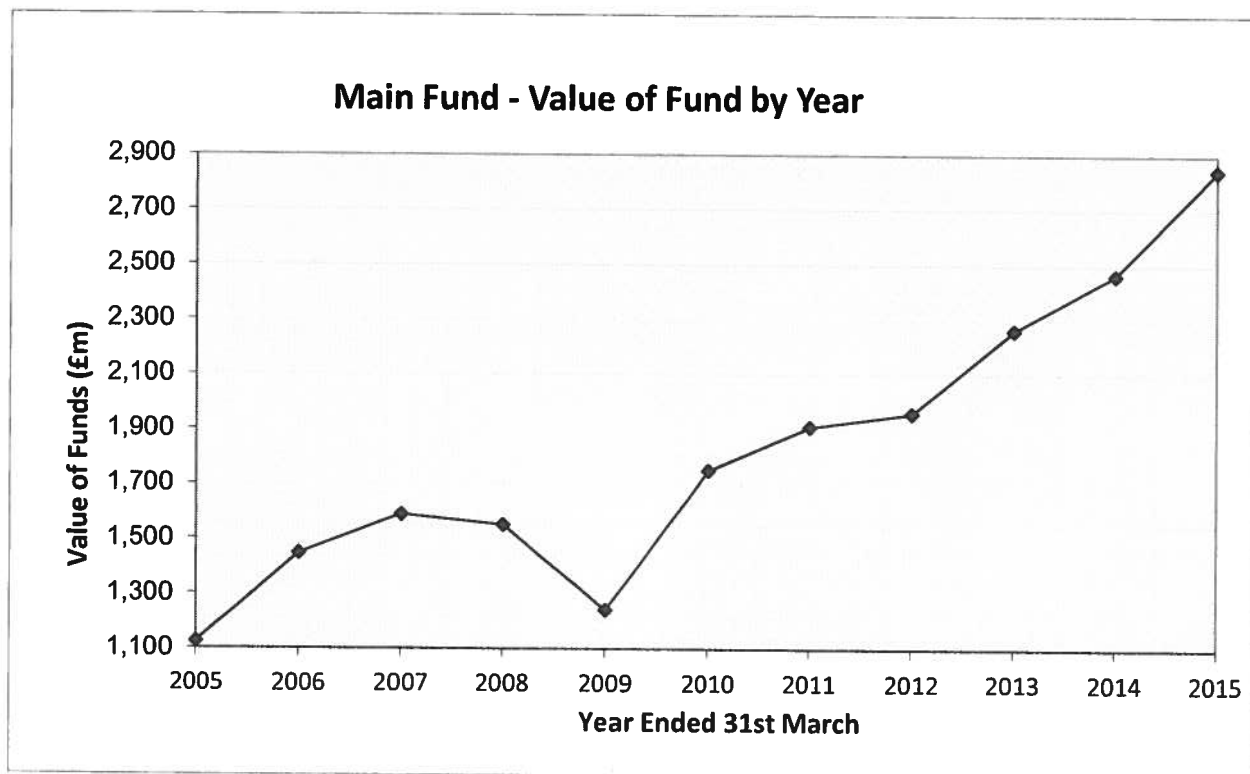
	Valuation (£m) and Distribution (%)			
	31/03/2014		31/03/2015	
Sector	£m	%	£m	%
UK Equities	666.0	27.0	736.0	25.9
UK Bonds	409.0	16.6	469.0	16.5
Overseas Bonds	13.4	0.6	20.7	0.7
Overseas Equities	1,094.1	44.4	1,282.1	45.1
Property Unit Trusts	232.6	9.5	304.4	10.7
M&G Fund	14.5	0.6	11.8	0.4
Derivatives	0.3	-	0.2	-
Cash Balance Held By Managers	25.2	1.0	16.1	0.6
Net Financial Assets	4.6	0.2	3.9	0.1
Net Current Assets / (Liabilities)	3.4	0.1	(1.1)	-
	2,463.1	100.0	2,843.1	100.0

Transport Fund

	Valuation (£m) and Distribution (%)			
	31/03/2014		31/03/2015	
Sector	£m	%	£m	%
UK Equities	14.2	25.2	15.5	24.9
UK Bonds	20.7	36.8	22.3	36.0
Overseas Bonds	1.1	2.0	1.7	2.7
Overseas Equities	15.1	26.8	15.8	25.5
Property Unit Trusts	4.0	7.1	4.5	7.2
Cash Balance Held By Managers	0.9	1.6	0.7	1.1
Net Financial Assets	0.1	0.1	0.3	0.5
Net Current Assets	0.2	0.4	1.3	2.1
	56.3	100.0	62.1	100.0

Valuation of Assets of the Pension Funds

	<u>Main Fund</u>		<u>Transport Fund</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Opening Value	2,262.3	2,463.1	54.2	56.3
New Cash Inflow/(Outflow)	54.3	43.2	(1.1)	(1.2)
Appreciation during the year	146.5	336.8	3.2	7.0
Value as at 31 March	2,463.1	2,843.1	56.3	62.1



Acknowledgement

The production of the Annual Report and Accounts is a team effort involving Corporate Finance staff as well as information provided by our external advisors. I would like to take this opportunity to acknowledge the efforts of staff in the production of the 2014/15 Annual Report and Accounts.



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



David Martin
Chief Executive
Dundee City Council
25 September 2015



Baillie Willie Sawers
Chair of Pension sub-committee
Tayside Pension Funds
25 September 2015

GOVERNANCE ARRANGEMENTS

TAYSIDE PENSION FUNDS – ANNUAL GOVERNANCE STATEMENT 1 APRIL 2014 – 31 MARCH 2015

Dundee City Council is the administering authority and scheme manager of Tayside Pension Fund, a local government pension fund covering the Tayside area. The Council is responsible for ensuring that the business of Tayside Pension Fund is conducted in accordance with the law and appropriate standards, and for ensuring there is a sound system of governance (incorporating the system of internal control).

Scope of Responsibility

The Council has set up the Pension Sub-committee to control and resolve all matters relating to the investment of assets and the overall governance of the Fund. It is the role of the Pension Sub-committee to:

- Ensure that the Fund is:
 - Compliant with the Local Government Pension Scheme Regulations and all other legislation that governs the administration of the fund.
 - Valued as required and that reports received on each valuation are considered.
- Be responsible for:
 - Setting the investment objectives and policy and the strategic asset allocation in the light of the Fund's liabilities.
 - Appointing, reviewing and assessing the performance of investment managers, investment consultants, custodians and actuaries.
 - Ensuring appropriate arrangements are in place for the administration of benefits.
 - Ensure appropriate additional voluntary contributions arrangements are in place.
- Prepare, maintain and publish the following:
 - Governance Compliance Statement.
 - Funding Strategy Statement.
 - The Authority Policy Statement.
 - Statement of Investment Principles.
 - Corporate Governance Policy.

The Governance Framework

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

The overall governance structure, including the wider responsibilities of the Committee, is set out in the Governance Compliance Statement. Regulation 27 of the Local Government Pension Scheme (Administration)(Scotland) Regulations 2008 requires administering authorities to prepare and publish a written statement setting out the terms of their current governance arrangements, incorporating guidance provided by Scottish Ministers. The statement was last reviewed by Committee in 2011 and demonstrates that the Fund is compliant with guidance provided.

Tayside Pension Fund is administered by Dundee City Council in accordance with Section 24 of its Financial Regulations. Investment policy and decisions are delegated to the Pension Sub-committee of the Policy and Resources Committee. The Pension Sub-committee provides focus on, and scrutiny over, the investment strategy and the performance of managers and the safe custody of its assets. The Sub-committee consists of 6 elected

members from the administering authority, supported by officers of the administering authority (including the Executive Director of Corporate Services) and 3 trade union representatives who have observer status.

The Sub-committee meets quarterly to consider pension matters relating to investment and governance. Additional meetings are called should any matter require an in-depth review.

The Fund also holds annual investment forums for employers and the trade unions. The agenda for these meetings includes presentations by the Actuary and the Fund's Investment and Administration Managers and covers the actuarial position, the benefits structure and investment performance.

Continuous Improvement Agenda

The following are notable planned improvements to be taken forward during 2015/16:

- Amendment to remit of the Pension Sub-committee to include pension scheme administration.
- Introduction of a Pension Board to assist in securing compliance with relevant legislation and regulation.
- Review of the Environmental, Social and Corporate Governance Policy.
- Introduction of Communication and Administration Policies.
- Introduction of an on line self-service application (LGPS PensionsWEB) to enable access to information for scheme employers and employees.

Information on the Fund is available from the following links:

Minutes of Committee meetings – www.dundee.gov.uk/minutes/meetings?in_cc=35

Publications - www.dundee.gov.uk/project-publications/pensions

- The Statement of Investment Principles, concerning the approach to the investment of the fund.
- The Business Plan, communication of the aims and objectives of the Fund for the forthcoming year.
- The Treasury Management Strategy for the forthcoming year.
- The Actuary's report on the 2014 valuation.
- The Funding Strategy Statement, concerning the identification and management of the Fund's liabilities.
- The Risk Register, concerning the application of Myners Principles.
- The Governance Policy Statement.
- The Governance Compliance Statement.
- Environmental, Social and Corporate Governance Policy for investment.



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



David Martin
Chief Executive
Dundee City Council
25 September 2015



Baillie Willie Sawers
Chair of Pension sub-committee
Tayside Pension Funds
25 September 2015

The Administering Authority's Responsibilities

The Authority is required to :

- Make arrangements for the proper administration of the financial affairs of the Pension Funds in its charge and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Executive Director of Corporate Services.
- Manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.

The Executive Director of Corporate Service's Responsibilities

The Executive Director of Corporate Services is responsible for the preparation of the Pension Funds statement of accounts which, in terms of CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice), is required to present a true and fair view of the financial position of the Pension Funds at the accounting date and their income and expenditure for the year (ended 31 March 2015).

In preparing these statements of accounts, the Executive Director of Corporate Services has :

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code of Practice, except where stated in the Statement of Accounting Policies and Notes to the Accounts

The Executive Director of Corporate Services has also:

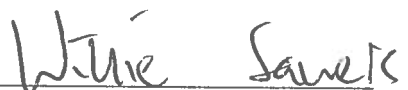
- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities

Statement of Accounts

The Statement of Accounts presents a true and fair view of the financial position of the Pension Funds as at 31 March 2015, and their income and expenditure for the year ending 31 March 2015.



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



Bailie Willie Sawers
Chair of Pension sub-committee
Tayside Pension Funds
25 September 2015

Independent auditor's report to the members of Dundee City Council as administering body for Tayside Pension Fund and Tayside Transport Pension Fund and the Accounts Commission for Scotland

We certify that we have audited the financial statements of Tayside Pension Fund and of Tayside Transport Pension Fund ("the Funds") for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements of the Funds ("the financial statements") comprise the fund account, the net assets statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code).

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

Respective responsibilities of the Executive Director of Corporate Services of Dundee City Council and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the financial transactions of the fund during the year ended 31 March 2015, and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Opinion on other prescribed matter

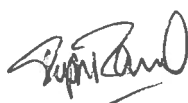
In our opinion the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- the Governance Compliance Statement does not comply with guidance from the Scottish Ministers.

We have nothing to report in respect of these matters.



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

Saltire Court

20 Castle Terrace

Edinburgh

EH1 2EG

30 September 2015

Restated 2013/2014 £000	FUND ACCOUNT	Note	2014/2015 £000	£000
	CONTRIBUTIONS AND BENEFITS			
	<u>Contributions receivable :-</u>			
67,620	From employers	5	68,776	
<u>22,364</u>	From members	5	<u>22,636</u>	
89,984				91,412
3,762	Transfers in	7		3,324
	<u>Benefits payable :-</u>			
(64,283)	Pensions		(68,545)	
<u>(19,865)</u>	Lump Sums	6	<u>(21,104)</u>	
(84,148)		6		(89,649)
	<u>Payments to and on account of Leavers :-</u>			
(179)	Refund of Contributions to Members		(233)	
(79)	Refund of Contributions to State Scheme		(115)	
<u>(4,483)</u>	Transfers Out	7	<u>(4,890)</u>	
(4,741)				(5,238)
<u>(1,192)</u>	Administration Expenses	4,14,16		<u>(1,232)</u>
3,665	Net (Withdrawals)/Deposits from dealings with Members			(1,383)
	RETURNS ON INVESTMENTS			
59,067	Investment Income	8	56,574	
146,447	Change in Market Value of Investments	9	336,802	
<u>(8,391)</u>	Investment Management Expenses	17	<u>(11,921)</u>	
<u>197,123</u>	Net Returns on Investments			<u>381,455</u>
200,788	Net increase in Fund during the year			380,072
<u>2,262,275</u>	OPENING NET ASSETS OF THE SCHEME			<u>2,463,063</u>
<u>2,463,063</u>	CLOSING NET ASSETS OF THE SCHEME			<u>2,843,135</u>

TAYSIDE PENSION FUND ACCOUNTS

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2014	NET ASSETS STATEMENT (AS AT 31 MARCH)		2015
£000	INVESTMENT ASSETS AT MARKET VALUE	Note	£000
	<u>Listed Investments</u>		£000
593,619	UK Equities		656,278
57,927	UK Pooled Funds		64,398
39,579	UK Fixed Interest - Public Sector		47,561
11,131	UK Fixed Interest – Other		7,850
77,281	UK Index Linked - Public Sector		91,285
564,960	Overseas Equities		654,486
175,409	Overseas Pooled Funds		208,047
290,860	Overseas Open Ended Investment Companies		352,658
12,841	Overseas Fixed Interest – Other		17,877
418	Derivatives (Futures)		286
	<u>Unlisted Investments</u>		
296,038	UK Open Ended Investment Companies		339,194
14,529	M&G Fund		11,782
62,821	Overseas Open Ended Investment Companies		68,140
232,546	Property Unit Trusts		304,428
25,209	Cash Balances held by Fund Managers		16,093
<u>11,598</u>	Financial Debtors	13	<u>19,691</u>
2,466,766			2,860,054
	INVESTMENT LIABILITIES		
(89)	Derivatives (Futures)		(77)
<u>(6,998)</u>	Other Financial Liabilities	13	<u>(15,823)</u>
<u>(7,087)</u>	Total Financial Liabilities		<u>(15,900)</u>
2,459,679	Net Financial Assets	9	2,844,154
	CURRENT ASSETS		
5,614	Contributions Due from Employers		7,903
1,768	Sundry Debtors	12	1,471
<u>2,318</u>	Cash and Bank		<u>1,340</u>
<u>9,700</u>			<u>10,714</u>
	LESS CURRENT LIABILITIES		
(6,316)	Sundry Creditors	12	<u>(11,733)</u>
<u>3,384</u>	NET CURRENT ASSETS		<u>(1,019)</u>
<u>2,463,063</u>	NET ASSETS		<u>2,843,135</u>

Marjory Stewart

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

Notes on pages 17 to 27 form part of the financial statements.

1 - The Local Government Pension Scheme

The Scheme is a "defined benefit scheme" which means that the benefits to which members and their spouses are entitled are determined by final pensionable pay and pensionable service.

Dundee City Council is the administering authority for Tayside Pension Fund (Main Fund). The scheme covering the Fund is statutory, approved by the Inland Revenue and contracted out of S2P (the State Second Pension).

Tayside Pension Fund is maintained for the benefit of its membership (including existing and deferred pensioners). This comprises the majority of Local Government employees within Dundee City Council, Perth and Kinross Council and Angus Council as well as 42 other "scheduled bodies" and "admitted bodies" (see appendix 1). Teachers are not included in the Scheme as they have a separate, nationally established, statutory arrangement.

2 - Basis of Preparation of the Financial Statements

Local authorities responsible for administering a pension fund that forms part of the local government pension scheme ("LGPS") are required by an amendment to The Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 to publish a pension fund annual report, which is required to include financial statements. Local authorities have a duty under section 12 of the Local Government in Scotland Act 2003 to observe proper accounting practices. The Scottish Government issued accounting Guidance for the LGPS financial statements in Finance Circular 1/2011, which clarified that pension fund financial statements within the annual report should be prepared in accordance with proper accounting practices set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 ("the Code").

3 - Statement of Accounting Policies

A summary of the more important accounting policies, which have been consistently applied, is set out below:-

Investments

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

A - UK quoted securities are valued at "bid" market prices at close of business on the last working day of the financial year.

B - Overseas securities are valued at "bid" 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 "bid" market prices on the last working day of the financial year as supplied by the Fund Manager.

Income and Expenditure

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.

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.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents comprise short term lending that is repayable on demand or within 3 months of the Balance Sheet date and that is readily convertible to known amounts of cash with insignificant risk of change in value.

Contributions

Contributions represent the amounts received from organisations participating in the Fund, these may be from the administering authority, other scheduled bodies or admitted bodies. Such amounts relate both to their own employer contributions and to those of their pensionable employees. Employee and employers contributions due as at 31 March 2015 have been accrued.

Foreign Currency

Income and expenditure arising from transactions denominated in a foreign currency are translated into £ sterling at the exchange rate in operation on the date on which the transaction occurred. Where the transaction is to be settled at a contracted rate that rate is used.

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.

Administrative Overheads and Expenses

The Pension Administration and Pension Investment sections of Dundee City Council are responsible for administering the two Pension Funds. The above sections receive an allocation of the overheads of the Council, this is based on the amount of central services consumed. In turn, these sections allocate this charge to the two Pension Funds. Costs which can be directly charged to each fund during the financial year will be, costs which are shared by both Funds are allocated in proportion to the market value or membership of the Funds as at 31 March 2015.

Acquisition Cost

Any acquisition costs of investments are included in the Book Cost of the investment.

Additional Voluntary Contributions

Additional voluntary contributions are separately invested from those of the funds. Additional voluntary contributions are not included in the financial statements in accordance with section 5(2)(c) of The Pensions Scheme (Management and Administration of Funds) Regulations 1998, but are disclosed as notes only (note 10).

Transfers to and from other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Taxation

The Fund is registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

4 - Related Parties

Details of the transactions and balances with Dundee City Council disclosed in the net asset statement are provided below :-

	2014 £000	2015 £000
Transactions		
Administration Costs	1,107	1,101
Balances		
Due from Dundee City Council as at 31 March	1,151	2,668

5 - Contributions

The total contributions receivable, analysed between administering authority, other scheduled bodies and admitted bodies, were as follows :-

	2013/2014			
	Administering Authority	Other Scheduled Bodies	Admitted Bodies	Total
	£000	£000	£000	£000
Member contributions	6,720	12,159	3,311	22,190
Employer contributions	19,712	35,964	9,212	64,888
Strain on Fund	666	2,067	173	2,906
Total	27,098	50,190	12,696	89,984

	2014/15			
	Administering Authority	Other Scheduled Bodies	Admitted Bodies	Total
	£000	£000	£000	£000
Member contributions	6,752	12,143	3,573	22,468
Employer contributions	19,887	36,091	9,936	65,914
Strain on Fund	849	1,864	317	3,030
Total	27,488	50,098	13,826	91,412

6 - Benefits

The total benefits payable, analysed between administering, other scheduled bodies and admitted bodies, were as follows :-

	Total Benefits Payable (incl. Lump Sums)		Lump sums (Retirement and Death Benefits)	
	2013/2014 £000	2014/2015 £000	2013/2014 £000	2014/2015 £000
Administering Authority	31,745	33,726	6,141	7,031
Other Scheduled Bodies	44,393	45,661	12,261	11,366
Admitted Bodies	8,010	10,262	1,463	2,707
TOTAL	84,148	89,649	19,865	21,104

7 - Transfer Values

The total transfer values received and paid, analysed between administering, other scheduled bodies and admitted bodies, were as follows :-

	Transfer Values Received		Transfer Values Paid	
	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000
Administering Authority	626	364	770	1,444
Other Scheduled Bodies	1,718	2,280	2,884	2,424
Admitted Bodies	1,418	680	829	1,022
TOTAL	3,762	3,324	4,483	4,890

8 - Investment Income

	2013/14	2014/15
	£000	£000
Interest from Fixed Interest Securities	6,490	6,600
Dividends from Equities	34,796	30,128
Income from Index Linked Securities	741	714
Income from Pooled Investment Vehicles	11,868	16,029
Interest on Cash Deposits	72	75
Other Income	5,620	3,436
	59,587	56,982
Irrecoverable Withholding Tax	(520)	(408)
	59,067	56,574

9 - Investments

Market Value of Investments Managed Externally

The Fund's investment assets are under the management of seven external fund managers. At 31 March 2015 the market value of these investment assets was £2,844.2m (2014 £2,459.7m), managed as follows:

	2014		2015	
	£m	%	£m	%
Schroder Properties Limited	235.8	9.6	310.1	10.9
Baillie Gifford & Co	656.6	26.7	708.6	24.9
Fidelity Pensions Management Equity	531.2	21.6	627.6	22.1
Alliance Bernstein	357.1	14.5	417.0	14.7
Goldman Sachs	276.2*	11.2	318.2	11.2
Fidelity Bond	150.3	6.1	174.6	6.1
M & G Investment Management	14.5	0.6	11.8	0.4
Legal & General	233.4	9.5	272.4	9.6
Financial Debtors	11.6	0.5	19.7	0.7
Financial Liabilities	(7.0)	(0.3)	(15.8)	(0.6)
Net Financial Assets	2,459.7	100.0	2,844.2	100.0

* Within the Goldman Sachs investment total above there is an investment of £149.3m (2014 £131.3m) which exceeds 5% of net assets available for benefits. This is in the GS Sterling Credit Portfolio. Although it is classed as a single investment, this is a pooled fund with over 300 holdings designed to ensure a diversified exposure to corporate bonds.

Summary of contracts held at 31 March 2015

		Economic Exposure			
	Settlement Date	£000	Asset £000	Liability £000	Net £000
FTSE100	3 months	1,076	1	-	1
10 yr Cdn Bund	3 months	(68)	-	(3)	(3)
Eurx E-Schatz	3 months	1,288	-	(7)	(7)
Eurx Bobl	3 months	749	-	(3)	(3)
Eux BTP	3 months	915	5	-	5
Eux Foat	3 months	(1,468)	-	(13)	(13)
LIF Long Gilt	3 months	14,610	243	-	243
10 yr Treasury Note	3 months	(4,428)	-	(1)	(1)
5 yr Treasury Note	3 months	1,296	-	(10)	(10)
CBT Treasury Bonds	3 months	(801)	-	(40)	(40)
US 2 yr Treasury Note	3 months	886	37	-	37
		14,055	286	(77)	209

The economic exposure represents the nominal value of securities purchased under future contracts and therefore the value subject to market movements. All future contracts are exchange traded. The Fund uses futures for the purposes of efficient portfolio management and/or risk reduction.

Investment Movement Summary

	Value at 01/04/2014 £m	Purchases at Cost £m	Sales Proceeds £m	Change in Market Value £m	Value at 31/03/2015 £m
Schroder Property	232.6	63.9	(10.6)	18.5	304.4
Baillie Gifford Global	320.0	59.6	(78.2)	55.9	357.3
Fidelity Equity	531.1	108.8	(103.3)	90.7	627.3
Alliance Bernstein	354.2	177.7	(172.7)	57.4	416.6
Goldman Sachs	273.2	179.8	(177.6)	39.9	315.3
Fidelity Bond	150.3	5.1	-	19.2	174.6
Baillie Gifford UK	320.7	44.2	(35.2)	14.8	344.5
M&G Fund	14.5	-	(3.2)	0.5	11.8
Legal & General	233.3	-	-	39.1	272.4
	2,429.9	639.1	(580.8)	336.0	2824.2
Financial Liabilities	(7.0)				(15.8)
Cash Deposits	25.2			0.8	16.1
Financial Debtors	11.6				19.7
Net Financial Assets	2,459.7			336.8	2,844.2

Transaction Costs

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the fund such as fees, commissions, stamp duty and other fees. The total for the year was £1.532.6m (2014 £1.242.0m).

Securities Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2015 was nil (2014 nil).

10 - Additional Voluntary Contributions (AVCs)

As AVCs are invested separately from the investments of the scheme itself and secure extra benefits on a money purchase basis for members that have elected to contribute, it has been decided in accordance with The Pensions Scheme (Management and Investment of Funds) Regulations 1998 not to include the relevant figures in the financial statements. AVCs managed by Standard Life had contributions of £273,503 during 2014/2015 (2014 £376,192) and value at 5 April 2015 was £4,897,481 (2014 £4,714,910). AVCs managed by Prudential had contributions of £1,119,525 during 2014/2015 (2013 £1,231,577) and a value at 31 March 2015 was £2,581,863 (2014 £1,956,589).

11 - Actuarial Present Value of Promised Retirement Benefits

The actuarial value of the promised retirement benefits as at 31 March 2015, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £3,478.8m (2014 £3,505.6m) of which £3,264.8m (2014 £2,424.2) is a vested obligation and £214.0m (2014 £1,081.4m) is a non-vested obligation. This figure is used for statutory accounting purposes by Tayside Pension Fund and complies with the requirements of IAS26. The figure is only prepared for the purposes of IAS26 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting of contributions payable to the Fund.

12 - Sundry Debtors and Creditors

Sundry Debtors total £1.471m as at 31 March 2015 (2014 £1.768m), this figure contains pending sales ledger income (£0.492m), management fees rebate from Fidelity (£0.911m) and miscellaneous debtors (£0.068m).

Sundry Creditors total £11.733m as at 31 March 2015 (2014 £6.316m), this figure contains unpaid benefits (£3.010m), custodian fees (£0.051m), Investment Manager fees (£8.551m), Consultancy fees (£0.057m), pending purchase ledger payments (£0.006m) and miscellaneous creditors (£0.058m).

13 - Other Financial Liabilities and Financial Debtors

Other Financial Liabilities total £15.823m as at 31 March 2015 (2014 £6.998m). This wholly represents pending purchase transactions.

Financial Debtors total £19.691m as at 31 March 2015 (2014 £11.598m). This is made up of pending sales transactions (£13.037m) and investment income (£6.654m).

14 - Audit Fee

The Pension Funds have been subject to a separate external audit to that of the Council. The Main Fund incurred an audit fee of £21,038 for 2014/15 financial year.

15 – Other Services Provided by KPMG LLP

During 2014/15 Tayside Pension Funds had one direct transaction with KPMG LLP, this transaction (£1,800) was in respect of taxation services provided for withholding tax claims made in Spain.

16 – Management Expenses

	Restated	
	2013/14	2014/15
	£000	£000
Administrative costs	1,098	1,138
Investment management expenses	8,391	11,921
Oversight and governance costs	94	94
	<u>9,583</u>	<u>13,153</u>

Administration costs have been restated in 2013/14 due to investment consultancy (£28k) being included in error, this has now been included as part of Investment management expenses.

17 – Investment Expenses

	Restated	
	2013/14	2014/15
	£000	£000
Management fees	8,158	11,716
Custody fees	180	148
Performance monitoring service	25	25
Investment consultancy	28	32
	<u>8,391</u>	<u>11,921</u>

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

The new CARE scheme came into effect on 1 April 2015. There is an increased risk of error / communication failure due to lack of awareness of new scheme regulations. The Fund manages this risk through employer updates, a newsletter and specialist sessions at an annual forum.

Responsibility for managing the Fund's risk rests with the Pension Sub-Committee. A risk register for the Fund has been established to identify and analyse the risks that the Fund faces.

A) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment adviser undertake appropriate monitoring of market conditions and benchmark analysis.

i) Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk, arising from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

Other price risk—sensitivity analysis

Following analysis of historical data and expected investment return movements, in consultation with the Council's investment adviser, it has been determined that the following movements in market price risk are reasonably possible for this reporting period:

	Potential Market Movement
	+/- per annum
Equities	
UK	19.00%
Emerging Market	30.00%
Global	18.00%
Bonds	
UK Index-Linked Gilts	9.00%
UK Gilts	11.00%
UK Corporate	9.00%
Other	13.00%
Property	12.50%
Alternatives	9.00%
Cash	0.00%

Potential price changes are determined based on the historical volatility of asset class returns and expected future returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets and are based on the investment adviser's firm's assumptions for asset class volatilities as at 31 March 2015.

If the market price of the Fund investments increases/decreases in line with the above, the change in the net assets available to pay benefits in the market price could be as follows:

			Potential change in year in the net assets available to pay benefits	
	Value £	% Change	Favourable Market Movement £	Unfavourable Market Movement £
Equities				
UK	736,019,087	19.00%	875,862,714	596,175,460
Emerging Market	178,208,651	30.00%	231,671,246	124,746,056
Global	1,103,867,976	18.00%	1,302,564,212	905,171,740
Bonds				
UK Index-Linked Gilts	140,328,250	9.00%	152,957,793	127,698,708
UK Gilts	69,994,535	11.00%	77,693,934	62,295,136
UK Corporate	258,637,855	9.00%	281,915,262	235,360,448
Other	20,716,660	13.00%	23,409,826	18,023,494
Property	304,428,172	12.50%	342,481,694	266,374,651
Alternatives	11,781,464	9.00%	12,841,796	10,721,132
Cash	21,511,351	0.00%	21,511,351	21,511,351
Total	2,845,494,001	14.40%	3,255,245,137	2,435,742,865

ii) Interest rate risk sensitivity analysis

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Council and its investment adviser, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

The Fund's direct exposure to interest rate movements as at 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

The analysis assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 Basis Points (BPS) change in interest rates:

Asset Type	Carrying amount as at 31 March 2015 (£)	Potential change in year in the net assets available to pay benefits £	
		100bps	-100 bps
Fixed Interest Securities	489,677,300	-58,600,777	67,280,116
Cash	21,511,351	0	0
Total change in assets available	511,188,651	-58,600,777	67,280,116

A 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value and vice versa. A 1% increase in interest rates does not impact the value of cash balances but will increase the interest income received on those balances by £215,113, and vice versa.

iii) Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund does not have a currency hedging programme but individual investment managers may hedge some currencies from time to time on a tactical basis. As any hedging could be temporary, the analysis below does not allow for any currencies that are hedged at 31 March 2015. The Fund is invested in equities and bonds that are denominated in currencies other than £UK. The following table summarises the Fund's currency exposure at 31 March 2015:

Currency exposure - asset type	Asset value
	31-Mar-15
Overseas Index-Linked - Public Sector	£1,585,924
Overseas Equities	£654,485,700
Overseas OEIC (listed)	£352,657,668
Overseas OEIC (unlisted)	£68,139,904
Overseas Fixed Interest - Other	£17,876,813
Overseas Pooled Investments	£208,047,278
Total overseas assets	£1,302,793,287

Following analysis of historical data, the likely volatility associated with foreign exchange movements on an individual currency basis is shown in the following table. The weight of each currency in relation to the total currency basket is multiplied by the change in its exchange rate (relative to GBP) to create the aggregate potential currency change of the 'basket' and the % Change in Total Currency includes the impact of correlation across the underlying currencies. The likely volatility is 7.40% (as measured by one standard deviation).

Currency exposure - asset type	Asset value	Change to net assets available to pay benefits	
	31-Mar-15	-7.40%	7.40%
Overseas Index-Linked - Public Sector	£1,585,924	£1,468,566	£1,703,282
Overseas Equities	£654,485,700	£606,053,758	£702,917,642
Overseas OEIC (listed)	£352,657,668	£326,561,001	£378,754,335
Overseas OEIC (unlisted)	£68,139,904	£63,097,551	£73,182,257
Overseas Fixed Interest - Other	£17,876,813	£16,553,929	£19,199,697
Overseas Pooled Investments	£208,047,278	£192,651,779	£223,442,777
Total overseas assets	£1,302,793,287	£1,206,386,584	£1,399,199,990

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the financial assets and liabilities. The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The Fund has an Annual Treasury Strategy which sets out the approach to credit risk for internally managed funds. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Fund has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. The Fund believes it has managed its exposure to credit risk, and the Fund has had no experience of default or uncollectable deposits over the past five financial years. The cash holding under its treasury management arrangements at 31 March 2015, including current account cash, was £3.1m (2014 : £2.8m). This was held with the following institutions :-

	Credit Rating	Balance as at 31 March 2014	Balance as at 31 March 2015
Bank deposit accounts :-			
Royal Bank of Scotland	F1	2,670	-
Bank of Scotland	F1	-	-
Santander	F1	-	3,050
Bank current accounts :-			
Royal Bank of Scotland	F1	125	21

During June 2015, Royal Bank of Scotland's credit rating was downgraded to F2, this means the Fund will no longer invest internally managed cash with this institution in line with approved Treasury Strategy.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash.

Actuarial Statement for 2014/2015

This statement has been prepared in accordance with Regulation 76 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 1998.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), effective from 1 April 2014. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund.
- to minimise the degree of short-term change in employer contribution rates.
- to ensure that sufficient cash is available to meet all liabilities as they fall due for payment.
- to help employers manage their pension liabilities.
- to maximise the returns from investments within reasonable and considered risk parameters, and hence minimise the cost to the employer.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the Last Formal Funding Valuation

The most recent actuarial valuation carried out under Regulation 76 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 1998 was as at 31 March 2014. This valuation revealed that the Fund's assets, which at 31 March 2014 were valued at £2,463.1 million, were sufficient to meet 99.8% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2014 valuation was £4.8m. Individual employers' contributions for the period 1 April 2015 to 31 March 2018 were set in accordance with the Fund's funding policy as set out in its Funding Strategy Statement.

Principal Actuarial Assumptions and Method Used to Value the Liabilities

Full details of the methods and assumptions used are described in the valuation report dated February 2015, a copy of which can be found on Tayside Superannuation Funds website (www.dundee.gov.uk/pensions).

Method

The method adopted at this valuation is known as the "Projected Unit Method". The key feature of this method is that in assessing the future service cost the Actuary will calculate the contribution rate which meets the cost of one year benefit accrual. This is the same method adopted at the previous valuation and is an appropriate method for a Fund which is open to new members.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2014 valuation were as follows:

<u>Investment Return</u>	pa
Equities	5.9%
Gilts	3.6%
Cash	3.4%
Bonds	4.1%
Property	5.5%
<u>Financial Assumptions</u>	pa
Discount Rate	5.4%
Retail Price Index	3.6% (20 year point on BoE Inflation curve)
Consumer Price Index	2.8% (RPI less 0.8%)
Pension Increases	2.8% (RPI less 0.8%)
Short-term pay increases	In line with CPI assumption for 2 years to 31/03/16
Long-term pay increases	4.6% (RPI plus 1%)

The key demographic assumption was the allowance made for longevity. The longevity assumptions adopted at this valuation were in line with standard PA92 mortality tables.

Experience Over the Period Since April 2014

The Administering Authority monitors the funding position on a regular basis as part of its risk management programme. The most recent funding update was produced as at 31 March 2015.

	Main Fund @ 99.8%				
	Net Reserve		CARE ongoing % Value of payroll	Net Reserve required to maintain current contribution	
Date	£'000	%	%	£'000	%
31 March 2014	87,317	3.5	16.5	-	-
31 March 2015	242,956	8.5	17.3	7,806	0.3

The results show the net excess / deficit from the set funding levels at actuarial valuation of 31 March 2014 and the requirements to maintain the current level of employer contribution considering changes to asset values and the ongoing liability costs of the scheme to employers.

These results are calculated by projecting forward from the last valuation allowing for estimated investment returns, pay and pension increases, benefits paid and contributions made and any changes in underlying market conditions. Experience in terms of factors such as retirement or mortality are not updated.

The results are therefore only a broad indication of the current position and can only give an approximate guide to the position.

The smoothed basis is derived from an average position over a six month period.

The next actuarial valuation will be carried out as at 31 March 2017. The Funding Strategy Statement will also be reviewed in March 2017.

2013/2014	FUND ACCOUNT		2014/2015	
£000			£000	£000
	CONTRIBUTIONS AND BENEFITS	Note		
	<u>Contributions receivable:-</u>			
899	From employers		840	
<u>89</u>	From members		<u>76</u>	
988				916
	<u>Benefits payable:-</u>			
(1,958)	Pensions		(2,036)	
<u>(689)</u>	Lump Sums		<u>(515)</u>	
(2,647)				(2,551)
	<u>Payments to and on account of Leavers:-</u>			
-	Transfers Out		<u>(78)</u>	
-				(78)
<u>(30)</u>	Administration Expenses	10,11		<u>(36)</u>
(1,689)	Net Withdrawals from dealings with Members			(1,749)
	RETURNS ON INVESTMENTS			
799	Investment Income	5	810	
3,191	Change in Market Value of Investments	6	6,981	
<u>(180)</u>	Investment Management Expenses	12	<u>(199)</u>	
<u>3,810</u>	Net Returns on Investments			<u>7,592</u>
2,121	Net increase in Fund during the year			5,843
<u>54,170</u>	OPENING NET ASSETS OF THE SCHEME			<u>56,291</u>
<u>56,291</u>	CLOSING NET ASSETS OF THE SCHEME			<u>62,134</u>

Notes on pages 32 to 37 form part of the financial statements.

2014 £000	NET ASSETS STATEMENT (AS AT 31 MARCH)	Note	2015	
			£000	£000
	INVESTMENT ASSETS AT MARKET VALUE			
	<u>Listed Investments</u>			
14,230	UK Equities		14,811	
3,550	UK Fixed Interest - Public Sector		3,609	
596	UK Fixed Interest - Other		515	
6,085	UK Index Linked - Public Sector		6,892	
14,397	Overseas Equities		15,827	
1,036	Overseas Fixed Interest - Other		1,490	
35	Derivatives (Futures)		18	
	<u>Unlisted Investments</u>			
11,137	UK Open Ended Investment Companies		12,092	
92	Overseas Open Ended Investment Companies		105	
3,986	Property Unit Trusts		4,510	
836	Cash Balances held by Fund Managers		700	
<u>101</u>	Financial Debtors	9	<u>1,014</u>	
56,081				61,583
	INVESTMENT LIABILITIES			
(8)	Derivatives (Futures)		(9)	
<u>(17)</u>	Other Financial Liabilities	9	<u>(744)</u>	
<u>(25)</u>	Total Financial Liabilities			<u>(753)</u>
56,056	Net Financial Assets	6		60,830
	CURRENT ASSETS			
6	Contributions Due from Employers		6	
-	Sundry Debtors		1	
<u>311</u>	Cash and Bank		<u>1,355</u>	
317			1,362	
	LESS CURRENT LIABILITIES			
(82)	Sundry Creditors	8	<u>(58)</u>	
<u>235</u>	NET CURRENT ASSETS			<u>1,304</u>
<u>56,291</u>	NET ASSETS			<u>62,134</u>



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

Notes on pages 32 to 37 form part of the financial statements.

1 - Local Government Pension Scheme

Tayside Transport Superannuation Fund began as a result of the 1985 Transport Act when 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.

2 - Basis of Preparation

Local authorities responsible for administering a pension fund that forms part of the local government pension scheme ("LGPS") are required by an amendment to The Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 to publish a pension fund annual report, which is required to include financial statements. Local authorities have a duty under section 12 of the Local Government in Scotland Act 2003 to observe proper accounting practices. The Scottish Government issued accounting Guidance for the LGPS financial statements in Finance Circular 1/2011, which clarified that pension fund financial statement within the annual report should be prepared in accordance with proper accounting practices set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 ("the Code").

3 - Statement of Accounting Policies

The accounting policies of Tayside Transport Pension Fund are consistent with those adopted for Tayside Pension Fund as outlined on pages 17 and 18.

4 - Related Parties

There were no transactions with related parties during the year.

5 - Investment Income

	2013/14	2014/15
	£'000	£'000
Interest from Fixed Interest Securities	182	151
Dividends from Equities	387	422
Income from Index Linked Securities	58	54
Income Pooled Investment Vehicles	166	177
Interest on Cash Deposits	6	6
	<u>799</u>	<u>810</u>

6 - Investments

Market Value of Investments Managed Externally

The Fund's investment assets are under the management of three external fund managers. At 31 March 2015 the market value of these investment assets was £60.8m (2014 £56.1m), managed as follows:-

	2014		2015	
	£m	%	£m	%
Schroder Properties Limited	4.2	7.5	4.9	8.1
Baillie Gifford & Co	29.7*	53.0	31.5*	51.8
Goldman Sachs	22.1**	39.4	24.1**	39.7
Financial Debtors	0.1	0.1	1.0	1.6
Financial Liabilities	-	-	(0.7)	(1.2)
Net Financial Assets	<u>56.1</u>	<u>100.0</u>	<u>60.8</u>	<u>100.0</u>

* Within the Baillie Gifford investment total above there is an investment of £15.8m (2014 £14.4m) which exceeds 5% of net assets available for benefits. This investment is in Baillie Gifford Global Life Fund.

** Within the Goldman Sachs investment total above there is an investment of £11.4m (2014 £10.5m) which exceeds 5% of net assets available for benefits. This investment is in the GS Sterling Credit Portfolio. Although it is classed as a single investment, this is a pooled fund with over 300 holdings designed to ensure a diversified exposure to corporate bonds.

Summary of contracts held at 31 March 2015

	Settlement Date	Economic Exposure			
		£000	Asset £000	Liability £000	Net £000
Eurx Bund	3 months	115	1	-	1
Eurx Foat	3 months	(113)	-	(1)	(1)
LIF Long Gilt	3 months	966	17	-	17
10 yr Treasury Note	3 months	(608)	-	(7)	(7)
5 yr Treasury Note	3 months	567	-	-	-
US 2 yr Treasury Note	3 months	(295)	-	(1)	(1)
		632	18	(9)	9

The economic exposure represents the nominal value of security purchased under future contracts and therefore the value subject to market movements. All future contracts are exchange traded. The Fund uses futures for the purposes of efficient portfolio management and/or risk reduction.

Investment Movement Summary

	Value at 01/04/2014 £m	Purchases at Cost £m	Sales Proceeds £m	Change in Market Value £m	Value at 31/03/2015 £m
Schroder Property	4.0	-	-	0.5	4.5
Baillie Gifford Global	14.4	-	(1.5)	2.9	15.8
Goldman Sachs	21.9	14.0	(14.9)	3.0	24.0
Baillie Gifford UK	14.9	1.6	(1.6)	0.6	15.5
	55.2	15.6	(18.0)	7.0	59.8
Financial Liabilities	-				(0.7)
Cash Deposits	0.8			(0.1)	0.7
Financial Debtors	0.1				1.0
Net Financial Assets	56.1			6.9	60.8

Transaction Costs

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the fund such as fees, commissions, stamp duty and other fees. The total for the year was £10,344 (2013/2014 £2,846).

Securities Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2015 was nil (2014 Nil).

7 - Actuarial Present Value of Promised Retirement Benefits

The actuarial value of the promised retirement benefits as at 31 March 2015, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £54.3m (2014 £57.6m) of which £53.2m (2014 £50.6m) is a vested obligation and £1.1m (2014 £7.0m) is a non-vested obligation. This figure is used for statutory accounting purposes by Tayside Pension Fund and complies with the requirements of IAS26. The figure is only prepared for the purposes of IAS26 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting of contributions payable to the Fund.

8 - Sundry Creditors

Sundry Creditors total £0.058m as at 31 March 2015 (2014 £0.082m), this figure contains custodian fees (£0.008m), investment manager fees (£0.038m) and investment consultancy of (£0.012m).

9 - Other Financial Liabilities and Financial Debtors

Other Financial Liabilities total £0.744m as at 31 March 2015 (2014 £0.017m), this figure is solely for pending purchase transactions.

Financial Debtors total £1.014m as at 31 March 2015 (2014 £0.101m), this is made up of pending sales transactions (£0.883m) and investment income (£0.131m).

10 - Audit Fee

The Pension Funds have been subject to a separate external audit to that of the Council. The Transport Fund incurred an audit fee of £7,013 for 2014/15 financial year.

11 – Management Expenses

	2013/14	2014/15
	£000	£000
Administrative costs	29	35
Investment management expenses	180	199
Oversight and governance costs	1	1
	<u>210</u>	<u>235</u>

12 – Investment Expenses

	2013/14	2014/15
	£000	£000
Management fees	150	161
Custody fees	20	19
Performance monitoring service	10	10
Investment consultancy	-	9
	<u>180</u>	<u>199</u>

13 - Nature and Extent of Risks arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

The new CARE scheme came into effect on 1 April 2015. There is an increased risk of error / communication failure due to lack of awareness of new scheme regulations. The Fund manages this risk through employer updates, a newsletter and specialist sessions at an annual forum.

Responsibility for managing the Fund's risk rests with the Pension Sub-Committee. A risk register for the Fund has been established to identify and analyse the risks that the Fund faces.

B) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment adviser undertake appropriate monitoring of market conditions and benchmark analysis.

iv) Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk, arising from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

Other price risk—sensitivity analysis

Following analysis of historical data and expected investment return movements, in consultation with the Council's investment adviser, it has been determined that the following movements in market price risk are reasonably possible for this reporting period:

	Potential Market Movement
	+/- per annum
Equities	
UK	19.00%
Emerging Market	30.00%
Global	18.00%
Bonds	
UK Index-Linked Gilts	9.00%
UK Gilts	11.00%
UK Corporate	9.00%
Other	13.00%
Property	12.50%
Alternatives	9.00%
Cash	0.00%

Potential price changes are determined based on the historical volatility of asset class returns and expected future returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets and are based on the investment adviser's firm's assumptions for asset class volatilities as at 31 March 2015.

If the market price of the Fund investments increases/decreases in line with the above, the change in the net assets available to pay benefits in the market price could be as follows:

	Value £	% Change	Potential change in year in the net assets available to pay benefits	
			Favourable Market Movement £	Unfavourable Market Movement £
Equities				
UK	15,498,644	19.00%	18,443,386	12,553,902
Emerging Market	427,357	30.00%	555,564	299,150
Global	15,400,677	18.00%	18,172,799	12,628,555
Bonds				
UK Index-Linked Gilts	6,812,144	9.00%	7,425,237	6,199,051
UK Gilts	3,609,297	11.00%	4,006,320	3,212,274
UK Corporate	11,919,343	9.00%	12,992,084	10,846,602
Other	1,674,614	13.00%	1,892,314	1,456,914
Property	4,509,663	12.50%	5,073,371	3,945,955
Cash	2,333,292	0.00%	2,333,292	2,333,292
Total	62,185,031	10.50%	68,714,459	55,655,603

v) Interest rate risk sensitivity analysis

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Council and its investment adviser, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

The Fund's direct exposure to interest rate movements as at 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

The analysis assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 Basis Points (BPS) change in interest rates:

Asset Type	Carrying amount as at 31 March 2015 (£)	Potential change in year in the net assets available to pay benefits £	
		100bps	-100 bps
Fixed Interest Securities	24,015,398	-2,869,827	3,294,222
Cash	2,333,292	0	0
Total change in assets available	26,348,690	-2,869,827	3,294,222

A 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value and vice versa. A 1% increase in interest rates does not impact the value of cash balances but will increase the interest income received on those balances by £23,333, and vice versa.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund does not have a currency hedging programme but individual investment managers may hedge some currencies from time to time on a tactical basis. As any hedging could be temporary, the analysis below does not allow for any currencies that are hedged at 31 March 2015.

The Fund is invested in equities and bonds that are denominated in currencies other than £UK. The following table summarises the Fund's currency exposure at 31 March 2015:

Currency exposure - asset type	Asset value
	31-Mar-15
Overseas Index-Linked - Public Sector	£79,410
Overseas OEIC (unlisted)	£105,033
Overseas Fixed Interest - Other	£1,490,171
Overseas Pooled Investments	£15,828,034
Total overseas assets	£17,502,648

Currency risk- sensitivity analysis

Following analysis of historical data, the likely volatility associated with foreign exchange movements on an individual currency basis is shown in the following table. The weight of each currency in relation to the total currency basket is multiplied by the change in its exchange rate (relative to GBP) to create the aggregate potential currency change of the 'basket' and the % Change in Total Currency includes the impact of correlation across the underlying currencies. The likely volatility is 2.5% (as measured by one standard deviation).

Currency exposure - asset type	Asset value	Change to net assets available to pay benefits	
	31-Mar-15	-2.50%	2.50%
Overseas Index-Linked - Public Sector	£79,410	£77,425	£81,395
Overseas OEIC (unlisted)	£105,033	£102,407	£107,659
Overseas Fixed Interest - Other	£1,490,171	£1,452,917	£1,527,425
Overseas Pooled Investments	£15,828,034	£15,432,333	£16,223,735
Total overseas assets	£17,502,648	£17,065,082	£17,940,214

TAYSIDE TRANSPORT PENSION FUND

Actuarial Statement for 2014/2015

This statement has been prepared in accordance with Regulation 76 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 1998.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), effective from 1 April 2014. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund.
- to minimise the degree of short-term change in employer contribution rates.
- to ensure that sufficient cash is available to meet all liabilities as they fall due for payment.
- to help employers manage their pension liabilities.
- to maximise the returns from investments within reasonable and considered risk parameters, and hence minimise the cost to the employer.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the Last Formal Funding Valuation

The most recent actuarial valuation carried out under Regulation 76 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 1998 was as at 31 March 2014. This valuation revealed that the Fund's assets, which at 31 March 2014 were valued at £56.3 million, were sufficient to meet 99.9% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2014 valuation was £0.1m. Employer contributions for the period 1 April 2015 to 31 March 2018 were set in accordance with the Fund's funding policy as set out in its Funding Strategy Statement.

Principal Actuarial Assumptions and Method Used to Value the Liabilities

Full details of the methods and assumptions used are described in the valuation report dated February 2015, a copy of which can be found on Tayside Superannuation Funds website (www.dundee.gov.uk/pensions).

Method

The method adopted at this valuation is known as the "Attained Age Method". The key feature of this method is that in assessing the future service cost the Actuary calculates the contribution rate which meets the cost of benefits accruing up to retirement age. This is the same method adopted at the previous valuation and is an appropriate method for a Fund which is closed to new members.

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2014 valuation were as follows:

Investment Return	pa
Equities	5.9%
Gilts	3.6%
Cash	3.4%
Bonds	4.1%
Property	5.5%
Financial Assumptions	pa
Discount Rate	3.6%
Retail Price Index	3.6% (20 year point on BoE Inflation curve)
Consumer Price Index	2.8% (RPI less 0.8%)
Pension Increases	2.8% (RPI less 0.8%)
Short-term pay increases	In line with CPI assumption for 2 years to 31/03/16
Long-term pay increases	4.6% (RPI plus 1%)

The key demographic assumption was the allowance made for longevity. The longevity assumptions adopted at this valuation were in line with standard PA92 mortality tables.

Experience Over the Period Since April 2014

The Administering Authority monitors the funding position on a regular basis as part of its risk management programme. The most recent funding update was produced as at 31 March 2015.

	Transport Fund @ 99.9%				
	Net Reserve		CARE ongoing % Value of payroll	Net Reserve required to maintain current contribution	
Date	£'000	%	%	£'000	%
31 March 2014	2,554	4.5	33.8	-	-
31 March 2015	895	1.4	40.8	250	0.4

The results show the net excess / deficit from the set funding levels at actuarial valuation of 31 March 2014 and the requirements to maintain the current level of employer contribution considering changes to asset values and the ongoing liability costs of the scheme to employers.

These results are calculated by projecting forward from the last valuation allowing for estimated investment returns, pay and pension increases, benefits paid and contributions made and any changes in underlying market conditions. Experience in terms of factors such as retirement or mortality are not updated.

The results are therefore only a broad indication of the current position and can only give an approximate guide to the position.

The smoothed basis is derived from an average position over a six month period.

The next actuarial valuation will be carried out as at 31 March 2017. The Funding Strategy Statement will also be reviewed in March 2017.

The employers with active members as at 31 March 2015 are as follows :-

Scheduled Bodies (14) :-

Angus Council	Scottish Police Services Authority
Dundee City Council	TACTRAN
Dundee and Angus College	Tayplan
Perth & Kinross Council	Tay Road Bridge Joint Board
Perth College	Tayside Contracts
Scottish Fire & Rescue Service (Civilians)	Tayside Valuation Joint Board
Scottish Police Authority (Civilians)	Visit Scotland

Admitted Bodies (30) :-

Abertay Housing Association	Live Active Ltd
Balnacraig School	Mitie PFI Ltd
Carnoustie Golf Links	Montrose Links Trust
Carolina House Trust	Montrose Port Authority
Dorward House	National Express Dundee
Dovetail Enterprises	Perth & Kinross Countryside Trust
Duncan of Jordanstone College of Art	Perth & Kinross Society for the Blind
Dundee Citizens' Advice Bureau	Perth Citizens' Advice Bureau
Dundee Contemporary Arts Ltd	Perth Theatre Co Ltd
Dundee Science Centre	Robertsons Facilities Management
Dundee Society for Visually Impaired People	Rossie School
Dundee Voluntary Action	Scottish Social Services Council
Forfar Day Care Committee	Social Care and Social Work Improvement Scotland
Highlands & Islands Airports Ltd	Tayside Community Justice Authority
Leisure and Culture Dundee	University of Abertay, Dundee

Key Documents Online

The following documents are on the website's (www.dundee.gov.uk/pensions) publications section :

- Actuarial Valuation Reports
- Funding Strategy Statement
- Statement of Investment Principles
- Treasury Management Strategy
- Risk Register
- Annual Report and Accounts

Contact Details

Enquiries regarding investments, individual benefits, contributions or pensions in payment or requests for further information should be addressed to:-

Tracey Russell, Financial Services and Investment Manager
Dundee City Council, Floor 4, 50 North Lindsay Street, Dundee DD1 1NZ
(01382) 431333

Other Contacts

The Occupational Pensions Advisory Service (OPAS)

In the event of a dispute, members have recourse initially to an internal dispute procedures and if still not satisfied to the Scottish Minister and in addition may contact the following bodies.

The Occupational Pensions Advisory Service (OPAS), 11 Belgrave Road, London, SW1V 1RB

This organisation is available to assist members and beneficiaries of occupational pension schemes in connection with difficulties, which they have been unable to resolve with the trustees or administrators of their scheme. For problems that cannot be settled through OPAS, a Pensions Ombudsman (based at the same address as OPAS) has been appointed. The Ombudsman has power to investigate and determine complaints or disputes of fact or law in relation to occupational pension schemes. The Ombudsman can only become involved after a dispute has been to the Scottish Ministers.

Registry of Occupational Pension Schemes

The Registry acts as a central tracing agency to help individuals keep track of any benefits they may have in previous employers' pension schemes. The Council's Scheme and the names and addresses of all current and previous participating employers have been registered with the Registrar.

Registry of Occupational Pension Schemes, PO Box 1NN, Newcastle upon Tyne, NE99 1NN

The Pensions Regulator (www.thepensionsregulator.gov.uk)

The Pensions Regulator is the UK regulator of work-based pension schemes. They work with trustees, employers, pension specialists and business advisers, giving guidance on what is expected of them. The principal aim is to prevent problems from developing. They use their powers flexibly, reasonably and appropriately, with the aim of putting things right and keeping schemes, and employers on the right track for the long term.

